

# ISSUE IN FOCUS



*Celebrating 100 Years*

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## Trans Mountain Pipeline Expansion Project

### Background:

In December 2013, Kinder Morgan submitted a facilities application to the National Energy Board to expand the existing Trans Mountain pipeline. Construction was slated to begin in 2017 with the expectation that oil would flow through the new pipeline infrastructure by the end of 2019. The TMPEP is a \$7.4 billion capital project with about 980 km of new pipeline. It was estimated the expansion project would create approximately 15,000 jobs – with 440 permanent jobs per year during the operational phase. It was also expected to generate a total of \$4.5 billion in federal and provincial government revenues. Mutual benefit agreements between the proponent and participating indigenous groups to assist with capacity-building were valued at \$300 million total.

Eighty-nine percent of the new construction will parallel the existing Edmonton to Burnaby right-of-way and increase capacity from the current 300,000 barrels per day to 890,000 barrels per day. The project will result in 12 new pumping stations, 19 new tanks added to the existing storage terminals and three new berths at the Westridge Marine Terminal (WMT) in Burnaby. The project would allow the WMT to increase the number of tankers it could receive from five to 34 per day.

Following a 29-month consultation process including an environmental assessment, in May 2016 the NEB concluded the project was in the national interest and recommended Cabinet approve the project, subject to 157 conditions. Kinder Morgan stated it would comply with those conditions. In November 2016, Prime Minister Trudeau announced the Federal Government would sanction the Trans Mountain expansion project, along with Enbridge's Line 3 pipeline replacement project.

With approval granted, Kinder Morgan made the decision to proceed with the project at an estimated cost of \$7.4 billion. Kinder Morgan asked the NEB in October 2017 to allow construction to commence in response to the City of Burnaby refusing to grant

the necessary permits and in December 2017, the NEB allowed Kinder Morgan to bypass Burnaby's municipal bylaws.

Due to increased controversy and uncertainty surrounding the project, in April 2018 Kinder Morgan decided to suspend all non-essential activity on the project and set a May 31, 2018 deadline for the Federal Government to reach an agreement with stakeholders. Soon after, Prime Minister Trudeau instructed Finance Minister Bill Morneau to negotiate an acquisition of Kinder Morgan's pipeline assets to de-risk the project. At the end of May 2018, the Federal Government signaled its intent to purchase the existing pipeline infrastructure from Kinder Morgan for \$4.5 billion and complete the expansion, pending approval from Kinder Morgan shareholders.

In August 2018 two important court rulings around the Trans Mountain project were rendered. The first involved the Supreme Court of Canada deciding the City of Burnaby did not have the right to block Trans Mountain's expansion project. The second was the Federal Court of Appeal's determination that the Federal Government's sanctioning of the project was based on a flawed assessment that it did not sufficiently consider the impact of an expected increase in tanker traffic on the local ecosystem, as well as inadequate consultations with affected Indigenous stakeholders.

## **Issue:**

Delays in the construction of the Trans Mountain pipeline expansion is expected to create additional challenges for the oil and gas sector both in Saskatchewan and in western Canada more broadly. If completed, the Trans Mountain expansion would have diversified Canada's export market access for oil to US markets in Washington State, California, Hawaii, and Alaska, as well as Asian countries like China, Japan, South Korea, and Taiwan. Doing so would have went a long way in addressing the ongoing bottleneck in Canada's existing pipeline network.

A consequence of insufficient pipeline capacity is oil that would otherwise be exported by pipeline will have to be shipped by rail instead. Since transporting oil by rail is more expensive, oil producers located in Saskatchewan and elsewhere in Canada earn less on each barrel and therefore pay less to the government in the form of royalties.

The delays around the Trans Mountain Pipeline Expansion Project are having very real impacts closer to home. EVRAZ North America was awarded the contract to build 275,000 tons of steel piping for the project. EVRAZ employs over 1,000 directly at their Regina site and confirmed publicly in February 2018 that significant layoffs would likely result if work on the project was halted. Smaller Saskatchewan companies are also encountering difficulties with ongoing uncertainty preventing companies from engaging in any meaningful staff planning.

## Recommendations:

1. Advocate strongly to the Federal Government to complete Trans Mountain.
2. Contact Enbridge to gain insight around their willingness to revisit Northern Gateway.
3. Contact TransCanada to assess their willingness to revisit Energy East.
4. Communicate to the Federal Government the damage the NEB's problematic approval process has had on Saskatchewan businesses directly, and on the investment climate across Canada, more broadly.
5. Seek additional member input on Bill C-69 and the impacts it will have on future resource development projects (Bill C-69 is currently before the House of Commons and seeks to replace the NEB with a new agency called the Canadian Energy Regulator. It will also broaden the scope of the Canadian Environmental Assessment Agency and rename it the Impact Assessment Agency of Canada).

## History:

Letter to TransCanada 2016

Letter to Prime Minister 2016

Letter to Federal Minister of Natural Resources 2016

Letter to Federal Minister of Natural Resources 2018