New Gas Terminal Authorized to Alberta's Chagrin

TransCanada Pipelines Ltd (Re) [1], a decision of the National Energy Board (NEB) dated July 1, 2007, the NEB approved a new receipt terminal for liquefied natural gas (LNG) in Gros Cacouna, Quebec [2]. In the decision, the NEB confirmed that the expansion costs for the terminal would be "charged to all [LNG] shippers" rather than "only to the shippers utilizing the new facilities" [3]. In other words, the $738 M required for the pipeline additions to the Cacouna terminal must be paid by all LNG shippers, including Alberta's gas producers and merchants.

The NEB's decision does not appear to be popular in Alberta [4]. At the hearing, the Alberta Department of Energy argued that the decision to charge all LNG shippers essentially subsidized the costs of the terminal. This appeared to be unfair given that the purpose of the Cacouna terminal is to facilitate international imports of LNG, which will compete with Alberta's natural gas sales in Eastern Canada. Indeed, the Calgary Herald has reported that Petro-Canada, a key proponent of the terminal at the NEB hearing, "has been negotiating with Russia's OAO Gazprom, one of the world's largest gas producers, to obtain supply for the plant" [5].

At the hearing, the applicant, TransCanada Pipelines Limited (TCPL), argued that the terminal was necessary due to increasing demand for natural gas in Eastern Canada and a decreasing supply from Alberta's Western Canadian Sedimentary Basin (WCSB). The extent of the natural gas reserves in the WCSB has become an issue with the increased need for gas to support oil sands development in Northern Alberta and industrial growth in the West. None of the participants at the hearing disputed TCPL's argument, but Alberta Energy was dissatisfied with the decision. Their dissatisfaction can be explained by the numbers: the province of Alberta accounts for 80% of natural gas production in Canada, and the resource is Alberta's primary revenue earner. Over the fiscal periods of 2000 to 2005, the Government of Alberta received $28.2 B in natural gas royalties, almost 70% of the province's revenue from non-renewable resources [6].

Throughout its history, the NEB has had to mediate between Western oil and gas ambitions and federal interests. Established in 1959, the NEB is an independent administrative agency empowered by Parliament to regulate international and interprovincial aspects of the oil, gas, and electric utility industries [7]. The NEB derives its statutory authority from the National Energy Board Resources Act, and is involved in other statutes such as the Canadian Environmental Assessment Act, Canada Oil & Gas Operations Act, Northern Pipeline Act, Canada Petroleum Resources Act, and the Canada Transport Act.

Sources

- Gordon Jaremko, "NEB gas imports ruling costly to Alberta" Edmonton

Journal, (20 August 2007).
- Roland Priddle, “Reflections on National Energy Board Regulation 1959-1998: From Persuasion to Prescription and on to Partnership” (1999) 37 Alberta Law Review 524-548.
- Lisa Schmidt, “LNG pipeline approved for Quebec,” Calgary Herald (28 June 2007).

Cases

- TransCanada Pipelines Ltd. (Re) (1 July 2007), 2007 LNCNEB 5, online: Quicklaw.

[1] TransCanada Pipelines Ltd. (Re) (1 July 2007), 2007 LNCNEB 5, online: Quicklaw.

[2] Lisa Schmidt explains that “liquefied natural gas (LNG) is gas that has been chilled to a liquid form so that it can be loaded onto ships and transported to markets too far away for a pipeline. The LNG gets returned to gas and piped to consumers” (“LNG pipeline approved for Quebec” Calgary Herald (28 June 2007).

[3] NEB, “News Releases 2007: NEB set to hear the Gros Cacouna Receipt Point Application” National Energy Board Website (21 March 2007).

[4] See Gordon Jaremko, “NEB gas imports ruling costly to Alberta” Edmonton Journal, (20 August 2007).

[5] Lisa Schmidt, “LNG pipeline approved for Quebec,” Calgary Herald (28 June 2007).

[6] “Our Business: Natural Gas” Alberta Energy.

[7] See “Who We Are & Our Governance” National Energy Board.