



# Engagement Process on Indigenous Economic Participation in the Trans Mountain Expansion Project

August 2019



## Overview

- **Purpose / objective**
- **Overview of TMEP**
- **Questions/Discussion**



## Objectives for Step 1 of Engagement Process

- **Understand interest and perspective of Indigenous communities with respect to economic participation, including:**
  - Process by which communities would like to discuss economic participation in the Project;
  - Interest and priorities regarding additional economic participation;
  - Form(s) of additional economic participation;
  - Mechanisms for additional economic participation; and
  - The structure and process by which the economic participation of communities could be determined in an equitable and fair manner.



## Engagement Principles

- **That the potentially impacted Indigenous communities could have an opportunity for meaningful economic participation in the Project;**
- **That the participation of Indigenous communities could help their economic development in keeping with the spirit of reconciliation;**
- **That the Government invested in Trans Mountain (i.e., the corporation and its assets) to benefit all Canadians; and,**
- **That the Project would be built and operated on a commercial basis.**



## Engagement Process

- **Throughout this engagement process, the Government of Canada commits to:**
  - Provide clear requests for information;
  - Provide prompt answers to questions from communities wherever possible;
  - Share draft notes from specific meetings with communities and their representatives for comment by those communities;
  - Use information and views collected through this process to brief the Government; and,
  - Discusses outcomes of this step of the process and next steps with communities.



## Engagement Process - Continued

- **Throughout this engagement process, Finance officials are seeking Indigenous communities to:**
  - Participate in discussions, or share views in another preferred fashion, in a timely manner, or advising the Government of barriers to meeting requested timelines;
  - Identify topics or questions requiring further discussion or additional information needed to facilitate an effective exchange; and,
  - Consider information and notes shared, to provide comment or views on potential next steps.



# OVERVIEW OF TRANS MOUNTAIN EXPANSION PROJECT



# Trans Mountain Expansion Project

- **Trans Mountain Corporation (TMC) is the project proponent**

- Corporation and its assets acquired by the Government of Canada in August 2018 for \$4.5 billion.
- A wholly owned subsidiary of the Canada Development Investment Corporation (CDEV), reports to Parliament through the Minister of Finance.

- **Twinning pipeline to nearly triple current capacity (to 890K bpd)**

- 980 km of new pipe, reactivation of existing pipe
- Additional 12 pump stations
- 19 new tanks in Sumas (1), Burnaby (14) and Edmonton (4) terminals



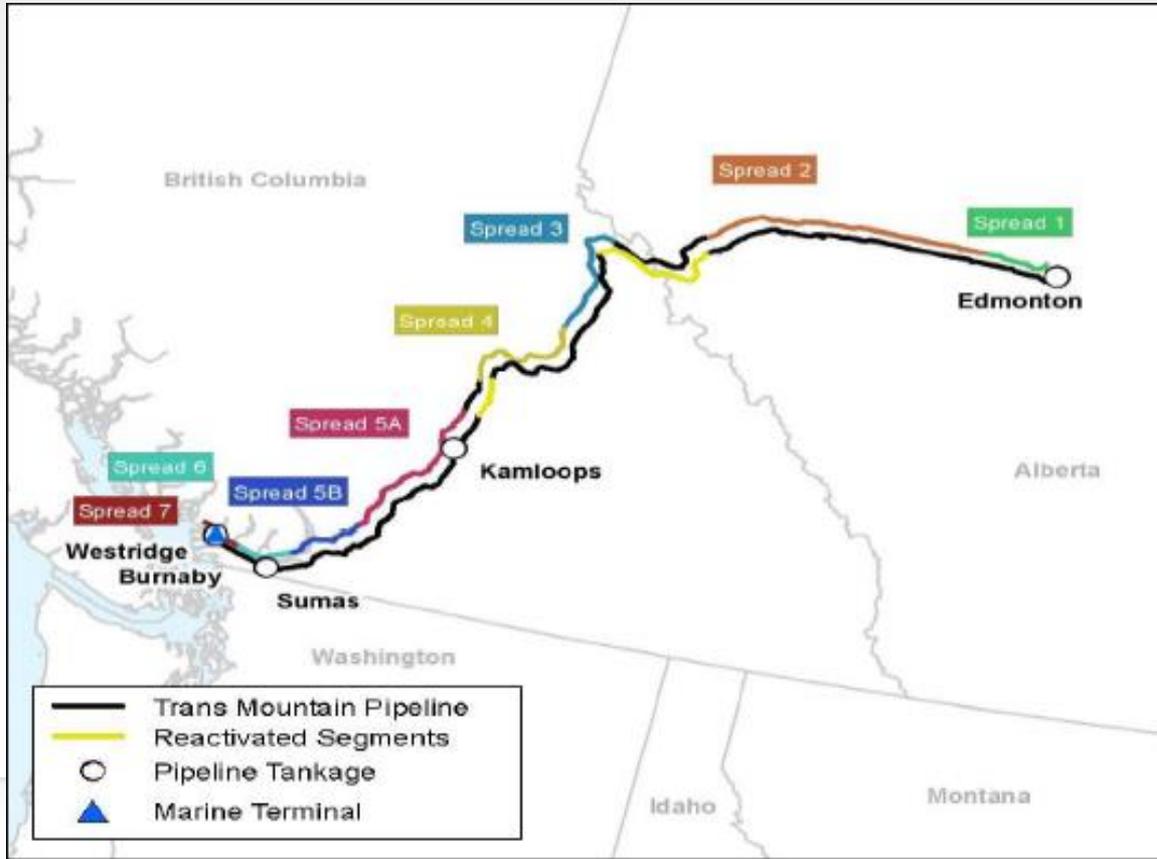
- **Expand the Westridge Marine Terminal**

- Adding berths to allow the terminal to increase number of tankers per month from 5 to 34.
- Constructing a 2.6-km tunnel through Burnaby Mountain to connect Burnaby Terminal with Westridge.

➤ Expected In-service date: 2022 (subject to regulatory approvals)



# Trans Mountain Expansion Project - Route

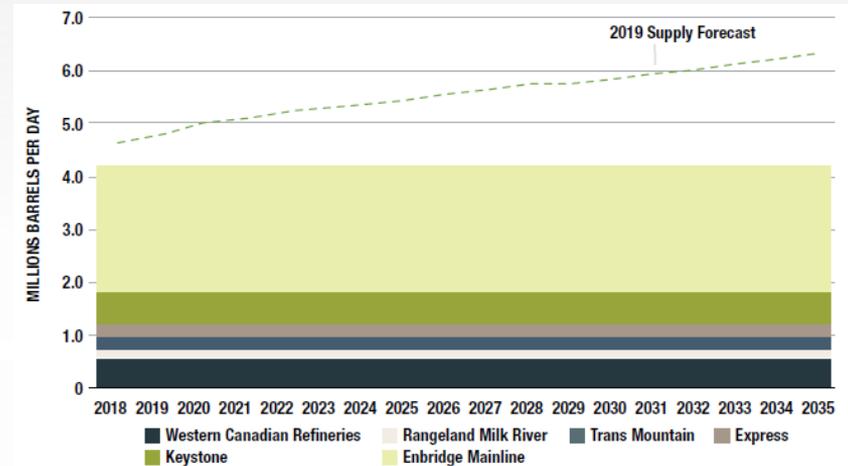




## Trans Mountain Expansion Project – Demand Remains Strong

- Continued growth in Canadian oil production is forecasted
- Asia will drive international market growth
- Takeaway capacity has a direct impact on price of Canadian crude
  - Transportation alternatives to pipelines (e.g., rail) are more expensive, emit more greenhouse gases, and pose higher safety risks.
- Price discounts are effectively a transfer of resource wealth to the United States

Takeaway Capacity from Western Canada vs. Supply



Source: CAPP



## Trans Mountain Expansion Project Financials

- **Construction estimate of \$7.4 billion in 2017 and \$9.3 billion in 2018**
  - Likely to be higher now
- **TMC is studying the NEB's process for reinstating previous decisions and will provide revised project construction costs and schedule later this month**
- **For the purposes of acquiring the assets, the Government looked at a range of potential construction costs and timelines and concluded it would still be commercially viable.**
  - Expansion project underpinned by locked-in shipper revenues, guarantees strong stable, contracted cash flows (averaging over \$1 billion in undiscounted operating cash flow\* (i.e. excluding capital costs) per year for first 30 years of the pipeline\*\*)
  - 24% of construction costs are protected (i.e., are “uncapped”) with any increase passed on to shippers

\* Cash flow to the firm is cash flow available to providers of debt and equity capital to repay and provide a return on their capital investments

\*\* Based on data from the Parliamentary Budget Office



# DISCUSSION QUESTIONS



## Guiding Questions

- **What are your views on how the Government should engage potentially impacted Indigenous communities regarding their potential economic participation in the Project?**
- **Based on information that is currently available, does your community see a benefit in participating economically in the Project?**
  - If yes, what does “economic participation” mean to you and your community (e.g., equity, revenue sharing, partnerships)?
  - Do you have any initial views on how such “economic participation” should be structured (e.g., form, timing)?
  - Are you interested in collaborating with other communities in subsequent steps of the engagement process?
- **In order to participate effectively in subsequent steps of this engagement process, what information, advice (e.g., financial, legal), or support would you need to have?**



## Additional Questions

- **What are the process and timelines that you and your leadership will need to follow to make decisions and organize to participate in future steps of this process?**
- **What would be a good way to continue this discussion at a later date?**