

CHANGING THE POWER

Recent Shifts in Canadian Energy Regulatory Regimes

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OUTLINE

- 1. Background – State of Canadian Energy**
- 2. Changing Approaches to the Energy Sector**
 - Incentives for Clean Energy
 - Provincial Plans & Strategies
 - Other Programs
- 3. Update – Western Energy Projects**
 - Site C Dam
 - LNG Pipelines & Facilities
 - Oil Pipelines & Spill Regulations
 - Coal-fired Electricity

Current & Future State of Canadian Energy

CANADIAN ENERGY – CURRENT

- **How did we get here?**
 - Volatility of crude oil & natural gas pricing
 - Advances in renewable & fossil fuel production
 - Climate change agreements & policies
 - US influence (export ban lifted; Keystone XL rejected)
- **Crude oil:**
 - Mid-2014 – US\$110
 - December 2015 – US\$40
 - January 2016 – US\$30



US INFLUENCE?

- “Cancel the Paris Agreement”



The screenshot shows the top portion of a New York Times article. At the top, the site's navigation bar includes a menu icon, a search icon, the "The New York Times" logo, a "LOG IN" button, and a settings gear. Below this is a banner for "ELECTION 2016". The main headline is "Donald Trump's Energy Plan: More Fossil Fuels and Fewer Rules" in a large, bold, serif font. Below the headline, the authors are listed as "By ASHLEY PARKER and CORAL DAVENPORT" with the date "MAY 26, 2016". To the right of the authors are social media sharing icons for Facebook, Twitter, Email, and Print, along with a bookmark icon and a comment bubble showing "308". Below the text is a video player. The video title is "Donald Trump Outlines Energy Plan" by "THE ASSOCIATED PRESS". The video frame shows Donald Trump speaking at a podium with an American flag in the background. Social media icons for Facebook, Twitter, and a share icon are visible in the top right corner of the video player.

CANADIAN ENERGY – FUTURE

- **What does the future hold?**
 - Canada has a diverse energy system; differs across provincial/territorial boundaries
 - Shift towards electricity from renewables & natural gas, instead of from coal
 - Crude oil & natural gas dependant on energy market & infrastructure developments



Changing Approaches to the Energy Sector

INCENTIVES FOR CLEAN ENERGY – Canada's 2016 Budget

- \$50M to Sustainable Development Technology Canada
- Increased tax support
- \$2.9B over 5 years to address climate change & air pollution
- **Goal → Ensure Canada meets its international climate change obligations**

INCENTIVES FOR CLEAN ENERGY – Alberta's 2016 Budget

- **Carbon Pricing Strategy = key step to implementing Alberta's Leadership Plan**
- **To be implemented through:**
 1. Carbon Levy on transportation & heating fuels to reduce GHG emissions
 2. New performance standards for "Large Industrial Emitters"
- **These two mechanisms will cover 78-90% of Alberta's emissions**

PROVINCIAL PLANS/STRATEGIES – Québec

- **Cap-and-Trade Program:**
 - Covers nearly 85% of Québec's emissions
- **Pending Climate Change Action Plan:**
 - Current GHG reduction targets: 20% below 1990 levels by 2020
 - Proposed GHG reduction targets: 37.5% below 1990 levels by 2030

PROVINCIAL PLANS/STRATEGIES – Ontario

- **Recent Cap-and-Trade Program:**
 - Program currently undergoing public consultation
 - Expected start date = January 2017
- **Pending Climate Change Strategy**
 - GHG reduction targets: reduce emissions by 15% below 1990 levels by 2020

PROVINCIAL PLANS/STRATEGIES – Alberta

- **Climate Leadership Plan:**
 - Calls for facilities emitting >100,000 tonnes of GHG annually to reduce their emissions by 15% annually
 - Raising to 20% annually in 2017
- **Compliance options:**
 - Reducing emissions directly
 - Trading or purchasing Alberta-based carbon offset credits
 - Contributing to Alberta's *Climate Change and Emissions Management Fund*

PROVINCIAL PLANS/STRATEGIES – British Columbia

- **Regulation of GHG Emissions:**
 - Began legislating GHG emissions in 2007
 - Targets of:
 - 33% below 2007 levels by 2020, and
 - 80% below 2007 levels by 2050
 - New target of 40% below 2007 levels by 2030 *may* be introduced
- **New Legislation:**
 - *GHG Reporting Regulation; GHG Control Regulation; Greenhouse Gas Penalties Regulation*

PROVINCIAL PLANS/STRATEGIES – British Columbia (cont.)

- **New Climate Leadership Team**
 - November 2015 Report:
 - Various recommendations – including:
 - Lowering PST from 7% to 6%
 - Increasing carbon tax by \$10 per year
 - Expanding coverage of current carbon tax to apply to all GHG emissions sources in BC after 5 years

OTHER PROVINCIAL PROGRAMS – BC Hydro

- **BC Hydro Standing Offer Program**
 - Offers small-scale (100kW – 15MW capacity) clean energy projects the opportunity to enter EPAs with BC Hydro
- **NEW Micro-SOP**
 - For *very* small-scale clean energy projects (100kW – 1MW capacity)
 - Only available to First Nations, communities (including municipalities), not-for-profit groups and the agricultural sector

OTHER PROVINCIAL PROGRAMS – Alberta Electric Systems Operator

- **Alberta Electric Systems Operator (AESO)**
 - Recently chosen to develop a renewable electricity incentive program (REP)
- **Draft details on scope of REP procurement:**
 - Existing transmission systems will likely be leveraged for the REP
 - Procurement anticipated to be fuel-neutral
 - **Next step:** AESO to prepare plan for governmental review

UPDATE

Western Energy Projects

DRAFT

WESTERN ENERGY PROJECTS – BC Hydro's Site C Dam



WESTERN ENERGY PROJECTS – BC Hydro's Site C Dam

- Capacity = 1,100 MW
- Reservoir size = 83 km long
- EA Process & Decisions
 - Joint Review Panel
 - found several significant effects
 - recommendations; not decisions
 - Federal & Provincial EA approvals granted in 2014
 - Construction began summer 2015
 - Anticipated completion in 2024

WESTERN ENERGY PROJECTS – BC Hydro's Site C Dam (cont.)

- **Multiple lawsuits filed by landowners & by First Nations**
 - Peace Valley Landowner Association
 - Prophet River First Nation
 - Governments initially successful
 - Decisions currently being appealed
- **BC Hydro action against protesters**
- **Recent letter of concern from scientists**
- **Construction ongoing**

WESTERN ENERGY PROJECTS – LNG Pipelines

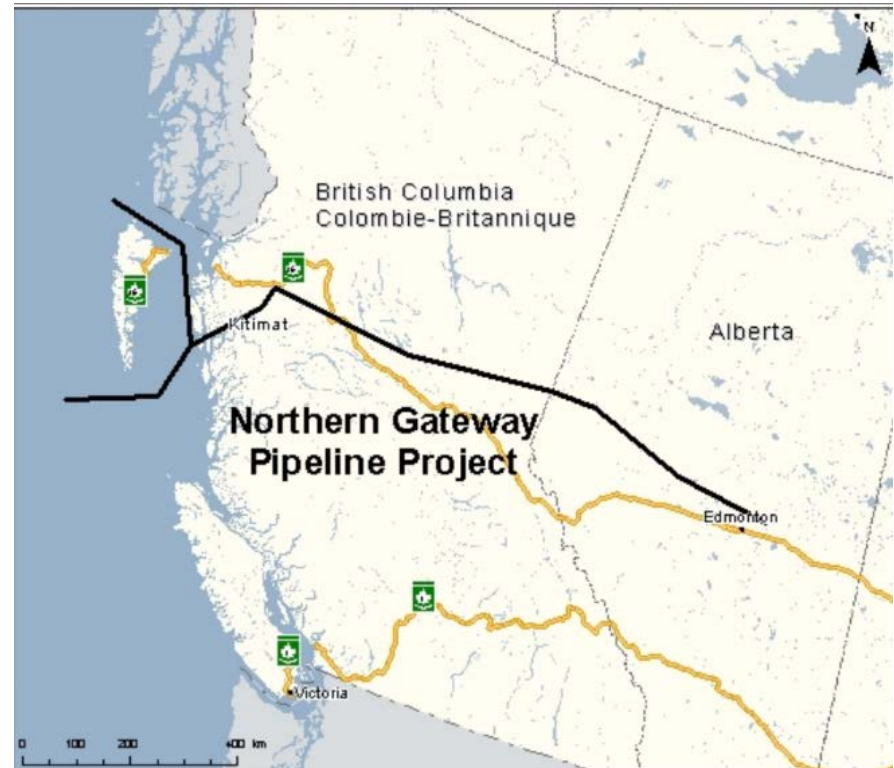
- **Natural Gas Pipelines – Summary:**
 - 6 proposed; EA Certificates issued for 2
 - *Westcoast Connector Gas Transmission Project*
 - 872km; from NE BC to Ridley Island
 - BC EA Certificate: Nov'14
 - Benefits agreements with 14 First Nations
 - *Prince Rupert Gas Transmission Project*
 - 900km; from Hudson's Hope to Lelu Island
 - BC EA Certificate: Nov'14; OGC permit: Oct'15
 - EA Certificate needs to be amended

WESTERN ENERGY PROJECTS – LNG Facilities

- **LNG Facilities – Summary:**
 - BC goal of 3 LNG facilities in operation by 2020
 - 4 proposed; EA granted for 2
 - *Woodfibre LNG Project*
 - 7km SW of Squamish
 - Substituted EA, with EAO coordinating process
 - Provincial EA & Squamish Nation EA granted in Oct'15; Fed EA granted in March'16

WESTERN ENERGY PROJECTS – Oil Pipelines

- **Enbridge Northern Gateway Project**
 - 1,150km pipeline
 - Edmonton → Kitimat
 - export of oil sands products & import of condensate
 - NEB approval granted June'14



WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

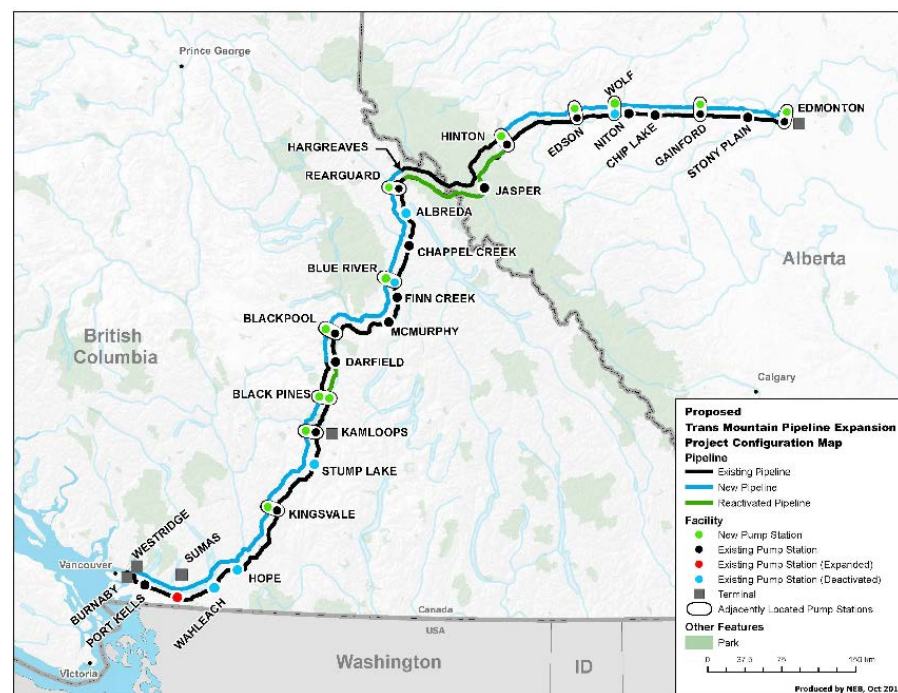
- **Enbridge Northern Gateway Project (cont.)**
 - ***Equivalency Agreement***
 - BC signed agreement with Canada
 - Agreement intended to remove the need for a BC EA; Canada's EA would serve as the decision for both governments
 - Coastal First Nations challenged *Equivalency Agreement*; successful → BC must conduct its own EA and its own consultation

WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

- **Enbridge Northern Gateway Project (cont.)**
 - **Federal EA clock**
 - Federal EA will expire December 31 2016 if construction not started
 - 3-year extension sought
 - pre-Application stage of BC EA process began on April 8, 2016
 - **Pending Litigation**
 - Northern Gateway is also subject to 3 pending court cases at FCA level
 - **... Future Uncertain**

WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

- **Trans Mountain Expansion Project**
 - Expansion of existing pipeline system
 - Edmonton → Burnaby
 - 978km of new pipeline & reactivation of 193km of pipeline
 - expansion of Westridge Marine Terminal
 - May 19, 2016 → NEB recommended GIC approve Project, subject to 157 conditions



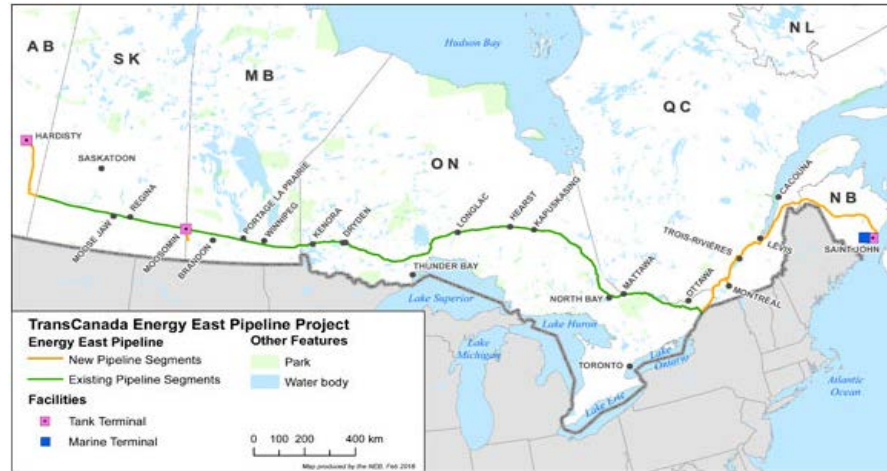
WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

- **Trans Mountain Expansion Project (cont.)**
 - **Litigation**
 - City of Burnaby
 - Challenged project on constitutional grounds
 - Argued project violated its bylaws, and that its bylaws could control routing of the project.
 - BCSC:
 - Burnaby's bylaws can't interfere with 'core' of federal power over pipeline (where they can be located)
 - Bylaws rendered inapplicable to extent they impede / block positioning of pipeline

WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

- **Trans Mountain Expansion Project (cont.)**
 - **Litigation (cont.)**
 - Tsleil-Waututh Nation (TWN)
 - TWN conducted its own EA that identified risks of marine shipping as a major concern
 - Allege that federal government & NEB failed to consult in design of review process; and
 - NEB's failure to review marine shipping activities = legal error

WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)



- **Energy East Project**

- 4,500km pipeline
- 1.1M barrels of crude oil/day from Alberta & Saskatchewan to refineries in Eastern Canada
- Early days in the federal EA
- Final report to Governor-in-Council due in March 2018

WESTERN ENERGY PROJECTS – Oil Pipelines (cont.)

- **Energy East Project (cont.)**
 - **Litigation Pending:**
 - Province of Quebec:
 - seeking an injunction to force the company to submit the project to provincial EA
 - Not-for-profit
 - Court challenge re project information in both official languages

WESTERN ENERGY PROJECTS – Oil Spill Regs

- **NEW: Federal *Pipeline Safety Act***
 - In force on June 18, 2016
 - Absolute liability:
 - creates liability for costs & damages of oil spills, irrespective of fault, up to \$1B for companies
 - Unlimited liability in case of fault or negligence
 - NEB authority to:
 - order reimbursement of clean-up costs
 - take control of incident response

WESTERN ENERGY PROJECTS – Oil Spill Regs (cont.)

- **NEW: NEB Confidential Disclosure (Whistleblower) Procedure**
 - Released April 2016
 - Formalized means to receive, track & handle confidential disclosures
 - Online, anonymous reporting tool

WESTERN ENERGY PROJECTS – Oil Spill Regs (cont.)

- **BC – Proposed amendments to EMA**
 - 3rd intentions paper proposing new regulations for oil spill preparedness, response and recovery
 - 1st phase of stakeholder engagements
 - Includes:
 - New provincial information management system
 - Improved Environmental Emergencies Program
 - ‘*regulated person*’ must meet & pay for contingency plans, testing and regularly reporting

WESTERN ENERGY PROJECTS – Oil Spill Regs (cont.)

- **BC – Proposed amendments to EMA (cont.)**
 - Sample prescribed quantities:
 - >10,000 litres of a prescribed substance (PS) transported by rail or truck
 - Any quantity of a PS transported by a pipeline >1km in length
 - >50,000 litres of a PS being stored in a fixed location

COAL-FIRED ELECTRICITY – Québec & BC

- **Heavy reliance on hydro-power**
 - Québec
 - plans to eliminate the use of coal-fired electricity by 2030
 - BC
 - in the mid-2000s, two coal-fired projects were proposed in BC (near Princeton and near Wapiti Lake)
 - both withdrew from EA process; subsequently abandoned

COAL-FIRED ELECTRICITY – Ontario

- **Leaving coal behind:**
 - 1st jurisdiction to fully eliminate coal-fired electricity generation, as of December 31, 2015
 - Replacing coal-fired electricity with:
 - mix of emissions-free sources (nuclear, hydro and renewables); and
 - lower-emission sources like natural gas & biomass

COAL-FIRED ELECTRICITY – Alberta

- **Continued reliance on coal will cost BIG \$**
 - Currently heavy dependence on coal:
 - more coal pollution than all other provinces combined
 - ~38% of Alberta's installed electricity generation capacity is from coal
 - 2018:
 - coal-fired generators must pay \$30/tonne CO₂
 - TransCanada has cancelled coal purchase agmts
 - 2030
 - goal for complete phase-out of Alberta's 18 coal-fired electricity generating plants

Questions?



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