



September 22, 2016

Via Email: ec.ministre-minister.ec@canada.ca
(Original to follow by mail)

Honourable Catherine McKenna
Minister of Environment and Climate Change
Government of Canada
Centre Block, Suite 433C
House of Commons
Ottawa ON K1A 0A6

Dear Minister McKenna:

RE: Pacific NorthWest LNG, British Columbia

We are writing to express our concerns with ongoing negative commentary from certain environmental groups who are opposed to fossil fuel development in Canada – and specifically, to proposed energy projects in British Columbia. A number of these groups have urged the Government of Canada to reject the Pacific NorthWest LNG project (PNW) that has been under review by the Canadian Environmental Assessment Agency.

The views articulated by these environmental organizations do not provide a balanced representation of the relevant facts, nor do they situate LNG development in Canada in the wider global context. It is clear that, absent disruptive technological breakthroughs, fossil fuels – highly condensed forms of biomass – will continue to be widely used for an extended period. The latest projections from the International Energy Agency (IEA) – projections which are consistent with those published by Natural Resources Canada as well as the U.S. government – indicate that fossil fuels will still satisfy 70-75% of global primary energy demand by 2040. Of note, most future growth in energy demand will take place in Asia, the Middle East, Africa, and Latin America, which together are home to more than four-fifths of the world's population and have rapidly expanding middle classes.

With rising global energy demand coupled with a commitment by many nations to move to a lower carbon economy, there is growing interest in natural gas as an important “bridge” fuel. The IEA and the U.S. government both forecast that natural gas will be playing a larger role in the global energy mix in the next 20 to 30 years. Apart from being much less carbon-intensive than other types of fossil fuel, natural gas has the advantage of producing fewer local air contaminants when used to generate electricity.

Honourable Catherine McKenna
September 22, 2016
Page 2

Given Canada's and British Columbia's abundant natural gas resources, we have an opportunity to facilitate the transition to lower carbon economies both at home and abroad, while stimulating investment, jobs and economic growth in Canada. So it is difficult to understand why Canadian policy-makers would want to sabotage the country's comparative advantage in energy resources. A point overlooked by environmental critics is that saying "no" to LNG projects in Canada, including PNW, means ceding market share to other supplier nations, including the United States – which has already started to export LNG, notwithstanding the Obama administration's commitment to take strong action on climate change. Projections show that the United States will continue to expand natural gas production in the coming decades, resulting in diminished demand for Canadian gas in what has been our only export market. Other energy rich jurisdictions, including Russia, Iran, Australia, Qatar, and Mozambique, are also producing more natural gas, and in some cases developing a capability to export larger volumes of the commodity in the form of LNG. Canada runs the risk of being left behind by other producing jurisdictions, even though our country hosts enormous natural gas reserves for which we urgently need to find new offshore markets.

Canada's economy depends heavily on the economic activity (and the government revenues) derived from the production and export of oil and natural gas. In fact, a tenth of Canada's GDP, and 20-25% of our merchandise exports, is made up of energy. In the five years to 2014, the energy sector also accounted for 35% of all business fixed investment in Canada. A majority of Canadian oil and gas comes from Alberta, but British Columbia also has a robust natural gas sector with significant growth potential. All of Canada's energy-producing industries are under relentless attack by groups who seemingly do not understand the broad benefits of natural resource development in a nation that is committed to maintaining world-class environmental and safety standards.

We would also note that local critics of LNG development rarely acknowledge British Columbia's leadership in carbon pricing. In fact, opponents of LNG in BC have taken to describing this province as a "laggard" on climate policy. This claim is without merit. British Columbia has had a price on carbon since 2008, moving well ahead of other jurisdictions in North America (most of which still have a zero price on carbon emissions). Moreover, BC's carbon tax is both the steepest in North America and among the highest in the world. Yet the fact that we have an economy-wide carbon tax in BC seems to make no difference to the criticisms of anti-development groups.

Saying no to LNG in Canada, including the PNW project, would not serve the wider public interest. Should Canada do so, the growing global demand for natural gas will be met by other suppliers, including those with larger carbon footprints than Canada -- and which often lack the

Honourable Catherine McKenna
September 22, 2016
Page 3

high-quality regulatory processes and environmental standards that Canadians rightly insist on. In our view, it would be better to work towards making LNG in British Columbia the cleanest in the world, as the BC government has pledged to do, while also diversifying the markets for our energy products and assuring Canada's future prosperity in a world that remains hungry for natural resources.

Canada's image and reputation as a country that is open for business and supportive of natural resource development is at stake. Canada can and does develop our resources responsibly. We urge you and your cabinet colleagues to approve the PNW project without further delay.

Established in 1966, the Business Council is a non-partisan organization representing over 250 leading companies in every sector of BC's economy. We conduct public policy research and analysis and undertake advocacy on issues that are important to Canadian and BC competitiveness and to advancing the country's overall prosperity.

We would be pleased to engage in follow up discussions on this important matter.

Yours sincerely,

*Original signed by
Greg D'Avignon*

Greg D'Avignon
President and Chief Executive Officer
JAF/vjc

cc: Honourable James Gordon Carr, Minister of Natural Resources
Honourable Navdeep Singh Bains, Minister of Innovation, Science and Economic Development
Honourable William Francis Morneau, Minister of Finance
Honourable Jody Wilson-Raybould, Minister of Justice and Attorney General of Canada
Honourable Harjit Singh Sajjan, Minister of National Defence
Honourable Carla Qualtrough, Minister of Sport and Persons with Disabilities
Honourable Rich Coleman, BC Minister of Natural Gas Development and Deputy Premier
Honourable Bill Bennett, BC Minister of Energy and Mines
Honourable Mike de Jong, BC Minister of Finance and Government House Leader