

Enbridge Northern Gateway Pipelines Project

BACKGROUNDER

Project Description

- Two 1170 km pipelines from Bruderheim, Alberta (NE of Edmonton) in a 25 meter right-of-way to the deepwater private port in Kitimat, B.C.
 - 36-inch, 525,000 barrels per day oil export pipeline (expandable to 850k b/d)
 - 20-inch, 193,000 barrels per day condensate import pipeline (expandable to 250k b/d)
- 14 storage tanks at Kitimat, 500,000 barrels each.
- Two loading / unloading berths at Kitimat that can accommodate VLCCs (very large cargo carrier).
- Approximately 220 ship calls per year.

Project Rationale

- This is a speculative project, designed to give Canadian producers access to markets to which they have limited access (the US west coast; Puget Sound, San Francisco, Los Angeles)¹ or no current access (i.e., Asia; China, Japan, Korea, Taiwan, Vietnam).
- Even without Northern Gateway, Canada will have enough crude oil export capacity for some considerable time given the recent approvals of the Enbridge Clipper project, the TransCanada Keystone Project, and the TransCanada Keystone XL project, all of which will deliver crude oil to the US mid-west and gulf coast market.
- Enbridge estimates the net benefit² to the Canadian producer community to be \$1.5 billion annually when the project comes on-stream in 2016, rising to \$3.3 billion annually by 2025.

Economic Information (from the project proponent)

- \$5.5 billion cost (\$3.5 billion crude oil pipeline, \$2.0 billion condensate pipeline)
- Benefits during the construction phase include 62,700 person-years of employment, \$4.3 billion in labour income.
- During operations phase, 1150 long-term jobs created (direct / indirect / induced) with \$68 million in annual labour income. \$36 million in annual property taxes along the route.

¹ The only existing outlet for Canadian crude oil to the west coast is via the TransMountain pipeline, which runs from Alberta to the port of Burnaby (i.e. Vancouver). Limited – but growing – exports of Canadian crude oil are made off this system to the U.S. West Coast. There are no exports to Asia currently. TransMountain's owner, Kinder Morgan, has plans to expand the system to increase exports through Vancouver. However, the project does not yet have commercial support, and there have been no regulatory filings.

² Net benefit equals the gross producer benefit from receiving a higher price for exported crude oil, less the additional transportation costs on Gateway, less the impact on Canadian refiners (i.e. consumers) of higher domestic crude prices.

- \$270 billion increase in GDP over 30 years; \$45 billion direct and indirect provincial / territorial revenues and \$36 billion direct and indirect federal revenues.
- In Kitimat area: 165 long-term jobs for terminal operation, tug fleet, first response, and environmental monitoring.

Commercial Status of the Project

- Commercial details are for the most part confidential.
- \$104 million in own-funding by Enbridge as of March 2010.
- An additional \$100 million by 10 third parties to take the project through the regulatory approvals stage.
- The 10 funding parties include four Canadian producers and three Asian interests.
- Gateway has some signed precedent agreements with potential shippers, and will ultimately file its completed agreements – in confidence – with the National Energy Board (NEB).

Key Environmental and Other Issues

- National and local media coverage has highlighted accidents / malfunctions as the most prominent environmental concerns, both on land and associated with the tanker traffic from Kitimat, down the Kitimat Arm and Douglas Chanel, and out into Hecate Strait and beyond.
- There is a small amount of existing tanker traffic in the Douglas Channel to Kitimat, but this project would greatly increase it. There is also a possible LNG project (*Kitimat LNG*) that would also increase tanker traffic, if its proponents gain commercial support and decide to construct the project. *Kitimat LNG* already has the necessary regulatory approvals.
- Negative coverage greatly increased following BP's gulf coast well blow-out and Enbridge's crude oil pipeline rupture and leak into the Kalamazoo River in Michigan.

Aboriginal Groups

- There are approximately 100 Aboriginal groups along the length of the pipeline that may be affected by the project, including treaty and non-treaty First Nations, Métis, other Aboriginal groups, tribal councils and regional organizations. Many B.C. Aboriginal groups requested parallel Aboriginal review and decision-making processes for the project.
- Aboriginal Groups, particularly the coastal ones, are to date opposed to the project, and are focused on the potential for spills from tankers carrying oil from the terminal at Kitimat to overseas markets. Enbridge has, however, signed capacity agreements (i.e., agreed to provide funding) with over 35 groups. Enbridge is offering equity ownership in the pipelines, marine terminal, and a marine services company.

ENGOS, Citizens

- ENGOS have question the Joint Review Panel's (JRP) objectivity and criticize its 'limited' scope. The common focus is on the project fostering more oil sands development in Alberta (not really the case, since Canada is not pipeline constrained), with calls for an independent public inquiry with the ability to inquire into oil sands and climate change impacts.
- ENGOS are also assisting Aboriginal groups to oppose the project.
- Enbridge has set up a number of Community Advisory Boards to receive input from persons and groups along the route.
- Most letters from citizens to the Prime Minister call on the Government to 'reject' the Northern Gateway project, even before it is reviewed. Citizens are under the impression, which as been fostered by ENGOS, that a moratorium on tanker traffic exists on the west coast or the northern west coast. Most letters demand a 'permanent tanker traffic ban'.

Federal Support for Public Participation in the Review

- Funding to Aboriginal groups has been made available to assist them in preparing for and participating in consultations as part of the joint review panel process. The Canadian Environmental Assessment Agency (the Agency) received 45 applications from Aboriginal groups requesting over \$17 million. The available budget to support Aboriginal consultation activities for the Project is \$2.4 million. That amount was awarded to 38 recipients.
- In addition to funding provided to Aboriginal groups, funding was also available to the public and non-profit organizations to participate in the review panel process. A total of \$435,780 was awarded to nine recipients.
- Ten Aboriginal groups have officially expressed concerns regarding the insufficient level of funding awards. One Aboriginal group has formally declined the funding awarded on the basis that the amount is insufficient to allow them to effectively participate in the review panel process. No concerns have been expressed by the public and non-profit organization regarding the levels of funding awarded.

Marine Mitigation Measures

- For marine transportation of oil and condensate through the coastal waters of B.C, Enbridge has committed to evaluating the risk associated with transporting hydrocarbons over a large area; Canadian waters from north Vancouver Island to the border with Alaska and to the west the Territorial Sea of Canada.
- Enbridge has announced a number of measures to reduce tanker traffic risks: all tankers will be double-hulled (required by Canadian law anyway); escort tugs in confined waters; tankers guided by B.C. coastal pilots; new advanced radar system along route (assists all boats on the Northwest coast); new weather stations; additional navigational aids; new operational safety limits for visibility, wind and sea conditions; increased emergency response capabilities; and ships surrounded by containment booms while docked.

Terrestrial Mitigation Measures / Modern Construction Standards

- Unlike, for example, a mine, which can have a large environmental impact on a small area, pipelines have small impacts (and primarily during construction) over a large distance.
- Pipelines are subject to environmental assessment of a full range of factors including marine biology, soil, vegetation, wildlife, water resources, fish, human health, and archaeology. Geographical information systems make pipeline routing more scientific, and better able to avoid hazards and environmental impacts.
- Modern construction techniques are greatly improved over those of a generation ago, including soil handling, regeneration, and improved river and stream crossing techniques including horizontal direction drilling for major crossings (in which the pipeline is installed under the river without any disturbance).
- Pipeline technology has also greatly improved with higher-strength steels, strain-based design, epoxy-bonded coatings, internal inspection with smart pigs, slope stability monitoring, real-time telemetric monitoring from 24/7 control centers, modern leak detection systems and automatic and remote valve shut-off capabilities.
- NEB-regulated pipelines, which Northern Gateway will be, have environmental protection plans and emergency response plans.

Environmental Assessment, Regulatory Review Process – Status and Timing

- A Joint Review Panel (JRP) was established by the Minister of the Environment and the NEB in January 2010 to meet the requirements of both the *Canadian Environmental Assessment Act* (i.e., conduct an environmental assessment) and the *National Energy Board Act* (i.e., conduct a public interest/regulatory review).
- Enbridge filed its project application with the NEB on May 27, 2010. The application is now with the JRP. The JRP released a procedural direction on July 5, which invited the public and interested government departments to comment on three matters: the list of issues to be considered; any additional information that Gateway should file, and; locations where the JRP will conduct public hearings. Written comments were due September 8, and the JRP held public sessions in Whitecourt, Alberta (Aug 10), Kitimat, B.C., (Aug 31) and Prince George, B.C. (Sept 8) to receive oral comments.
- After reviewing the public's comments, the JRP will be in a position to issue a Hearing Order, setting out a timeline for hearings and describing for the public and Aboriginal groups the ways in which they can participate in the review process. A hearing order is expected in early 2011.
- The federal EA process (i.e., the Oral Hearing, the writing of the JRP's report, and the government's response to the report) is expected to be completed 21 months after the JRP issues its Hearing Order, as reflected in the August 2009 Project Agreement
- Through the Major Projects Management Office (MPMO) initiative, a Project Agreement was developed to clarify the roles and responsibilities of federal departments and agencies and to ensure a whole of government approach to the federal review process, including EA, regulatory permitting and Aboriginal consultation.

- The MPMO initiative also provides senior executive oversight of the project and management controls that ensure timely issue resolution.
- The CEA Agency acts as the manager of the joint review panel and its secretariat. CEAA also coordinates the participation in the review by federal departments, and acts as the Crown consultation coordinator for Aboriginal consultation.
- The federal government will use the JRP process, to the extent possible, to fulfill its duty to consult with Aboriginal groups. The JRP will encourage Aboriginal groups to participate in the JRP process to express their views concerning the project.
- In addition to the JRP, Enbridge has initiated a voluntary Technical Review Process of Marine Terminal Systems and Trans-shipment Sites (TERMPOL) for its project. This is a multi-departmental exercise, chaired by Transport Canada. The TERMPOL review will cover marine-related safety issues, such as environment, pollution, marine transportation, and marine safety.
- Although no provincial environmental assessment is required for the Project, Alberta and British Columbia will participate in the federal assessment because of permitting responsibilities in relation to the project.

Approval Process

- Following the release of the JRP's environmental assessment report, which will contain the JRP's conclusions regarding the impacts of the proposed project to the environment and established or potential Aboriginal and treaty rights, suggested measures to mitigate the environmental impacts if possible, and recommendations to the Minister of the Environment on the proposed project's environmental acceptability, a *Government Response* to the recommendations will be compiled by departments, and submitted to Cabinet for approval.
- If the Government believes that the project will have environmental impacts that can neither be mitigated nor justified, the project can be halted.
- Otherwise, the *Government Response* will then be taken into consideration by the NEB in making its decision³. If the Board finds the project to be in the public interest, it will seek Governor in Council approval to issue a *Certificate of Public Convenience and Necessity*. The certificate will contain various conditions, usually involving environmental protection. The Government can approve or deny the issuance of a Certificate, but cannot alter the certificate conditions.

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³ Other federal Responsible Authorities that will use the JRP report for their decision-making include Fisheries and Oceans Canada, Environment Canada, Transport Canada, Indian and Northern Affairs, and the Canadian Transportation Agency.