

Application for the Trans Mountain Expansion Project (Project)  
Hearing Order OH-001-2014  
Evidence of the Edmonton Chamber of Commerce

Although the United States is well-established as the biggest and most important consumer of Canadian oil, it is time for producers in this country to cultivate new markets. Canada is one of the world's top five oil producers, and is number three in the world for oil reserves. Oil is our top export commodity, representing more than 20 per cent of the nation's merchandise exports and more than 30 per cent of Alberta's nominal GDP. It could be worth more, however. The value of our oil resources is diminished by a lack of access to alternative markets that pay the world price for this important commodity.

A 2013 study by the Canadian Chamber of Commerce showed that North American oil transportation (pipeline) bottlenecks, combined with increased oil production in Canada and the US have been costing the Canadian economy up to \$50 million a day, or \$18 billion a year, compared to prices that could be achieved through better access to Asia Pacific.

In even the most conservative scenario, as described in the Facilities Application for the Trans Mountain Expansion Project, we're selling virtually all our production into a glutted U.S. market that pays Canadian producers \$2 to \$4 US less per barrel than it could leverage through better access to tidewater. This might not have seemed like a significant discount when barrel of US benchmark light crude oil was selling for nearly \$150 US a barrel in 2008. But in 2015, with the same oil in a \$60 trading range, and Western Canada Selected selling at \$50, a US discount on Canadian oil is a significant drag on the national economy and especially on the economy of Alberta. Similarly, a \$2-\$4 bbl premium in markets outside the US Midwest — such as the more isolated California market — is a significant opportunity. In Asia Pacific markets that premium could reach \$8 bbl.

The Trans Mountain Expansion Project gives oil producers in Alberta a critical alternative market as oil sands production grows. It is the only West Coast link for Western Canada's oil producers. It is not the only project accounted for in the Canadian Chamber study. But it is one that already possesses a demonstrable business case to sustain it. Demand by shippers to move oil through the existing Trans Mountain Pipeline, which runs from Edmonton to Burnaby, British Columbia, already exceeds capacity. Shippers dispatching product from Edmonton today face increasing uncertainty about having adequate access to existing Trans Mountain pipeline capacity on a month-to-month basis. Their willingness to pay large bid premiums to secure transportation service in the existing Trans Mountain Pipeline demonstrates the urgent interest of shippers to move oil to the West Coast and offshore markets.

TMEP represents a near-tripling of Trans Mountain's current West Coast oil pipeline capacity. Increased access serves producers and shippers; it also serves the broader public interest by generating the greatest amount of compensation — in taxes, royalties, jobs and spinoff economic benefits — that this natural resource product can deliver.

As the Alberta Chambers of Commerce noted in a 2014 policy brief:

- The capital cost of the Project is estimated at \$5.4 billion (\$2012), with the expenditures taking place over a seven-year period, from 2012 to 2018. The bulk of the spending activity is expected to take place in 2016 and 2017, during construction.
- Canadian Gross Domestic Product (GDP) will get a \$4.9 billion boost from the Project development and construction phase, including \$1.4 billion GDP to Alberta and \$2.8 billion to BC.
- The development phase and the first 20 years of operations will boost Federal GDP by at least \$13.3 billion, Alberta GDP by \$4 billion and BC GDP by \$8.5 billion.
- During development, the Project will generate \$646 million in Federal taxes and provincial taxes of \$168 million for Alberta and \$309 million for BC.
- An additional \$2.4 billion in operations spending will flow into the economy over the 20-year-life of the Project. Tax payments through the construction and operational phases will total \$2.1 billion for the federal government, \$400 million for Alberta and \$1 billion for BC.
- Municipal and regional governments in Alberta will gain a projected \$3.35 million in new annual tax payments as a result of the Project, for total of \$6.23 million compared to \$2.88 million in 2013. Those payments can support community services such as police and fire protection, recreation and infrastructure, and can also be used to reduce the size of property tax increases.

In addition, the project creates 108,000 person-years of work during construction and the first 20 years of operations. This includes 58,000 person-years of work during construction including 15,000 jobs in Alberta and 36,000 in BC.

For Edmonton, the local benefits are compelling:

- \$547 million in construction spending

- TMEP represents 2.2 per cent of all major construction project spending in the region during TMEP construction phase
- \$48.5 million in local spending by local and non-local workers during TMEP construction phase
- 734 jobs (calculated in worker - months) during peak TMEP construction phase
- \$514,000 in annual local taxes after TMEP construction

More broadly, as the Alberta Chambers have noted, the Project provides additional economic benefits to producers compared to the cost of moving crude oil by rail. Additionally, pipeline transport is safer than rail.

Safety is a significant consideration in the Facilities Application. As the Alberta Chambers noted, "Project safety and integrity measures received extensive study in the Application, including marking and protection of sensitive environmental areas during construction, pipeline spill prevention, and upgrades to land- and marine-based emergency preparedness and spill response systems. Since 1956, vessels from Kinder Morgan Canada's Westridge Marine Terminal have been transporting petroleum products through Port Metro Vancouver without a single spill from a tanker."

Finally, we reiterate three recommendations on Trans Mountain Expansion Project that the Alberta Chambers of Commerce presented to the Government of Alberta:

1. Work with the Governments of British Columbia and Canada to ensure that a decision to support the Trans Mountain Expansion Project is reached in good faith and regulatory requirements are met.
2. Work with local Chambers of Commerce to enable local procurement and job creation during the construction project.
3. Work with stakeholders within a reasonable timeline to ensure concerns are heard and incorporated as is possible.

The Edmonton Chamber of Commerce would add this: The Trans Mountain Expansion Project is demonstrably positive for Canada, for Alberta and British Columbia. The contribution of this project to Canada's long-term balance of trade and the wealth of its citizens is overwhelmingly positive. It should be approved on the basis of its economic merits, and the applicant's extensive commitments to safe and responsible pipeline construction and operation.