

May 2012

Canada's Rise as an Energy Superpower

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Canada is rapidly becoming recognized as one of the world's energy superpowers. Our nation is now the leading foreign supplier of oil to the U.S., delivering nearly twice as much each year as Saudi Arabia. In addition, ninety per cent of natural gas imports to the U.S. originate from Canada. Oil sands production is at an all-time high and production from new sources of tight oil continue to increase exponentially. The increasingly prominent role that Canada plays on the world energy stage can be credited, at least in part, to the regulatory process that has evolved in Canada, which provides a relatively streamlined and predictable process for project approval, allowing for a high degree of flexibility and responsiveness to market forces.

Unlike the United States and Western Europe, large-scale Canadian energy development and transportation projects are able to move ahead expeditiously while addressing environmental, First Nations and community stakeholder concerns in a meaningful way through robust consultation processes. While the wide diversity of energy-related projects makes any comparison between international jurisdictions of "average" approval timelines in large part meaningless, there is significant anecdotal evidence that Canada's increasing reliance on resource extraction as its economic engine, combined with its relative political stability, provide key elements for the responsible, sustainable project development that we are witnessing. And if recent amendments to the environmental review process are passed, Canada's oil and gas industry is expected to become even more robust as the approval process becomes increasingly efficient. By way of example, Part 3 of the proposed Bill C-38 was introduced on April 26, 2012 with a view to further refine the environmental assessment process with wide-ranging implications for Canada's resource and transportation sector. This follows from the federal government's announcement of its "Responsible Resource Development" strategy on April 17, 2012 which is expected to significantly alter the review process for federal environmental assessments. For natural resource industries, these proposed changes are largely positive and are expected to lessen those elements of uncertainty remaining within the federal environmental assessment process.

Recent decisions of Canada's National Energy Board (NEB) help to demonstrate how an efficient regulatory process is helping to expand and diversify Canada's strength as an energy powerhouse. The NEB has granted a 20-year licence to KM LNG Operating General Partnership (KM LNG, owned 40% by Apache Canada Ltd., 30% by EOG Resources Canada Ltd. and 30% by Encana Corporation) to export liquefied natural gas (LNG) from Canada to offshore markets, and a second such licence was granted to BC LNG Export Co operative LLC (BC LNG, owned by LNG Partners LLC of Houston). These decisions reflect the NEB's acknowledgement that the wealth of Canada's natural gas resources and proximity to Asian markets, coupled with a sound regulatory environment, make Canada a natural and desired energy provider for Pacific Rim LNG purchasers. Although both the KM LNG and the BC LNG projects await final investment approvals, and may hinge on further international joint venture participation, they are both examples of the movement towards increased regulatory efficiency and an indicator of Canada's ability to effectively manage future growth. Although Canadian oil and gas export markets are currently limited to the U.S., the LNG regulatory approvals will likely play a significant role in diversifying Canadian markets, creating a demand side balance to the current low price environment for North American natural gas.



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The continuous improvements to the energy development approval process and the federal and provincial governments' nimble approach to regulating the extractive industries in Canada are born, in many respects, out of necessity. In Alberta alone there are an estimated 3.7 million barrels per day (b/d) of in situ oil sands projects under regulatory review or announced, and a further 700,000 b/d of mining projects, spread over literally hundreds of separate applications. The sheer magnitude of the planned development is staggering without even considering the related pipeline and transportation infrastructure necessary to deliver the production to market. The Keystone XL pipeline and Northern Gateway oil sands pipeline projects are illustrative examples of how the Canadian process can be distinguished as facilitative. The Canadian process for approving the Northern Gateway pipeline project for transporting oil sands to Canada's west coast, while seemingly over-inclusive in the scope and extent of its stakeholder consultation, is at least largely predictable and seemingly free of the political interference associated with the Obama administration's involvement in Keystone XL, a not dissimilar pipeline project proposed to ship oil sands to the southern U.S.

While the regulatory process continues to evolve in ways that streamline approval processes by removing inconsistencies and duplication, it is important to note that Canada's rise as an energy superpower has not come at the cost of ignoring the concerns of groups opposed to development. Stringent environmental guidelines and robust aboriginal consultation obligations govern the process to ensure responsible development. Non-compliance with environmental statutes can result in significant penalties including fines in the millions and the potential for imprisonment. Any failure by a proponent to adequately consult with and accommodate the concerns of First Nations, or as is increasingly the case offer project participation to impacted peoples, can lead to extensive project delays or in some cases decades long litigation.

In order to capitalize on Canada's tremendous potential it is important for the energy industry to keep informed and to ensure that they remain compliant with all regulations. Oil and gas companies in Canada will need to monitor for any pending changes to the regulatory review process and to carefully consider how their business operations are able to respond to those changes. As a result of the evolving regulatory environment, Canada is expected to become recognized internationally as an energy superpower, able to ensure reliable, sustainable and responsible energy production.

This article was published in the May 21st, 2012 issue of the Northern Miner.

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