

Special Report to Members

The Trans Mountain Pipeline Expansion Project

On December 16, 2013, Trans Mountain submitted a facilities application to the National Energy Board seeking approval to expand an existing pipeline which currently runs from Strathcona County (Edmonton) to the Westridge Terminal in Burnaby.

The Burnaby Board of Trade strives to make business better by providing our members with insightful leadership, advocacy and education on issues of importance to the business community. As the voice and representative of 1,200 local businesses, the Burnaby Board of Trade felt it had a responsibility to review this proposed expansion and its implications for Burnaby. Therefore, the Burnaby Board of Trade applied for Commenter status at the National Energy Board hearings, which would allow the Burnaby Board of Trade to participate in the hearings by submitting a statement for consideration by the National Energy Board.

Having been granted Commenter status, the Burnaby Board of Trade's Board of Directors struck a special task force to conduct an objective review of the proposed expansion to inform both our membership and our Letter of Comment to the National Energy Board.

The Burnaby Board of Trade's task force underwent a series of meetings and consultations with various interest groups and subject matter experts as well as conducted its own research of the issue through a review of various academic articles and studies, consultants' reports, news stories, government reports, and other resources. The task force, in accordance with the Burnaby Board of Trade's commitment to the triple bottom line of social, environmental and economic results, sought opinions and perspectives from all sides of the issue.

Over the course of these consultations, the task force met with the following groups:

- *BC Chamber of Shipping*
- *City of Burnaby*
- *Georgia Strait Alliance*
- *Canadian Chamber of Commerce*
- *Canadian Energy Pipeline Association*
- *Conversations for Responsible Economic Development (CRED)*
- *Kinder Morgan Canada*
- *Pacific Pilotage Authority*
- *Canadian Association of Petroleum Producers*
- *Western Canada Marine Response Corporation*

The Burnaby Board of Trade has considered the projected economic impacts of the expansion and the potential spin-off benefits for the economy, as well as the social and environmental impacts of the pipeline expansion along the proposed route, at the terminus in Burnaby, and on the water during loading and shipping. Through the Task Force's consultations, and through its own research, the Burnaby Board of Trade has come to the following conclusions:

Market Access

While the Burnaby Board of Trade believes in the imperative transition to sustainable energy sources, it recognizes that our country still relies on oil for energy and for economic activity. Also, the contributions Canada's oil resources make to provincial and national economies is significant and cannot be discounted. The Burnaby Board of Trade has learned that Canada's oil producers accept a discount from benchmark prices when selling their product because limited transportation options leave Canadian producers with less access to international markets and with fewer potential buyers. At one point, the Canadian economy was missing out on an estimated \$50 million per day due to this discount---a significant loss of cash flow into the economy. While this discount has been reduced significantly in recent years, the Burnaby Board of Trade believes increasing the avenues available for Canadian oil products to get to international markets is still critical to the vitality of the Canadian economy. Furthermore, as oil production is expected to grow substantially in coming years, the economic loss to the Canadian economy from a lack of market access is expected to grow materially.

Job Creation

The proposed expansion would involve a capital investment of \$5.4 billion and an operating budget of \$2.4 billion over the first 20 years. While the direct jobs created in BC by this proposal are limited (as little as 50 full time jobs,) it is estimated that the proposed expansion would create the equivalent of approximately 3,000 full-time, long-term indirect/spinoff jobs across the province. In regards to temporary construction jobs, it is estimated that when construction is at its peak, the workforce will reach 4,500 workers in BC and Alberta. The Burnaby Board of Trade learned that the Mining and Oil and Gas Extraction industry currently employs approximately 29,500 people in BC, representing 1.3% of total provincial employment.

Tax Revenue

Over the course of construction and the first 20 years of operation, the proposed expansion would generate a total of approximately \$2.1 billion in federal taxes, \$1.0 billion in BC provincial taxes and \$500 million in municipal taxes paid to cities along the route. In Burnaby specifically, it is estimated that the municipal government would see Trans Mountain's annual tax bill increase from \$7 million to \$13.2 million out of an overall municipal property tax base of approximately \$213.5 million.

In addition, as producers gain market access they will be able to sell their product for higher prices. The Burnaby Board of Trade learned that for every three dollar increase in the product's sale price, an estimated one dollar is generated in government revenue, with almost all flowing to the governments of Alberta and Canada. While all Canadians will benefit from this increased cash flow into the country, the Burnaby Board of Trade sees this as an example of how the economic benefits of this project do not necessarily flow to the jurisdictions assuming the most risk.

Routing

The Burnaby Board of Trade learned that much of the proposed pipeline expansion will not take place along the existing pipeline route in Burnaby, but in new corridors and right-of-ways. The Burnaby Board of Trade believes that it is reasonable to adjust the route in some instances where land use has changed since the original pipeline was constructed, but feels that the project as currently proposed is in many ways a new pipeline in a new route.

Pipeline Safety

The Burnaby Board of Trade learned about the characteristics of modern pipelines, the systems used by the industry to monitor the pipeline for leaks, cracks and erosion, and the processes in place for remote monitoring and control of the pipeline. The Burnaby Board of Trade also researched the reaction of various pipelines in different situations, including earthquakes, and the likelihood of a seismic event in the Cascadia Subduction Zone over the pipeline's life. The Burnaby Board of Trade has concerns about the provisions for spill and rupture prevention given the seismic nature of the BC coast and the ability of either Kinder Morgan or first responders to respond to ruptures following a major earthquake.

Shipping Safety

The amount of marine traffic at the Westridge Terminal is expected to increase significantly with the proposed expansion, from approximately 5 oil tankers a month currently to a projected 34 oil tankers each month.

All tankers that berth at the Westridge Terminal will be Aframax Tankers, which have an approximate 800,000 barrel capacity. Due to regulations, these tankers will be filled to a maximum 85% capacity (680,000 barrels). All tankers used in marine oil shipping are subdivided into separate holding tanks/compartments and are double-hulled. Additional regulations dictate that tankers travelling to and from the Westridge Terminal will only travel in daylight, during slack water (the time of least current) and with enough of a tide to ensure adequate clearance between the vessel and the bottom and sides of the channel.

All tankers coming in and out of the area will be boarded by two local pilots with extensive training and experience navigating local waters who will assume navigational control of the tanker and any attendant tugboats. When traversing Burrard Inlet, tankers will be escorted by three tugboats which have the capability to steer and control the ship in the event of a loss of power or steering ability. When the tanker approaches the Gulf Islands, a tug once again tethers to the ship and escorts it through the islands and past Victoria under the command of the two local pilots.

Spill Response & Clean Up

The Canada Shipping Act requires a spill response capable of responding to a 10,000 ton spill (approximately 70,000 barrels.) The pipeline expansion proposal includes steps to both increase the spill response capacity (to 20,000 tons) and to reduce the current response times (to a 2-hour response time within Port Metro Vancouver.) For context, the credible worst-case spill scenario is a spill of approximately 15,500 tons (108,000 barrels.) The local response organization, Western

Canada Marine Response Corporation, is based out of Burnaby with equipment and staff strategically located throughout BC's coast.

The behavior of the product being shipped (diluted bitumen or "dilbit") is important to understand in order to determine the best process for recovery in the event of a spill. The Burnaby Board of Trade learned that weather, location and extent of the spill and the speed of the response, will have a material impact on the effectiveness of recovery operations in a dilbit spill. The Burnaby Board of Trade believes that dilbit will float on water for some time, likely in a coagulated form. There is also evidence that dilbit may partially or fully sink over time when agitated or mixed with sediment.

Liability and Responsibility

In the case of a spill, the liability and responsibility on the "responsible party" is deemed "unlimited" by the federal government. While the various funds/insurance available will only provide a guaranteed maximum payout of \$1.6 billion, the federal government has passed measures to allow additional funds to be extended for spill clean-up and recovered afterwards from the industry. That said, the Burnaby Board of Trade is concerned that the clean-up of a spill into a body of water would have the potential of costing more than \$1.6 billion and is concerned with the feasibility of "unlimited liability" in practice and the successful recovery of any taxpayer funds extended to industry in the event of a spill.

The Burnaby Board of Trade would like affirmations that any clean-up costs and damages, including habitat remediation and species recovery, can and will be obtained from the project proponents and their customers, and that taxpayers would be protected from these costs. The Burnaby Board of Trade is especially interested in assurances that the shippers and transporters would also be held responsible as Trans Mountain's liability extends only as far as the loading of the tanker.

Conclusions:

Considering the entirety of the information it reviewed during its consultations and research, the Burnaby Board of Trade has concluded that while it supports responsible resource development and believes in the need to open up new markets for Canada's oil exports, it has concerns with the Trans Mountain expansion as it is currently proposed, particularly with respect to the impact of seismic activity on the pipeline, the equitable distribution of economic benefits from the project, the appropriateness of an urban setting as the terminus, and the breakdown of the relationship between the project proponent and local stakeholders.

Firstly, while the Burnaby Board of Trade understands pipelines are engineered to bend and flex to withstand a level of seismic activity, the Burnaby Board of Trade is concerned with the impact of a large earthquake on the pipe. The Burnaby Board of Trade also has concerns about the ability of the Burnaby Mountain tank farm, which stores additional oil, to withstand an earthquake. The Burnaby Board of Trade would like assurances that adequate steps are taken to engineer the pipeline and tank farm to withstand a credible worst-case earthquake scenario and that provisions are made to include a world-leading early-detection system to allow immediate pipeline shutdown in the event of a seismic event.

Secondly, the Burnaby Board of Trade feels the economic benefits of this project do not flow to Burnaby in a manner equal to the risk undertaken by the city as the terminus of the project. In many ways, those who stand to benefit from the project the most are not those who will assume the majority of risk, and this is particularly the case in regards to Burnaby. While understanding Port Metro Vancouver's role as a national port, an expansion of this magnitude needs to be accompanied by a broader level of economic benefit for not only BC but for the municipalities along the route, as well as greater assurance of the ability of the industry to cover the costs of any needed clean-up and remediation.

Thirdly, while the Burnaby Board of Trade acknowledges Kinder Morgan's history of safe operation of its current pipeline, it questions the wisdom of building what is largely a new pipeline through an urban, and increasingly densifying, environment. Whereas Burnaby was primarily a rural/industrial area when the original pipeline was constructed, the city has grown into a dense, urban environment with a population of over 220,000. Considering the current urban nature of Burnaby, anticipated future growth and densification, and the necessity for much of the pipeline to follow a new route in Burnaby, the Burnaby Board of Trade questions whether Burnaby remains an appropriate terminus for this project.

Finally, the Burnaby Board of Trade is concerned with the state of the current relationship between the project proponent and various key stakeholders. The impacts of a lack of cooperation between pipeline operators and the local government and emergency responders, for example, could be dire in the case of an accident or spill where a timely and coordinated response would be required. The Burnaby Board of Trade recommends further open dialog within the stakeholder communities to address this concern as a condition of project approval.

The conclusions highlighted in this report and the information discussed during the various consultations and research conducted by the Burnaby Board of Trade will inform its Letter of Comment to the National Energy Board.

The Burnaby Board of Trade has produced this report on behalf of its membership to share the outcome of its research and consultation efforts and to provide information to individual members.