



Premier of Alberta

Office of the Premier, 307 Legislature Building, Edmonton, Alberta T5K 2B6 Canada

The Secretary
National Energy Board
517 - 10 Avenue SW
Alberta AB T2R 0A8

National Energy Board Hearing Order OH-001-2014 – Trans Mountain Expansion Project

I am writing to provide Alberta's written submission in support of the proposed Trans Mountain Expansion Project.

PREFACE

Sustainable Development

The Alberta government is committed to protecting what matters most to Albertans. Alberta's commitment is to responsibly develop our natural resources and deliver those resources to world markets in a safe and responsible manner. Alberta submits that pipelines remain the safest and most economical method to move oil and gas to market.

Improved market access for Canada's oil and gas industry will substantially increase corporate income taxes, benefitting all of Canada. In addition, improved market access provides significantly increased employment opportunities across the country. This important pipeline infrastructure will support an integrated energy economy in Canada that will be more attractive to investors, which in turn will generate more economic activity Canada-wide.

Accessing fair value for our resources will also allow Albertans to continue to make important investments in greening our development and transitioning to a low carbon economy. For these reasons, we want to ensure the sustainability and viability of that industry in our province for many years to come.

Although accessing new markets remains essential to ensuring we receive the maximum value for our resources and supports the Canadian economy, we understand that in order to grow our energy infrastructure, we need to continue to improve our environmental record and reputation. Alberta's Climate Leadership Plan demonstrates that a forward-thinking energy producing jurisdiction can also be a world leader in the fight against climate change. This creates an investment product that is good for all Canadians.



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The Government of Alberta's new Climate Leadership Plan is designed to strengthen our economy and establish Alberta as one of the most environmentally responsible energy producers in the world. This plan includes phasing out coal-fired electricity by 2030 and replacing it with clean sources of renewable power; reducing GHG emissions by putting a price on it; limiting oil sands emissions; making Alberta a leader in energy efficiency; and dramatically cutting methane emissions.

As the National Energy Board is aware, the environmental and socio-economic effects of upstream oil and gas production and exploration activities are assessed under comprehensive federal and provincial legislation, which impacts corporations directly engaging in oil and gas development. Alberta has moved proactively to ensure it has a strong environmental reputation. A legislated limit on oil sands greenhouse gas emissions will create the conditions needed for the oil sands sector to innovate and gain access to crucial energy markets by becoming one of the world's most progressive and forward-looking energy producers. Leaders in Alberta's oil sands industry, along with leaders in Canadian and international environmental organizations support our government in implementing this limit.

As Alberta's written final argument will discuss, western Canadian oil sands are expected to experience healthy growth that we expect will be compliant with Alberta's climate change regime to require additional pipeline capacity. Accordingly, Alberta is interested in all viable projects that can safely and economically move our oil and gas energy resources to markets and create good jobs for Canadians and local communities.

Projects like pipelines shouldn't pit one province against another – they should stimulate conversations that recognize the economic needs and positions of all provinces.

Although not part of the National Energy Board's scope, I believe it is important to provide this context for Alberta's Final Argument.

FINAL ARGUMENT – ECONOMIC NEED FOR THE PROJECT

Accessing Fair Market Value for Alberta's and Canada's Resources

Alberta supports the unmistakable economic benefits that the proposed Trans Mountain Expansion Project would achieve. In this proceeding, Trans Mountain provided several expert reports discussing the economic need and netback benefits of the Project (Muse Stancil report) as well as wider economic need and benefit evidence (Conference Board report). Alberta urges the Board to place substantial weight on all of Trans Mountain's filed economic need and benefit evidence in considering whether to recommend approval of the project to Federal Cabinet.



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It is not surprising that because of limited market access, western Canada's oil price has persistently been undervalued relative to world prices. This is having an impact on the entire country's economy. The need to improve our access to tidewater and new world markets has become a key challenge facing Alberta's energy industry—which, for us, means building new pipelines that can access international markets outside of North America. That includes the Trans Mountain Expansion project to the west coast, which involves twinning an existing pipeline.

Improved market access and market diversification for western Canada's energy products is a win for the Canadian economy, and all Canadians. Reaching tidewater is important for securing maximum value for our energy resources and will eliminate the discount that Canada receives for our energy.

Canadian Economic Benefits

The expert economic evidence provided by Muse Stancil and the Conference Board quantifies the benefits of the Trans Mountain expansion project on Western Canadian crude oil prices. The Project benefits are estimated to increase western Canadian crude oil revenues by \$73.5 billion over the first 20 years of operation, 123,221 person years of high value employment and increase government revenues by \$28.3 billion from the construction, operation and elimination of the price discount. Alberta urges the Board to place considerable weight on these findings.

Fair Value for Resource Owners

Currently, Canadian oil is exported almost exclusively to fully served or difficult to access markets in the United States resulting in significant discounting of Canada's crude oil resources. Alberta submits that it is imperative to the overall Canadian public interest that Canada's crude oil markets diversify beyond the current dependence on the United States refining markets.

The Project would significantly increase access to premium Northeast Asian markets, resulting in higher prices for both Western Canadian heavy and light crude oil.¹

¹ Exhibit B427-6 – 4a; John J. Reed, Concentric Energy Advisors, Inc., at adobe PDF page 18 of 29 (Question and Answer No. 30); Exhibit B431-2; Muse Stancil report, at adobe PDF page 15 of 91.



Without developing additional tidewater pipeline capacity, Canada's western Canadian crude oil resources and Canada's governments will not realize the appropriate benefits that other producing nations receive. Alberta submits that the loss from price discounting is of such size and persistence that it cannot be in the Canadian public interest and should be weighted heavily by the National Energy Board in its considerations of economic need for the Project.

In addition to market access, the Project provides western Canadian crude oil producers with market optionality – the ability to react quickly to market conditions, moving crude supplies to higher priced markets as supply and demand conditions change.²

Optionality allows shippers to access markets that offer the highest netback at any point in time. The Board reached this same conclusion in previous matters, notably in Decision OH-1-2007, wherein the Board found that in order for markets to function properly there must be adequate transportation capacity to connect supply to markets.³ Alberta submits the Board should continue to find that having adequate levels of pipeline capacity to connect supply to markets is in the overall Canadian public interest.

Muse Stancil reviewed several supply forecasts, all of which reached similar conclusions in terms of direction and magnitude. By any reasonable account, Western Canadian heavy crude oil production is forecast to significantly increase.⁴ The Government of Alberta agrees with these forecasts, and submits that the Western Canadian oil sands are expected to experience healthy growth that we expect will be compliant with Alberta's climate change regime to require additional pipeline capacity.

² B430-2; Trans Mountain Response to NEB Replacement Evidence IR, at adobe PDF page 29 of 58, in response to Board questions regarding the impact of excess pipeline capacity on competing pipelines and the industry in general, Trans Mountain advised that any amount of unused pipeline capacity will likely decrease over time, with ample need for additional pipeline capacity well before 2038; Muse Stancil confirm that having some excess pipeline capacity enables crude oil producers to access the highest-value markets in response to continually changing market factors, with negative impacts offset in part or wholly by the flexibility benefits provided by excess capacity.

³ OH-1-2007, Reasons for Decision, dated September, 2007, TransCanada Keystone Pipeline GP Ltd., Application for Construction of the Keystone Pipeline, at adobe PDF page 68 (paper page 56) wherein the Board found that "...As part of its regulatory framework, one of the Board's goals is that Canadians benefit from efficient energy infrastructure and markets. **In Order for markets to function properly, there must be adequate transportation capacity to connect supply to markets.** The Board is of the view that well-functioning markets tend to produce outcomes that are in the public interest." [emphasis added]

⁴ Exhibit B431-2; Muse Stancil report, at adobe PDF page 38 of 91.



Alberta submits that there is convincing evidence to support the Board finding that there are more than adequate crude oil reserves, as well as forecast growth in supplies and corresponding market demand to support a finding that the project will be highly utilized.⁵ The Board should not have any doubts in finding that Canada has more than abundant supplies of crude oil to fully utilize the additional pipeline capacity proposed by this project.

Wider Economic Benefits to Communities

The Conference Board report indicates that due to the lack of transportation infrastructure, Canada has not been getting the full fiscal and economic benefits from its resources. Alberta submits the Board should find that the proposed Project would provide substantial economic benefits to the Federal Government, the Provinces, indigenous peoples, and local communities along the project route.

The Conference Board report quantifies significant employment benefits to all Canadians, with an overall boost to employment of approximately 123,221 person-years during the first 20-years of operations, with 60% of these jobs being created in B.C. and 20% in Alberta.

CONCLUSION

Alberta supports the market access outcomes that the proposed Trans Mountain Expansion Project would achieve.

Alberta submits that the Board should make a clear finding that the economic need and benefits of the Project are clear, substantial, and undeniable. Alberta submits that the Board should find that there will be ample crude oil supplies, as well as attractive, premium markets that are very interested in accessing Canadian oil to diversify supply sources, to benefit Alberta as resource owners and all Canadians. Alberta urges the Board to find that the proposed Project will be used and useful throughout its operational life. Alberta's interests are consistent and harmonized with the Canadian public interest. Alberta urges the Board to place substantial weight on all of Trans Mountain's filed economic need and benefit evidence in considering whether to recommend approval of the project to Federal Cabinet.

⁵ Exhibit B431-2; Muse Stancil report, at adobe PDF page 13 of 91.



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Due to limited market access, Alberta's resources are currently undervalued. This is having an impact on the entire country's economy. The need to improve our access to tidewater and new world markets has become a key challenge facing Canada's energy industry—which, for us, means building new pipelines that can access international markets outside of North America.

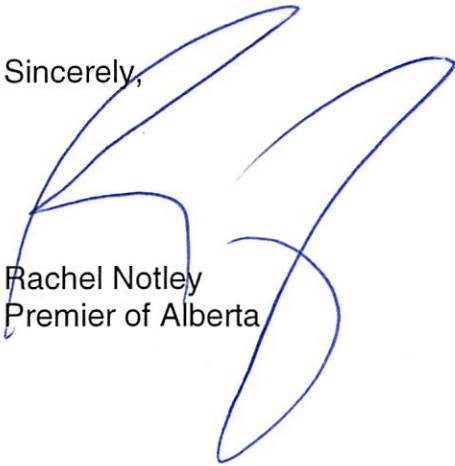
Alberta supports the economic need and benefit evidence submitted by the Trans Mountain Expansion Project proponent. Increased tidewater access for energy resources would enable Canadians to receive fair value for the resources they own and continue to sustainably develop in the best interest of all Canadians.

Alberta appreciates that interveners will provide submissions on matters of genuine concern. Alberta urges the Board to accommodate these genuine concerns and to recommend approval of the project on the current timelines in order to ensure a timely final approval. This will allow the proponents to address those concerns and to commence building this important energy infrastructure.

I respectfully submit this final argument in support of the proposed Trans Mountain Expansion Project, and urge the Board to recommend approval of this project for the benefit of all Canadians.

Sincerely,

Rachel Notley
Premier of Alberta

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and curves, positioned to the right of the typed name.