# Canadian LNG Import Projects: Status as of September 2006

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Natural Gas Division
Petroleum Resources Branch
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Natural Resources Canada | Ressources naturelles Canada

Canada

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**CANADIAN LNG IMPORT PROJECTS:**
**STATUS AS OF SEPTEMBER 2006**[1]

## INTRODUCTION

North America has historically relied on indigenous natural gas supplies, with very small amounts of import liquefied natural gas (LNG) from overseas to supplement indigenous production. Today, however, the conventional reservoirs and producing areas of western Canada and the United States (US) Gulf Coast (which supply about 65% of North America's natural gas) are mature, and high drilling rates are needed simply to maintain production at current levels. Meanwhile, demand for natural gas continues to be robust.

In order to meet this expected growth in demand, new sources of natural gas supply, including increased LNG imports, will be required. There are currently more than sixty LNG import projects proposed in North America. This report provides an update on the LNG import terminals proposed for Canada.

## CANADIAN LNG IMPORT PROJECTS

While Canada does not yet import LNG, there are eight proposals to construct LNG import facilities in Atlantic Canada, Quebec and British Columbia, many of which are currently involved in the environmental assessment (EA) / regulatory review process. The proposed facilities, from west to east, are:

1. WestPac LNG (Prince Rupert, British Columbia);
2. Kitimat LNG (Kitimat, British Columbia);
3. Gaz Métro / Enbridge / Gaz de France (Beaumont, Québec – Rabaska);
4. Énergie Grande-Anse (Saguenay, Quebec – Projet Grande-Anse);
5. TransCanada / Petro-Canada (Gros Cacouna, Quebec – Cacouna Energy Project);
6. Irving Oil / Repsol (Saint John, New Brunswick – Canaport LNG);
7. Keltic Petrochemicals and Maple LNG (Goldboro, Nova Scotia); and,
8. Anadarko Petroleum Corporation (Canso Strait, Nova Scotia – Bear Head LNG).

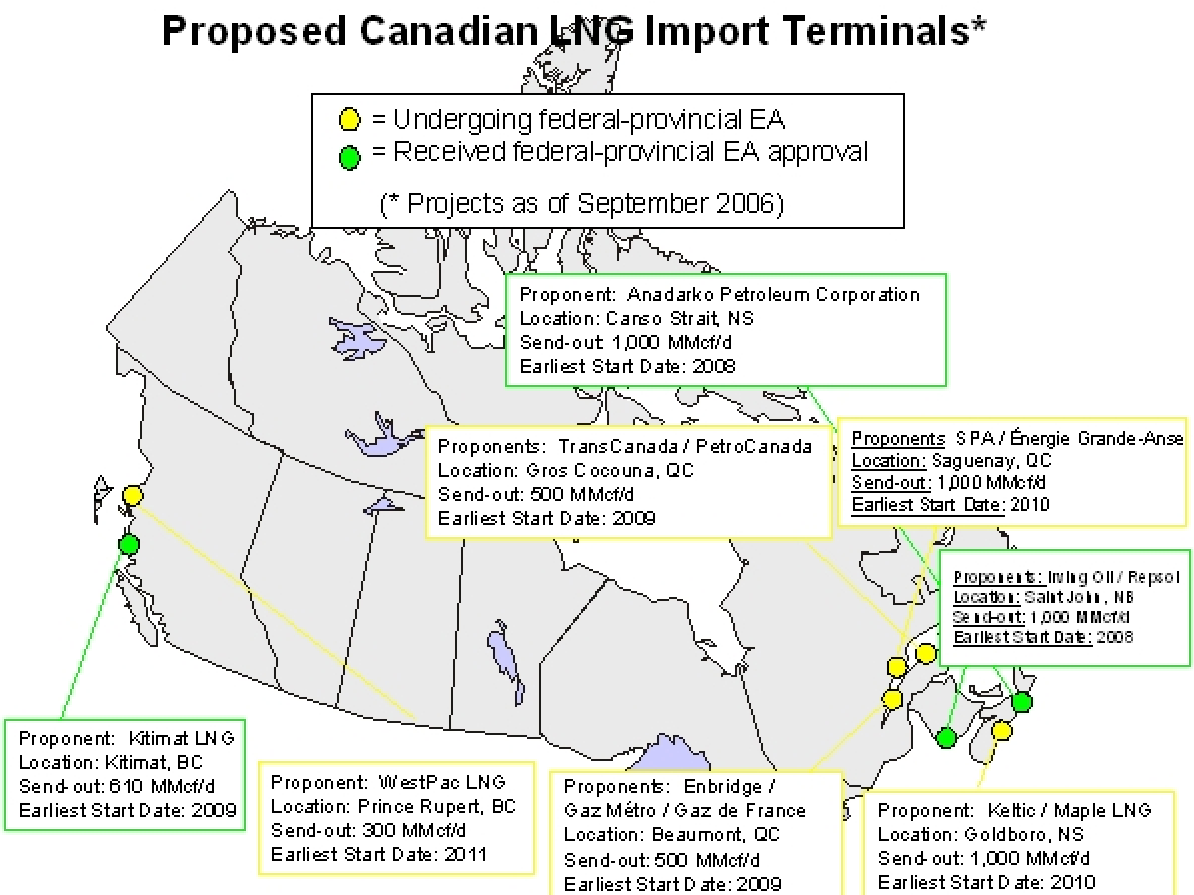
Three LNG projects – Canaport LNG located at Saint John, New Brunswick, Bear Head LNG near Port Hawkesbury, Nova Scotia and Kitimat LNG in British Columbia – have received federal and provincial EA approval. If proponents continue to advance these projects, these LNG facilities could be in service in the 2008-2009 time frame. Four other Canadian LNG projects are at various stages of the EA / regulatory review process and could be in service in the 2009-2010 time frame. The final

[1] Natural Resources Canada has prepared this report based on publicly-available information. Natural Resources Canada will strive to keep the information as up-to-date and accurate as possible but notes that this information may change pending further project developments.

project – sponsored by WestPac LNG Corporation (WestPac) in British Columbia – initiated the EA / regulatory review process in June 2006. WestPac has indicated its LNG import terminal could be in-service in 2011.

The LNG projects being contemplated for Atlantic Canada are, for the most part, "import-for-re-export projects," as the demand for natural gas in Atlantic Canada is met entirely by natural gas production offshore Nova Scotia. The Quebec LNG projects would provide an alternative source of natural gas supply to markets in eastern Canada, as Quebec is almost entirely dependent on natural gas supply from western Canada. The projects being proposed in BC are largely to supply natural gas to consumers on Vancouver Island and in the Lower Mainland.

The locations and details of these projects are shown in the map below.




These LNG import facilities would provide a new source of natural gas supply for Canadian consumers, direct economic benefits in the form of employment and taxes, and an opportunity for Canadian pipelines to expand. In addition to the approximately CDN $500 million each in investment, the development of any Canadian LNG import terminal will require access to pipeline infrastructure to deliver natural gas from the LNG terminal to consuming markets. In some circumstances, this will mean the expansion, extension or reversal of an existing pipeline system, while in other cases, this will require that a new pipeline system be built.

Two LNG-related pipeline proposals – Brunswick Pipeline Project and Kitimat to Summit Lake Pipeline Project – are currently involved in the EA / regulatory review process, in Atlantic Canada and British Columbia, respectively.

One page description and status sheets for each of the proposed Canadian LNG import projects and related LNG pipeline projects are attached.

## USEFUL LNG-RELATED LINKS

For accurate and up-to-date information regarding the federal-provincial EA status of the proposed Canadian LNG import projects, please visit the following Web Sites. These Web Sites also provide useful information about the federal (NEB, CEAA) and provincial (British Columbia, Quebec, New Brunswick and Nova Scotia) EA / regulatory processes.

**Federal**

- National Energy Board
  http://www.neb-one.gc.ca

- Canadian Environmental Assessment Agency
  http://www.ceaa.gc.ca

**Provincial**

- British Columbia Environmental Assessment Office
  http://www.eao.gov.bc.ca

- Ministère du Développement durable, de l'Environnement et des Parcs
  http://www.mddep.gouv.qc.ca/index_en.asp

- Nova Scotia Environment and Labor
  http://www.gov.ns.ca/enla/

- New Brunswick Department of the Environment and Local Government
  http://www.gnb.ca/0009/0377/0002/0002-e.asp

**Canadian Port Authorities**

- Prince Rupert Port Authority
  http://www.rupertport.com/

- Port Saguenay
  http://www.portsaguenay.ca/

## FACT SHEETS ON LNG PROJECTS

### WestPac LNG Corporation (Prince Rupert, British Columbia)

Project Description

- Calgary-based WestPac LNG Corporation (WestPac) proposes to construct an LNG receipt and transshipment terminal on Ridley Island, an industrial park about 11-km outside the northern port city. The CDN $350 million LNG facility would use the existing docking facilities at Ridley Island, which were once used to ship coal.
- WestPac plans to offload LNG at Ridley Island, transfer it to insulated storage tanks, then onto smaller barges for delivery to markets on Vancouver Island and in the Lower Mainland.
- In December 2004, WestPac entered into a 30-year land lease agreement with the Prince Rupert Port Authority (PRPA) to develop its LNG import terminal on PRPA lands. Agreement gives WestPac exclusive rights for LNG development on 100 hectares of industrial land on Ridley Island.
- Minimum initial send-out capacity for the LNG import facility estimated at 150 million cubic feet per day (MMcf/d), maximum 500 MMcf/d. Expected that the LNG terminal would create approximately 300 jobs during construction and about 30 jobs once operational in 2011.

Regulatory Overview

- On June 6, 2006 WestPac filed an official Project Description with the PRPA, formally beginning the regulatory review and EA process for the project. WestPac retained national consulting firm Jacques Whitford to conduct the EA. The EA process is expected to take approximately 2 years to complete.
- The document has been filed with the PRPA with a view to having that organization initiate federal coordination to determine if an EA is required under the *Canada Port Authority Environmental Assessment Regulations (CPAEAR)* and *Canadian Environmental Assessment Act (CEAA)*. This approach has been followed as the proposed Project will be undertaken entirely on federal lands and within the limits of the Port of Prince Rupert.
- As it will issue a lease for the use of federal Crown land and submerged land within the Port of Prince Rupert, the PRPA is responsible for conducting an EA of all aspects of the Project. Other federal authorities have more limited jurisdiction relating to permits that may be required for the marine jetty, only one element of the overall Project.
- In its leadership role for EA, it is anticipated that the PRPA will coordinate its EA activities with federal departments, who are determined to have responsibilities under CEAA. As the Project will be constructed entirely on federal land and marine waters in the Port of Prince Rupert, the *British Columbia Environmental Assessment Act (BCEAA)* will not be triggered.

Company Web Site: www.westpaclng.com

## Kitimat LNG Inc. (Kitimat, British Columbia)

Project Description

- Kitimat LNG Inc. (Kitimat), Calgary-based company, proposes to construct, own, and operate a CDN $500 million LNG import terminal at Bish Cove near the Port of Kitimat.
- Terminal to include marine offloading, LNG storage, natural gas liquids recovery, re-gasification and send-out facilities to deliver natural gas into the Pacific Northern Gas (PNG) pipeline and ultimately into the Duke Energy Gas Transmission (DEGT) pipeline system.
- Initial natural gas send-out capacity to be 610 MMcf/d.
- Kitimat expected to commence construction in the fall of 2006 with operations scheduled to begin in 2009. Construction of the LNG terminal is estimated to generate approximately 700 jobs and 50 permanent full-time positions once the facility is in commercial operation.

Regulatory Overview

- Project subject to an EA under *CEAA* and the *BCEAA*. Project also requires a 'Project Approval Certificate' under the *BCEAA*.
- British Columbia Environmental Assessment Office (BCEAO) and federal Responsible Authorities (RA's) – Transport Canada, Environment Canada, and Indian and Northern Affairs Canada (INAC) – harmonized the EA process and prepared a joint Comprehensive Study Report (CSR), which was submitted to the federal Minister of the Environment and the provincial Minister of the Environment and the Minister of Energy, Mines, and Petroleum Resources on April 26, 2006.
- Kitimat received a provincial EA certificate from the BCEAO on June 6, 2006. On August 1, 2006, the federal Minister of the Environment issued a positive EA decision statement and referred the project back to the RA's for appropriate decision-making.

Other

- On April 26, 2006, Kitimat and the Haisla First Nation (Haisla) finalized an impacts and benefits agreement. The agreement provides the Haisla the opportunity to purchase equity in Kitimat LNG, minimum standards of employment, including training, as well as procurement opportunities.
- Kitimat is also looking to secure a supply of LNG and will be negotiating with production companies in Indonesia, Malaysia, Bolivia, as well as the northwest shelf of Australia. Kitimat hopes to have a Memorandum of Understanding (MOU) with a potential supplier in early 2007.

Company Web Site: www.kitimatlng.com

**Gaz Métro / Enbridge Inc. / Gaz de France Rabaska LNG project (Beaumont, Quebec)**

Project Description

- Gaz Métro, Enbridge, and Gaz de France propose to build a CDN $700 million, 500 MMcf/d LNG import terminal in the Ville Guay-Beaumont area, Quebec. Rabaska project includes a terminal comprised of two storage tanks, a jetty to receive the LNG tankers, pumping, compression and vaporizing facilities, and a pipeline of about 50 km to connect the LNG terminal to the existing facilities of Trans Québec & Maritimes Pipeline Inc. (TQM) in St. Nicolas, Quebec.
- Gaz Métro and Enbridge to fund the project together, while Gaz de France to arrange LNG supplies and provide shipping support. Bulk of natural gas send-out to be purchased by Gaz Métro and Enbridge (natural gas distribution companies) to serve the growing needs of their customers. Remaining natural gas could be purchased directly by industrial and commercial customers in Quebec and Ontario. Any excess natural gas could flow to the US northeast.
- During construction, about 3,460 direct and indirect jobs will be created. The LNG facility, which is expected to be in-service by 2009, will generate about 70 full-time positions.

Regulatory Overview

- Project subject to EA under both the *CEAA* and the *Quebec Environment Quality Act*. Main permitting agency for the project is the Quebec Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP), who must issue a "Certificate of Authorization" for the project to proceed.
- In January 2005, the federal Minister of the Environment determined that a review panel was the most appropriate level of EA for the Rabaska LNG project. The Minister's decision was based on the report and recommendation submitted by the RA's – the National Energy Board (NEB), Department of Fisheries and Oceans Canada (DFO), Transport Canada and the Canadian Transportation Agency (CTA) – concerning the determination of the EA process for the project.
- Rabaska filed its preliminary environmental impact study (EIS) on January 25, 2006 with MDDEP and the Canadian Environmental Assessment Agency (CEAA). Once the conformity of the EIS is completed and should the Bureau d'audiences publiques sur l'environnement du Québec (BAPE) receive a mandate, the review panel will be announced. Public hearings are expected to begin in the fall 2006.
- On January 13, 2006, the proponents informed the NEB they would not file an application to the NEB for the LNG facilities, but rather only for the related pipeline expansion. Subsequently, on February 7, 2006, the NEB notified CEAA that it would no longer be an RA for the EA review process for the Rabaska LNG project until such time as the NEB becomes officially triggered by the filing of a pipeline application under the *NEB Act*.

Company Web Site: www.rabaska.net

## Énergie Grande-Anse Inc. (Saguenay, Quebec)

Project Description

- The Saguenay Port Authority (SPA) and Quebec-based Énergie Grande-Anse Inc. propose to develop and build an LNG import terminal in the Port of Grande-Anse, along the Saguenay River in Quebec.
- The facility is expected to have an initial send-out capacity of about 1 billion cubic feet per day (Bcf/d).

Regulatory Overview

- The Grande-Anse Project is subject to an EA under both the *CEAA* and the *Quebec Environment Quality Act.* In addition, the MDDEP must issue a "Certificate of Authorization" for the project to proceed.
- In September 2005, Énergie Grande-Anse submitted a preliminary project description to the CEAA, which officially commenced the federal EA process.
- Under the *CEAA*, an EA is required for this project because the SPA may provide federal lands for the purpose of enabling this project to be carried out.
- In accordance with the *CEAA*, the federal Minister of the Environment is required to decide to continue with the EA by means of a comprehensive study or refer the project to a mediator or a review panel. After this time, the proponent can prepare and submit the necessary EA documentation.

Company Website: None

## TransCanada / Petro-Canada Cacouna Energy Project (Gros Cacouna, Quebec)

Project Description

- TransCanada, in partnership with Petro-Canada, proposes to construct a CDN $660 million, 500 MMcf/d LNG terminal on Gros Cacouna Island, Quebec, 15 km northeast of Rivière-du-Loup. Facility to be adjacent to the existing harbor on land leased from Transport Canada.
- Natural gas send-out from the facility would be delivered, via a new 240-km pipeline, to existing natural gas pipeline infrastructure in Quebec. Quebec, Ontario and the US northeast are the anticipated markets for natural gas send-out.
- Provided necessary approvals are received, it is expected that the LNG import facility will be in-service by 2009. Would create about 2000 person-years of direct employment during 3-year construction phase and 35 long-term positions to operate the LNG import facility.

Regulatory Overview

- The Cacouna Energy Project is subject to an EA under both the *CEAA* and the *Quebec Environment Quality Act.* The MDDEP must also issue a "Certificate of Authorization."
- In August 2005, the federal Minister of the Environment determined that a review panel was the most appropriate level of EA for the Cacouna LNG project. The Minister's decision was based on the report and recommendation submitted by the RA's – Transport Canada and DFO – concerning the determination of the EA process for the project.
- The EIS was filed with the MDDEP and the CEAA in May and June 2005, respectively. On February 22, 2006, the BAPE announced the commencement of the 45-day public consultation period in Quebec. On March 23, 2006, the Minister of the Environment of Quebec informed the BAPE that they would be required to hold public hearings. The BAPE process lasts four months. The Panel Report is expected to be submitted to the Minister of the Environment September 8, 2006.

Other

- TransCanada is to operate the LNG facility, and Petro-Canada is to provide the necessary LNG supplies. In October 2004, Petro-Canada and state-owned Russian giant Gazprom signed an MOU to investigate the possibility to jointly develop a liquefaction plant near St. Petersburg, Russia, which would deliver LNG to the Gros Cacouna LNG import facility.
- The prospective agreement requires diplomatic assurances because Gazprom is controlled by the Russian government. In a joint statement July 15, 2006, a day before the official start of the G-8 Summit in St. Petersburg, Russia, Canadian Prime Minister Stephen Harper and Russian President Vladimir Putin endorsed the private sector deal and vowed to "work to facilitate" close cooperation between their energy sectors, particularly in the area of LNG.

Company Web Site: www.cacounaenergy.ca

**Irving Oil Limited / Repsol YPF SA Canaport LNG project (Saint John, New Brunswick)**

Project Description

- Irving Oil Limited (Irving) and Repsol YPF SA (Repsol) to develop a CDN $750 million, 1 Bcf/d, LNG import facility near Irving's existing Canaport deepwater marine terminal in Saint John, New Brunswick. The Canaport terminal receives crude oil tankers from overseas in excess of 400,000 tonnes. The crude oil is delivered to Irving's Saint John refinery, the largest in Canada. The project was initiated by Irving.
- The import terminal would be located approximately 105 km from the US border. A portion of the LNG will be sold into Atlantic Canada, while Irving plans to consume some of the natural gas as fuel in its own nearby refinery. Additional volumes could be sold to local paper mills and power plants, as well as the US northeast.
- Clearing of the site was completed in May 2005, site excavation and levelling began in September 2005, and onshore construction commenced in mid-2006.
- The project is scheduled to begin operations in late 2008. At commissioning, the terminal will have a send-out capacity of 1 Bcf/d of natural gas, with a peak capacity of 1.2 Bcf/d and will be expandable to 2 Bcf/d when the market requires additional natural gas supplies. There will be up to 700 jobs created during peak construction of the facility. Once in operation in late 2008, the LNG facility will create approximately 40 permanent jobs.

Regulatory Overview

- The project was subject to an EA under both the *CEAA* and *New Brunswick's Clean Environment Act*. On August 6, 2004, the project received federal EA approval. The federal Minister of the Environment issued a positive EA decision statement and referred the project back to the RA's – Transport Canada, DFO and Environment Canada – for appropriate decision-making. Days later, on August 10, 2004, the New Brunswick Department of the Environment and Local Government granted provincial EA approval. The project was also required to obtain other necessary federal and provincial approvals, permits or authorizations before commencing work on the undertaking.

Other

- In June 2005, Irving and Repsol entered into an agreement to develop the LNG import terminal. The agreement formed a new company, Canaport LNG, which will construct, own and operate the terminal. Repsol, based in Spain, is one of the US' largest suppliers of LNG.
- An indirect subsidiary of Repsol, Repsol Canada, has contracted for 100% of the capacity of the Canaport LNG terminal on a long-term basis and will be the importer of LNG into Canada, the shipper of re-gasified LNG on the Brunswick Pipeline in Canada and the exporter of re-gasified LNG to the US.

Company Web Site: www.canaportlng.com

## Keltic Petrochemicals / Maple LNG (Goldboro, Nova Scotia)

Project Description

- Halifax-based Keltic Petrochemicals (Keltic), in partnership with Maple LNG, proposes to develop an integrated petrochemical and LNG facility in Goldboro, Nova Scotia. Project consists of a petrochemical plant, an LNG import terminal and natural gas storage facility, de-methanizing units, power generation up to 200 megawatts, as well as related utility and offsite infrastructure and systems. The project will be located on land in the Goldboro Industrial Park to be purchased from the Municipality of the District of Guysborough.
- Construction of the complex is expected to generate more than 3,000 jobs during construction and 500 permanent full-time jobs upon initial operation. Construction is expected to take approximately three years. The complex is estimated to cost CDN $4 billion and could be in operation by 2009.

Regulatory Overview

- Keltic's project is subject to an EA under both the *CEAA* and the *Nova Scotia Environment Act*. In January 2005, Keltic submitted a Project Description to the Nova Scotia Department of Environment and Labour, which commenced the provincial EA process. The Nova Scotia Minister of Environment and Labour determined that the proposal, including the petrochemical plant, the LNG facility, the public highway and the electric generating facility, is subject to a Class 2 individual EA under the *Nova Scotia Environment Act*. The Class 2 process includes public hearings.
- In January 2006, following public consultation and review of reports and recommendations from Transport Canada and DFO (RA's), federal Minister of the Environment determined that a comprehensive study process was the most appropriate level of EA. The scope of project for Transport Canada's EA includes both the marine wharf and LNG storage and re-gasification facilities, while the scope of the project for DFO's EA is the marine wharf only.
- RA's delegated the preparation of the CSR to the proponent. CSR will be prepared and then submitted to the Minister of the Environment and CEAA. At that time, the public will have an opportunity to provide comments on the findings and recommendations of the CSR before the Minister renders her final decision. The RA's will coordinate the public involvement required under the *CEAA* with Nova Scotia's consultation on the EA report.

Other

- On March 15, 2006, Keltic signed a deal with Maple LNG, the Canadian affiliate of two European energy companies. Under the agreement, Maple LNG will develop and control 100% of the proposed LNG import terminal, while providing Keltic with access to the natural gas liquids for its own petrochemical production. Maple LNG, made up of 4Gas of Rotterdam and Russian-owned Suntera, has significant interests in Russian natural gas.

Company Web Site: www.kelticpetrochemicals.ca

**Anadarko Petroleum Corporation Bear Head LNG Project (Strait of Canso, Nova Scotia)**

Project Description

- Anadarko proposes to construct a 1 Bcf/d LNG import facility on the Strait of Canso, near Point Tupper, Nova Scotia. On August 12, 2004, Anadarko acquired Access Northeast Energy Inc. (ANE), a private Canadian company whose sole project was its proposed LNG import facility at Bear Head, Nova Scotia. The facility is being developed on a 180-acre parcel of land designated for heavy industrial development.
- The LNG facility is expected to deliver natural gas to markets in Atlantic Canada and the US northeast. The estimated cost of the LNG facility is CDN $650 million and it is expected to be in commercial operation by late 2008.

Regulatory Overview

- The project was subject to an EA under both the *CEAA* and the *Nova Scotia Environment Act*. On August 9, 2004, ANE secured federal-provincial EA approval. The proponent was also required to obtain other necessary federal and provincial approvals, permits or authorizations before commencing work on the undertaking.
- On November 21, 2005, the Nova Scotia Utility and Review Board issued a Permit to Construct to Anadarko to construct tank base concrete foundations for its proposed LNG facility at Bear Head, Nova Scotia.

Other

- Construction planning, site clearing and leveling, and an upgrade of access roads began in late 2004 to prepare the site for major construction in 2005. In November 2005, construction of the concrete foundations for the two LNG storage tanks began.
- Full scale construction, including the actual storage tanks, the ship berthing facility and the jetty, was originally scheduled to begin in mid-2006. However, on March 14, 2006, Anadarko announced that it was "rescheduling" the timing of on-site construction until it finds a secure supply of LNG, which should be determined over the next few quarters.
- On July 10, 2006, Anadarko agreed to sell its Bear Head LNG project to US Venture Energy, a Paris-based private equity group, who plan to resume construction of the LNG terminal this fall regardless of whether a supply of LNG is secured or not.
- Under the terms of the deal with US Venture Energy, Anadarko will receive US $125 million for the assets and approval of the LNG terminal, as well as an 18-month option to secure up to 350 MMcf/day of throughput capacity at the LNG terminal at competitive rates. The option period will begin once the transaction closes, which is expected to occur within 30 days. The deal with US Venture Energy excludes the transportation agreement Anadarko signed in July 2005 with MNP.

Company Web Site: www.bearheadlng.ca

## FACT SHEETS ON LNG-RELATED PIPELINE PROJECTS

### Emera Brunswick Pipeline Company Ltd. – Brunswick Pipeline Project

Project Description

- The Brunswick Pipeline would connect the Canaport LNG terminal at Mispec Point near Saint John, New Brunswick to natural gas markets in Atlantic Canada and the US northeast. The 30-inch, 145-km Brunswick Pipeline Project would travel through southwest New Brunswick from the terminal (currently under construction) to the US portion of the Maritimes and Northeast Pipeline (MNP) at the international border near St. Stephen, and then on to the Baileyville compressor site in Baileyville, Maine.
- The Brunswick Pipeline would not be integrated with the Canadian MNP pipeline. MNP commenced development of the project on a stand-alone basis, separate from the rest of its system. On May 15, 2006, MNP transferred all of its rights and interests in the Brunswick Pipeline Project to Emera Brunswick Pipeline Company (EBPC). EBPC is wholly owned by Emera Inc., an energy and services company based in Atlantic Canada with over $4 billion in assets. Emera Inc. has been an investor in MNP since its inception in 1999. Emera currently holds 12.9% of MNP.

Regulatory Overview

- On January 6, 2006, a Project Description was filed by MNP. The purpose of the Project Description was to initiate the federal EA process and to provide an overview of the proposed project.
- On May 23, 2006, EBPC applied to the NEB for a Certificate of Public Convenience and Necessity (CPCN) under section 52 of the *NEB Act* authorizing EBPC to construct and operate the Brunswick Pipeline.
- The NEB, DFO, Transport Canada, Environment Canada and the CTA are the project RAs and shall ensure that an EA of the Project is undertaken. The project has been referred to a review panel pursuant to section 25 of the *CEA Act*. The NEB process will substitute for an EA by a review panel as provided for under section 43 of the *CEA Act*.
- This will be the first application of the substitution provisions of the *CEA Act* since the proclamation of the original Act in 1995, and it will therefore be considered a trial to assess application of these provisions. The substitution was approved by the Hon, Rona Ambrose, Minister of the Environment and Minister responsible for the CEAA. Substitution of the NEB process will result in more efficient and effective application of the federal EA process to the proposed Pipeline Project by avoiding duplication while ensuring that the public has opportunities to present its views to the NEB panel.
- The NEB will conduct an oral public hearing, which will begin on November 6, 2006 in Saint John, NB. The NEB's proceeding will obtain the evidence and views of interested persons on the application. Construction of the Brunswick Pipeline is planned to begin in 2007 and be in-service by November 2008.

Company Web Site: www.brunswickpipeline.com

**Pacific Trail Pipelines Limited Partnership –**
**Kitimat-to-Summit Lake (KSL) Pipeline Project**

Project Description

- On July 17, 2006, PNG and Kitimat LNG Inc. formed the Pacific Trail Pipelines Limited Partnership. Pacific Trail Pipelines, a 50-50 joint venture, was established to develop a new natural gas pipeline from Kitimat, BC to Summit Lake, BC (the KSL Project). KSL would be 470-km of 30 or 36 inch diameter pipeline and any required compression facilities, at an estimated cost of CDN $900 million or $1.2 billion, respectively.
- PNG's existing pipeline extends from an interconnect with the DEGT system at Summit Lake, to tidewater at Kitimat and Prince Rupert, and provides service to 12 communities and a number of industrial facilities. In the northeast, PNG's subsidiary Pacific Northern Gas (N.E.) Ltd., provides natural gas distribution service in the Dawson Creek, Fort St. John and Tumbler Ridge areas. KSL would mostly parallel PNG's existing pipelines between Kitimat and Summit Lake.
- Gas send-out from the proposed Kitimat LNG import terminal at Bish Cove would be transported on KSL to an interconnect with DEGT at Summit Lake. From there, natural gas could flow west into Alberta or south into the BC Lower Mainland and Washington state, and on to other US markets such as California.
- Upon completion of the KSL Project, PNG's existing pipeline would be transferred to Pacific Trail Pipelines and integrated with KSL. Total capacity would increase from about 115 MMcf/d to enable Pacific Trail Pipelines to accept delivery of up to 1 Bcf/d of natural gas from the LNG facility. The integrated system will be bi-directional, allowing natural gas to flow from west to east or east to west for delivery to (or from) DEGT.
- Pacific Trail Pipelines expects to commence construction of the KSL project by the first quarter 2008.

Regulatory Overview

- PNG commenced the environmental regulatory review process of the KSL Project by filing a Project Description with the BCEAO in September 2005. Pacific Trail Pipelines is now expected to file regulatory applications with the BC Utilities Commission, the BCEAO and the CEAA by early spring 2007.
- The route for the KSL project will be determined through technical field studies and consultation with First Nations, the public and regulatory authorities. PNG's existing right-of-way will be used where appropriate.

Company Web Site: www.png.ca/company_ksl.cfm