

Oh Canada!

Significant Developments in Canadian Energy



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Oil Sands News

- 1** Enbridge has announced a \$400 million expansion of its Canadian mainline system between Hardisty, Alberta and the United States border to accommodate increased heavy and light oil production. The expansion will add 230,000 bpd of capacity, increasing the line’s total capacity to its maximum of 800,000 bpd. The expansion has been approved by mainline shippers and is expected to be in-service by 2015.
- 1** Bellatrix Exploration has announced that it has entered into a joint venture agreement with an unnamed South Korean partner to accelerate the development of its undeveloped Cardium land holdings in west-central Alberta. Under the terms of the agreement, each partner will contribute 50 percent of the \$300 million total capital investment to the joint venture to participate in an 83 Cardium well program.

East Coast News

2 ExxonMobil, along with several partners, including Chevron, Suncor, Statoil and Nalcor Energy, is moving forward with the Hebron project, the next major offshore oil project off the Newfoundland coast. The oilfield will cost \$14 billion to develop and the first production for the project is scheduled for 2017. The project will operate in the Jeanne d'Arc Basin, 350 km southeast of St. John's, Newfoundland and will have a massive concrete gravity base structure which will be designed to store approximately 1.2 million barrels of crude oil.

3 A recent provincially funded study concludes that the Muskrat Falls hydroelectric project is the cheapest energy option for Nova Scotia. The study compared Muskrat Falls with two energy alternatives to determine the least expensive and capable option to meet environmental objectives. The report ranked importing electricity from Quebec as the second cheapest option, while wind power combined with natural gas was ranked the most expensive. The study will be entered as evidence at the regulatory hearings for the Muskrat Falls project.

3 The Eskasoni First Nation recently received approval from the Nova Scotia government for a 4.4MW community feed-in tariff (COMFIT) to assist in funding a wind power project. The project will be built on the same site as the 6MW project by the Millbrook First Nation that received approval last year. Both First Nations bands partnered with juwi Wind Canada to submit the applications to the province. Each band will retain its position as a majority owner of separate project companies with two separate COMFIT certificates. Construction on the projects is expected to be finished in 2014. COMFIT projects enter into a 20 year power purchase agreement with the provincial utility company Nova Scotia Power paying 13.1 cents/kWh.

West Coast News

4 Chevron has agreed to purchase from Encana its 30 percent interest in the proposed Kitimat

liquefied natural gas export terminal project. Included in the purchase are Encana's 30 percent interest in the associated Pacific Trail Pipelines, approximately 32,500 acres of undeveloped land in the Horn River Basin of northeastern British Columbia and the assumption of Encana's existing take-or-pay processing commitments for the first phase of the Cabin Gas Plant. Chevron has also agreed to buy out EOG Resources' 30 percent share of the Kitimat terminal and associated Pacific Trail Pipelines Project, along with 28,500 undeveloped net acres in the Horn River Basin. Chevron and Apache will each become 50 percent owners of the Kitimat facilities, with Chevron acting as operator of the LNG terminal and associated pipeline and Apache operating the upstream assets.

5 TransCanada has been selected by Progress Energy to design, build, own and operate the proposed \$5 billion Prince Rupert Gas Transmission Project. The proposed large diameter pipeline will have the initial capacity to transport 2 bcfpd, with expansion capacity up to 3.6 bcfpd, of natural gas primarily from the North Montney gas-producing region near Fort St. John approximately 750 kilometers to Progress' Pacific Northwest LNG export facility in Port Edward near Prince Rupert, B.C. The anticipated in-service date for the pipeline is the end of 2018.

Canadian Arctic News

6 A new power plant for Qikiqtarjuaq, Nunavut is among five projects in the Territory to share a \$1.6 million federal funding from the Canadian Northern Economic Development Agency CanNor. The agency will contribute \$500,000.00 towards a nearly \$9 million Qulliq Energy Corporation project to replace Qikiqtarjuaq's current power plant.

Alternative Energy

7 The Alberta Utilities Commission has issued their final decision on the Montana Alberta Tie Line (MATL) and approved the final design. MATL is a 300 MW transmission line that will connect

the Alberta power grid to Montana with wind power. The Rim Rock Wind project near Cutbank, Montana will be producing energy for the line and the project will stabilize the power grids in both jurisdictions. It is expected the MATL line will be completed mid-2013.

8 EDF EN, a subsidiary of EDF Energies Nouvelles, announced the commercial operation of the 150 MW Massif du Sud Wind Project and the first phase of the 150 MW Lac Alfred Wind Project, both located in Quebec. Both projects are comprised of 75 wind turbines each supplied by REpower, a German wind turbine company. Enbridge participates in both projects as 50 percent co-owner of the projects. Hydro-Quebec will buy the power produced under 20-year power purchase agreements.

8 Caisse, the public pension fund manager in Quebec and the second largest pension fund in Canada, has invested in thirteen wind farms, increasing its renewable energy portfolio. The investment, worth \$500 million will fund shares of Canadian wind farms currently owned and operated by Invenergy Wind. The renewable energy portfolio generates approximately 1,500 MW of electricity.

9 The Government of Canada is soliciting proposals for the use of biofuels to replace traditional diesel in Royal Canadian Navy vessels. Biofuels are cleaner than fossil fuels, produce less air pollution and consume materials that would otherwise be considered waste. The U.S. Navy has successfully deployed ships and aircraft running on a fifty-fifty mix of fuels and biofuels which are made from cooking oil and algae. While the Canadian government is considering making the move, it acknowledges that costs versus benefits and efficiencies must also be considered.

9 Pond Biofuels has announced the launch of its second algae carbon conversion and recycling project which will be located in Nanticoke, Ontario. Pond Biofuels' technology is designed to capture carbon dioxide which supports the growth of algae in a controlled environment. The

work will be conducted over the next 18 months to determine the viability of the process with an integrated steel manufacturing operation. Pond Biofuels is in the business of utilizing greenhouse gases from major industrial admitters to produce high value biomass from microalgae.

10 Canada's first off-shore wind farm will be built off the coast of British Columbia, in the Hecate Strait, between Prince Rupert and Haida Gwaii. The multiphase project is owned by the NaiKun Wind Energy Group. The first phase is set to produce 396 MW of energy, powering approximately 200,000 British Columbian homes.

On the Horizon

AltaGas and Idemitsu of Japan have signed an agreement to form a joint venture to pursue opportunities involving exports of liquefied petroleum and liquefied natural gas from Canada to Asia. AltaGas and Idemitsu will each own a 50 percent interest in the newly created AltaGas Idemitsu Joint Venture Limited Partnership. The Partnership has announced plans that include the pursuit of opportunities to develop long-term natural gas supply and sales arrangements to meet the growing demand for natural gas in Asia. Plans to undertake feasibility studies for the development and construction of liquefaction facilities will be undertaken with an expected completion date by early 2014, and proposed LNG exports beginning as early as 2017.

Abbreviations

In this newsletter, all dollar amounts are Canadian dollars unless otherwise stated. We have also used the following abbreviations: bpd - barrels per day; boepd - barrels of oil equivalent per day; mmcfpd - million cubic feet per day; bcfpd - billion cubic feet per day; tcf - trillion cubic feet; bbl - barrel; mbbl - thousand barrels; mmbbl - million barrels; bbbbl - billion barrels; boe - barrels of oil equivalent; MW - megawatts; kV - kilovolt; km - kilometer; KW - kilowatts; KWh -

kilowatt hours; cmpd - cubic meters per day; GJ - gigajoule.

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