

Oh Canada!

Significant Developments in Canadian Energy



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Oil Sands News

1 Enbridge Pipelines has received approval from the National Energy Board (“NEB”) for the installation of additional pumping capacity on its Alberta Clipper (Line 67) heavy crude oil pipeline. At a cost of \$188 million, the additions will increase the annual capacity of the line from 450,000 to 570,000 bpd. The required modifications and additions are scheduled to begin this fall with an in-service date of 2014 in the United States and 2015 in Canada.

East Coast News

2 Halifax Regional Council is evaluating investing in East Port Energy, a green energy project that would sell waste energy to large consumers in downtown Halifax. The power plant would burn natural gas to produce electricity to sell to the power grid then recycle the waste heat to provide hot water for district energy heating.

Halifax Regional Council has voted to research the potential of partnering with majority owners Emera and AltaGas. Selling the electricity and associated waste energy could generate up to approximately \$2 million in annual revenue for Halifax.

3 Nalcor Energy has released seismic results from four prospective oil basins in the Labrador Sea. Satellite imagery has revealed naturally occurring oil slicks in the water, suggesting the presence of crude deposits under the seabed. It is expected that the Canada-Newfoundland and Labrador Offshore Petroleum Board will open the area for leasing in 2-3 years.

West Coast News

4 The NEB has approved the issuance of a third export license to LNG Canada Development's proposed LNG export terminal near Kitimat, B.C. The license authorizes LNG Canada to export 670 million tonnes of LNG over the 25-year term. The proposed terminal is being developed under a joint development agreement among Shell, Diamond LNG (an affiliate of Mitsubishi Corporation), Kogas Canada (an affiliate of Korea Gas Corporation) and Phoenix Energy Holdings (an affiliate of PetroChina Investment (Hong Kong) Limited). While Shell currently owns 100 percent of LNG Canada, the parties have outlined an intention to enter into a shareholding agreement in the future whereby each party will own shares in LNG Canada.

5 Pacific Trail Pipelines ("PTP"), the First Nations (PTP) Group Limited Partnership ("FNLP") and the province of British Columbia have announced a revised benefits agreement for the proposed 463-kilometre Pacific Trail Pipeline project that will ensure that First Nations receive immediate and long-term benefits from the PTP project. The agreement provides up to \$200 million in financial benefits over the life of the PTP project to the FNLP First Nations whose traditional territories are located along the proposed pipeline route.

6 Japan Petroleum Exploration ("Japex") and Malaysia's Petronas have reached an agreement

in which Japex will be taking a 10 percent stake in an integrated shale gas development and LNG export terminal currently being pursued by Petronas. Monetary value of the deal has not been announced, however Japex has announced that it will obtain a 10 percent stake in Petronas' North Montney shale gas block, as well as rights to offtake 1.2 million tonnes per year of LNG from the proposed Pacific Northwest LNG export terminal on Lelu Island in the Port of Prince Rupert.

Canadian Arctic News

7 The Northwest Territories Government has given conditional support for a biomass project which would allow barges of wood pellets to be moved down the MacKenzie River, wintering in Inuvik and other stops along the way and becoming riverside warehouses for fuel. Communities will receive six dollars in "access fees" for every cubic metre of wood harvested from their areas. The plan is to produce 50,000 tons of wood pellets each year at a mill located north of Enterprise, NWT. The plant requires expenditure of \$12 million, plus another \$15 million a year for operating costs.

8 MGM, an oil and natural gas exploration and development company, has recently announced the spudding of East MacKay I-78 well targeting the Canol Shale oil play on their exploration license in the central MacKenzie Valley of the Northwest Territories. MGM, which is active in Northern Canada, is the operator of the well and anticipates that operations will be completed in March 2013.

Alternative Energy

9 KKR, a New York based global investment firm, has acquired SSM Solar, consisting of three solar photovoltaic energy projects located in Sault Ste. Marie, Ontario. The purchase price was not disclosed. SSM Solar is fully contracted to sell its energy output to the Ontario Power Authority under a 20 year power purchase agreement and

supplies power to approximately 7,000 households.

Borealis GeoPower, a private Canadian corporation focused on developing high temperature geothermal energy projects, has recently received investment from Sustainable Development Technology Canada (SDTC) for a geothermal exploration project. The Canadian Geothermal Association has estimated that there is 5GW worth of readily accessible high temperature geothermal resources in Canada. It is a renewable source of power and heat, with little to no emissions. With the investment from SDTC, Borealis GeoPower is better positioned to bring the geothermal technology it develops to a broader market.

On the Horizon

MEG Energy has announced plans to construct a pilot plant near Bruderheim, Alberta, to test a new technology that will convert diluted bitumen into heavy crude, allowing the partially upgraded heavy crude to flow in pipelines without the need for additional volumes of expensive diluent. MEG's HI-Q plant, in which the diluent as well as some asphaltenes and resins – otherwise referred to as “bottoms” – are removed from the bitumen, is intended to be one of the first pre-commercial facilities for partial upgrading in the region. The estimated \$103.6 million project has won \$10 million in funding from Alberta's Climate Change and Emissions Management Fund due to its added environmental benefits from a 44% reduction in carbon dioxide emissions as compared to the standard delayed coking upgrading process. Construction of the 3,000 bpd facility is expected to start later this year and begin operating by the end of 2014.

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; mmcfd - million cubic feet per day; bcfpd - billion cubic feet per day; tcf - trillion cubic feet; bbl - barrel; mbbbl - 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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