



From the President's Desk

Exploring Canada's and BC's Place in the Evolving Global Energy Market

Vancouver, March 10, 2017

Well-known Canadian energy leaders shared insights about the key ingredients needed in their sectors to enhance BC's place in the evolving energy market. These observations were aired in a luncheon meeting in Vancouver on March 10 co-hosted by the BC Business Council and the Energy Council of Canada. The theme was forward-looking: ***Exploring Canada's and BC's Place in the Evolving Global Energy Market.***

Here are a few high-level observations from the event. There is a sense that energy policy is moving in a good direction, reflecting a carefully-crafted balance between energy and the environment. Good progress has been made on working with communities and First Nations around energy projects. Investments in reducing emissions and other environmental impacts from developing oil and gas resources are bearing fruit. And, issues arising from the increasing share of intermittent renewables in the generation mix are being addressed, leading to a growing share of clean generation in Canada's energy mix.

The insights provided by three excellent panelists were the highlight of the event:

- Michael McAllister, Executive Vice President and Chief Operating Officer, EnCana
- Ian Anderson, President, Kinder Morgan Canada, and,
- Jessica McDonald, President and CEO, BC Hydro.

The panel discussion following the opening remarks was chaired by Mary Hemmingsen, Global Head of LNG and National Sector Leader, Power and Utilities, KPMG.

So, what did these energy leaders from four sectors of Canada's energy economy see as the key factors in positioning Canada and BC in the evolving energy market? In order of speaking ...

- Michael McAllister described EnCana's strategic \$10B investment in developing the shale gas resources in the Montney region. Gains in reducing costs and operating footprint have been impressive: each horizontal production well accesses as much of the gas reservoir as 30 conventional vertical wells and only one surface location is needed. He stated that the environmentally-oriented production practices have reduced GHG emissions per barrel to a level that is 10% lower than any other barrel on earth. Three of EnCana's gas plants have been electrified, using hydroelectricity from the BC grid.

Another important aspect is EnCana's continuous effort to work closely with First Nations communities in the area, building capacity and engaging the communities in the planning and production operations.

- Ian Anderson opened by underlining the importance of Kinder Morgan's practice of engaging with governments representing federal, provincial and regional/municipal interests, by engaging with the people in communities and First Nations groups along the pipeline route who will be affected by the TMX project. He made many insightful observations. He sees major energy projects at the "intersection" of interests by industry, governments, First Nations and communities. The federal and provincial governments are on the right track with policies and decisions which achieve a balance between decisions to move ahead with resource development projects, and at the same time, putting environmental policies in place to protect the environment and reduce impacts. Given the increased public engagement in regulatory reviews of major

energy projects, Mr. Anderson endorsed the ongoing review of the NEB's approach and practices. Dialogue about energy projects with communities and First Nations are essential and must be done properly and respectfully: done in the communities with a readiness to listen and to make changes to meet local needs.

- The transition to clean energy makes this an interesting time for the energy sector, as described by Jessica McDonald. But there are challenging consequences. For example, matching the wide swings in electricity demand during the day, as characterized by the 24-hour "duck curve", with a generation mix of hydropower, wind and solar is greatly complicated by the intermittent nature of supply from renewables. Back-up is an essential component, often provided by fossil generation which adds to the emissions budget.
- The province has made clear choices for the future, among them self-sufficiency and the requirement that new generation capacity be 100% clean. Matching the power needs with the expected growth of BC's economy will require significant amounts of new capacity, made up of hydropower from BC Hydro's new projects plus generation provided by independent power producers which now make up a quarter of BC's electricity supply.

Panel Discussion

Mary Hemmingsen and the three panelists provided their ideas for ways to enhance BC's place in the evolving energy market during the panel discussion following the presentations.

- The key to planning major investments in additional generation, both by BC's power company and by independent power producers, is thorough information-sharing and then consultation with the public. Although often overlooked, consumers should definitely be part of the awareness-raising and consultation process.
- Major energy projects should be introduced by first asking the "if question". That is, asking first "If we were to do this project, what would you see as the issues and the opportunities". Then, the "how" question can follow. That is, "Now that we know more about how this project is seen, how can it be located, designed and built to address the issues that have been identified?".
- Investing in solutions to environmental issues for existing operations is essential. This will help build public confidence in the operating company's commitment to continuously reduce environmental impacts, and set the stage for a positive dialogue when new projects are proposed. Methane capture at gas plants and from gas pipelines and reducing the frequency of oil spills were cited as examples of environmentally-prudent investments.
- Likewise, working with the local communities in the course of operating existing facilities builds trust and local support. Examples are training to build local capacity, opening contracts to local companies, and finding ways to share the benefits through benefit agreements, employment opportunities, and capacity-building.
- Recommendations to achieve a mutually-respectful and productive dialogue were being ready to listen, not judging too quickly, and being open to learning more about traditional knowledge and values.
- Remember too that every community has its own history, traditions, values and views on resource development. Likewise, no two companies approach projects in the same way. A mutual openness to learning about the unique characteristics and interests of the communities and the project proponents is an essential ingredient to beginning the dialogue.

I was very pleased to share the MC duties with Greg D'Avignon, President and CEO, British Columbia Business Council. Many thanks to the staff of the BC Business Council for hosting an excellent event.

Please contact us if there are any comments or questions. We welcome your feedback.

Graham Campbell
President,
Energy Council of Canada
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