



PACIFIC ENERGY SUMMIT

Forging Trans-Pacific Cooperation for a New Energy Era

2013 • VANCOUVER, CANADA

Media Coverage

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DOE chief urges Trans-Pac RE development

By Iris C. Gonzales
14 April 2013

MANILA, Philippines - Energy Secretary Carlos Jericho Petilla has urged Trans-Pacific countries to foster cooperation in developing renewable energy (RE).

Petilla said RE is important in achieving energy security, optimal energy pricing and a sustainable energy system.

In a recent speech at the Pacific Energy Summit held in Vancouver, Canada, Petilla highlighted the importance of RE.

“Utilization of clean energy is an immediate priority of the Philippine government and we will support initiatives that will spur their development by way of transparent policies,” Petilla said.

The Pacific Energy Summit convened high-level policymakers, industry leaders, and experts to discuss opportunities in RE as well as problems and possible solutions. The convention also discussed public-private partnership possibilities in RE.

With the theme, “Forging Trans-Pacific Cooperation for a New Energy Era,” the summit aimed to identify best practices in promoting RE.

The summit also aimed to strengthen the Asia–North America ties which are envisioned to play a significant role in boosting energy and environmental security.

Petilla called on Trans-Pacific countries to share information on RE.

“There should be sharing among nations in strengthening RE knowledge and technologies in terms of research, development and demonstration activities towards technology innovation and standards interoperability, capacity building through knowledge sharing, policy advice and technology transfer, and windows for financing and long term investments, among many others,” Petilla said in his speech.

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Getting Canadian Gas to Asian Markets

By Hugh L. Stephens
April 13, 2013

Canada has a limited window of opportunity to put in place the needed infrastructure if it wants to export substantial quantities of natural gas to markets in Asia. Asian markets won't wait and other suppliers, including the U.S., will begin bringing additional production on stream as new technologies exponentially increase known reserves. The current huge price differential between Asian and North American gas prices, with Asian prices being some five times the North American average, is unlikely to last. Despite the coming price adjustments, however, Canada needs to find alternative markets for its gas beyond domestic customers and its main export market; the U.S. Time is of the essence.

These were some of the important conclusions to come out of the fourth Pacific Energy Summit, held in Vancouver, Canada, April 2-4.

The focus on Canadian gas was natural given the location of the Summit, the first to be held outside Asia, but it also reflected the lively debate going on in Canada over industry developments, environmental issues, and potential economic impacts. The Summit was organized by The National Bureau for Asian Research (NBR) in conjunction with the Asia Pacific Foundation of Canada. Previous summits were held in Tokyo (2009), Jakarta (2011) and Hanoi (2012).

Current high demand and consequently high prices for gas in Asia, where prices are pegged to crude oil which is close to all-time highs, is driven by the almost complete shutdown of Japan's nuclear power plants and strong economic growth in China. Record high prices in Asia have had several impacts, including providing economic incentive to bring on additional supply, maintaining a continued reason to burn much cheaper coal despite the negative environmental consequences and a search by consuming nations for secure supply options. The latter factor has prompted interest in Canadian gas reserves, which are located primarily in northeastern British Columbia (BC) and in neighboring Alberta, from Japanese, Chinese, Korean, Malaysian and other companies in Asia. However these locked-in reserves have to find an export route, presumably a pipeline to tidewater where an LNG plant would process the gas for shipment by tanker.

There are several projects in various stages of the permitting or design process, all located on the northern BC coast, just south of the Alaska panhandle. In BC, which is to hold an election in mid-May, there has been huge public debate on the issue, and opposition from environmental and aboriginal groups to proposals to build an oil pipeline to carry Alberta bitumen to tidewater along approximately the same geographic route as the proposed gas pipelines. (This "Northern Gateway" pipeline is seen by the oil industry as an essential vehicle to develop new markets for Canadian petroleum, especially if the Keystone XL pipeline to move Alberta bitumen to the U.S. Gulf is not approved).

The gas projects have encountered somewhat less opposition, in part because of the perceived lower environmental damage from a gas pipeline or tanker accident, but also because the economic fundamentals of gas exports provide more benefits to the local economy because much of the gas will come from BC fields and the need for construction and operation of LNG facilities on the coast. Nevertheless, the environmental reviews, not to mention the engineering issues, will mean that the earliest

any Canadian gas will be moving to Asia will be 2015 and 2016, and any opposition or implementation issues could significantly delay that target date.

Meanwhile, the world is not standing still while Canadians and British Columbians debate these issues, which was a point made by several commentators at the Summit. First, Japan will likely restart some of its nuclear plants. Meanwhile, although China will continue to burn lots of coal, it will begin shifting to gas including by tapping into its own tight gas reserves using new fracking technologies. Australian and most recently Mozambican producers are bringing new supplies on-stream, and Qatar continues to ship much of its product to Asia. Russia is also in the mix as is the U.S., which, although traditionally the largest customer for Canadian gas, now has a surplus of gas thanks to new technologies and is consequently reviewing whether to permit gas exports to countries with which it does not have a Free Trade Agreement. Participants were told that while global demand for gas will grow by as much as 65% by 2040, global supply will more than match that growth thanks to innovative extraction technologies. The key question revolves around who the preferred suppliers will be.

These developments are likely to have an impact on pricing formulas. The huge gap between Asian and North American prices is unlikely to continue, although suppliers will argue that price stability has to be maintained in order to provide security of supply. Once North American gas reaches Asia, according to speakers at the Summit, is likely to be a blend of the oil-linked price formula used in Asia (and Europe) and the “Henry Hub” (supply/demand) market price in North America. Meanwhile, investors in LNG projects in BC, which include Petronas, Korea Gas, CNOOC, Mitsubishi, as well as Shell, Chevron, Exxon, British Gas and others, have to make decisions now to build infrastructure based on uncertain future pricing assumptions.

All these factors reinforce the message that to be successful in the face of global competition, British Columbia’s gas industry has to remain competitive; it needs to avoid cost-overruns (which means ensuring adequate supplies of trained labor to keep costs under control) and must be able to operate under a royalty regime that is not punitive. Above all, Canada needs to implement a national strategy to bring its projects on-stream in a timely way before Asian markets are locked up by others.

There was one thing on which all Summit participants agreed: Canada’s window of opportunity is limited. The Asian option is a time-limited offer and every day counts.

Hugh L. Stephens is Executive in Residence at the Asia-Pacific Foundation of Canada, in Vancouver, with 35 years of government and business experience in Asia. He is also principal of Trans-Pacific Connections and an Associate Faculty member in the School of Business at Royal Roads University, Victoria, BC.

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DOE Chief strengthens ties with Trans-Pacific countries to accelerate development of RE

April 11, 2013

Department of Energy (DOE) Secretary Carlos Jericho L. Petilla called on Trans-Pacific countries to foster cooperation in developing renewable energy (RE).

Speaking in the Pacific Energy Summit held in Vancouver, Canada last April 2-4, Secretary Petilla highlighted the importance of RE in achieving the Energy Reform Agenda's thrust on energy security, optimal energy pricing, and a sustainable energy system.

Utilization of clean energy is an immediate priority of the Philippine government and we will support initiatives that will spur their development by way of transparent policies.

The Pacific Energy Summit is an invitation-only event that convenes high-level policymakers, industry leaders, and experts to articulate regional energy needs and opportunities, as well as to explore market-based policy solutions, coordinate efforts to effectively use available technology and limited resources, and foster public-private partnerships.

With the theme, Forging Trans-Pacific Cooperation for a New Energy Era, the summit seeks to thresh out best practices and solutions for successfully meeting Asia's energy needs and promoting environmental stewardship. Likewise, it aims to strengthen the Asia-North America ties which are envisioned to play a significant role in boosting energy and environmental security.

Summit participants included representatives from the public and private sector of the following countries: Philippines, United States, Canada, Singapore, Bangladesh, Japan, South Korea, Vietnam, Papua New Guinea, China, Indonesia, and United Kingdom.

There should be sharing among nations in strengthening RE knowledge and technologies in terms of research, development and demonstration activities towards technology innovation and standards interoperability, capacity building through knowledge sharing, policy advice and technology transfer, and windows for financing and long term investments, among many others, Sec. Petilla said in his speech.

The Philippines has been forging ties with other countries for RE information and technology sharing, as well as promotion of energy investment portfolio of the Philippines. Last year, the Philippines also committed to participate in the ASEAN Green Connectivity and APEC Energy Security. – PNA

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DOE vows transparent RE policies

11 April 2013

In an ironic pronouncement, Energy Secretary Carlos Jericho Petilla is now promising stakeholders that his department will be transparent when it comes to policies for the renewable energy (RE) sector.

This somehow gives hope to the industry that the Department of Energy (DoE) will no longer resort to 'unilateral tweaking of policies', without consulting or even hearing the side of prospective investors, such as what happened with the rules on feed-in-tariff (FIT) availments.

The domestic RE industry so far has been batting for a leadership that is 'willing to listen' and will balance policy options according to the weight of concerns presented by various stakeholders.

Back from his speaking engagement at the Pacific Energy Summit (PES) in Vancouver, Canada, the energy chief has laid down that 'utilization of clean energy is an immediate priority of the Philippine government and we will support initiatives that will spur their development by way of transparent policies.'

Giving 'priority to RE developments' however remains a 'subjective precept' for industry players especially the promised 'immediacy,' because this has been the government's same pronouncement since 2010.

Lifting some learnings from the Canada conference, the energy chief has also been pushing for greater collaboration among Trans-Pacific countries when it comes to RE ventures 'or a development matrix traversing North America to Asian jurisdictions.

Primarily, the energy chief noted that efforts are aimed at strengthening 'the Asia-North America ties which are envisioned to play a significant role in boosting energy and environmental security.'

Petilla stipulated that the key themes of discussions among high-level policymakers and industry leaders at the summit revolved around articulating regional energy needs and opportunities; exploring market-based policy solutions, coordinating efforts 'to effectively use available technology and limited resources;' as well as promoting public-private partnerships.

The energy chief further relayed that best practices and solutions were also highlighted.

Aside from the Philippines, some of the countries represented were the United States, Canada, Singapore, Bangladesh, Japan, South Korea, Vietnam, Papua New Guinea, China, Indonesia and the United Kingdom.

In his speech, Petilla sounded off the information-sharing need amongst countries to 'strengthen RE knowledge and technologies,' chiefly in the area of research, development and demonstration activities toward technology innovation and standards interoperability, technology transfer and financing windows, among others.

What the energy secretary ought to understand, however, is that the more developed countries with matured RE markets are now moving away from subsidies; while the Philippines has yet to take its initial plunge on FIT-underpinned project developments. (MMV)

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Renewable Energy partnerships

11 April 2013

THE PHILIPPINES has emphasized the need for cooperation among different nations in order to effectively develop renewable energy (RE). In a statement, Energy Secretary Carlos Jericho L. Petilla yesterday called on different countries to foster cooperation in developing RE. He made this call in his speech during the Pacific Energy Summit held in Vancouver, Canada last April 2-4. "There should be sharing among nations in strengthening RE knowledge and technologies in terms of research, development and demonstration activities towards technology innovation and standards interoperability, capacity building through knowledge sharing..." he said.

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Philippines: DOE Chief strengthens ties with Trans-Pacific countries to accelerate development of RE

11 April 2013

Section: General News - Department of Energy (DOE) Secretary Carlos Jericho L. Petilla called on Trans-Pacific countries to foster cooperation in developing renewable energy (RE).

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Keystone approval called 'a key watermark' for economic development in U.S

Gary Lamphier

10 April 2013

Postmedia Breaking News

EDMONTON - If President Barack Obama is serious about reigniting economic growth, creating jobs and ramping up exports, approving the Keystone XL pipeline should be a slam dunk.

That's the view of many senior U.S. execs, who view TransCanada's proposed pipeline as a key catalyst for getting the sputtering U.S. economy back in gear.

Eric Spiegel, the CEO of Siemens Corp. USA, says the 830,000-barrel-a-day pipeline would "unleash" a string of major capital investments south of the border, and go a long way toward helping Obama achieve his stated goal of doubling U.S. exports by 2015.

The pipeline, which is hotly opposed by environmental activists, would deliver crude from Alberta's oil sands and North Dakota's Bakken formation to the U.S. Gulf Coast, where it would be refined into end products like gasoline, for both domestic consumption and export.

"One of the big issues for the U.S. and for North America in general is to get beyond these fiscal issues. A lot of companies have billions of dollars worth of projects waiting to move forward, with Keystone being one of them," Spiegel says.

"There are a lot of them - not just in the energy sector - waiting for this to be unlocked. So we're hoping the U.S. and the Canadian government can get together on the pipeline. It will be a key watermark for economic development, not just for energy development."

Although Spiegel won't offer specifics, he says multiple industrial projects would proceed if Keystone XL is approved, creating a significant number of new jobs all along the pipeline corridor.

"That project (Keystone XL) getting approved I think will unleash a whole chain of events. The pipeline will have a lot of knock-on effects in terms of smaller pipelines, other energy projects, and other capital investments. All along the pipeline pathway we're going to see economic development. So I think the multiplier effect of the pipeline will be great," he says.

"Just getting it approved is going to send a message that we're moving forward on energy in North America together. The president has an objective to double exports (by 2015) and he's halfway there. So I think that would be a good thing."

As CEO of Siemens' U.S. operations, Spiegel oversees a company with \$22 billion US in annual sales, \$5 billion in exports and more than 60,000 employees.

Siemens' sprawling corporate footprint encompasses a wide range of sectors, including clean technology, infrastructure, energy, automation, manufacturing and health care. The company has roughly 130 U.S. manufacturing plants in all 50 U.S. states.

"We've been very supportive of Keystone and we'll be doing work on the pipeline, supplying advanced motors for energy efficiency and things like that. For us we see it as a growth vehicle for our business in Canada and the U.S.," he says.

"There's a big price differential right now between (various grades of oil) because of the bottlenecks. By moving crude from Canada and the Bakken, we see it as a key to unlocking that bottleneck, driving more growth and development. So we think it will be good for both the U.S. and Canadian economies."

Asked whether he expects Obama to ultimately approve Keystone XL in the face of stiff opposition from environmental groups, Spiegel offers a carefully qualified yes: "Well, the State Department came out with their report, and it seemed to indicate there were no big issues in there."

James Slutz, who served as Assistant Secretary of Energy under former U.S. president George W. Bush, also sees Keystone XL as a critical driver of U.S. jobs and exports.

"With those U.S. refineries that process heavy crude it makes perfect sense to use them to the highest capacity. And to the extent that those refined products are exported, those are manufactured goods being exported," says Slutz, president and managing director of Washington, D.C.-based Global Energy Strategies.

"In every country you applaud the opportunity to export manufactured goods. So it's a key point to understand that a refined petroleum product is a manufactured good. For some reason that distinction often gets lost."

Although Slutz didn't say it, one of the key reasons why Americans are confused about the issue is that green activists have routinely misrepresented the facts. Some have suggested that raw bitumen will be exported from the U.S. - not refined petroleum products - leaving the impression that no value-added jobs will be created south of the border.

Slutz, who was in Vancouver last week to attend the Asia Pacific Foundation's Pacific Energy Summit, admits he has no insights into whether Obama will give Keystone XL the thumbs up. But he insists there is a "growing appreciation" in the U.S. that the pipeline is in America's economic self-interest.

"The other thing which I think is very important is that it's in the interests of the U.S.-Canada relationship, which I would argue has been the most successful international trading relationship in the world," he says.

"That doesn't mean that we don't subject new projects to strict environmental standards, but it's hard to argue that the Keystone XL pipeline hasn't been subject to strict reviews. And if you look historically, pipelines are the safest way to move both refined products and crude oil."

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B.C. LNG developers stalled in pricing stalemate. Japanese international bank director says oil-indexed gas prices are a non-starter for energy-starved Asian country

By Nelson Bennett

Tue Apr 9, 2013 12:01am PST

China has a massive growing demand for natural gas; Russia has vast gas reserves.

The fact China has inked no long-term gas supply contracts with its neighbour is worth noting by oil and gas executives who want to build liquefied natural gas plants, a British energy expert suggested last week. Russia has cut itself off from its most logical gas customer for the same reasons that LNG projects proposed for B.C. are at something of a standstill: they're insisting Asian customers pay gas prices that are indexed to oil prices.

"The Russians have been sticking doggedly to the aspiration of having an oil-indexed price," Peter Hughes, a London-based energy consultant, said during a panel discussion at the Pacific Energy Summit in Vancouver last week.

Japanese customers and the companies that want to build LNG plants in B.C. are in a similar standoff. Export licences have been granted for two West Coast LNG plants, and three others are proposed, but the multibillion-dollar projects can't proceed until the LNG pricing mechanism question is resolved and 20-year contracts are signed.

The biggest potential markets for B.C. LNG now is not China, but Japan, which has few energy resources and is in the midst of an energy crisis now that all but two of its 50 nuclear power plants have been shut down in the wake of the 2011 earthquake and meltdown of the Fukushima nuclear power plant.

Japan already accounts for more than 40% of the global LNG trade, Tadashi Maeda, head of corporate planning for the Japan Bank of International Co-operation, told the panel.

In the past, security of supply outweighed cost considerations, so Japanese buyers – mostly power utilities – have been willing to pay \$17 to \$19 mmBtu for LNG and pass on the cost to consumers.

But with North America now awash in cheap gas (spot prices here are still below \$4 mmBtu), Japan is digging in its heels and insisting on a new pricing mechanism that would delink gas from oil prices. "There's no adjustment between \$3 and \$18," Maeda said. "We need some mechanism to make the adjustment in the market formula."

Chevron Corp. (NYSE:CVX) – which holds a 50% stake in Kitimat LNG project – has publically stated that delinked pricing is a non-starter.

"There is a bit of a standoff at the moment," Hughes said.

For now, Australia and other producers in the region are meeting Japan's immediate needs.

Hughes said the competition is for the next generation of 20-year contracts. Canada will be competing with East Africa, Australia and possibly U.S. Gulf Coast producers, although the U.S. – keen to become energy self-sufficient – is still debating whether it even wants to become an LNG exporter.

“I frankly think we should,” Rep. Charles Boustany (R-LA) said.

Construction of the new Sabine Pass LNG terminal in Louisiana is underway, and there are 16 other applications pending for new LNG export terminals in the U.S., though Boustany said realistically only four or five would likely be built.

Cheniere Energy Partners – the Sabine Pass LNG's developer – has signed the first long-term contract that is not linked to oil prices, and de-indexed pricing mechanisms are also developing in Europe.

“A lot of the answers [are] about moving to a model where competing supplies have to compete on the basis of their cost structures...without just adhering rigidly to an oil indexing mechanism that is no longer of interest to buyers,” Hughes said.

While the wrangling over a mutually agreeable price mechanism is delaying the industry from moving ahead in B.C., the good news is that the long-term demand for LNG in Asia is expected to be so huge, experts say B.C. need not worry about losing the race with other producing nations.

Asked if B.C. is at risk of losing market share in Asia to competitors like Australia, Hughes said: “I don't think so. The demand outlook for LNG is very strong indeed, so it's going to need a lot of incremental supply.”

Other Asian energy options from Canada abound

Natural gas isn't the only energy commodity that Canada has in abundance that Asia wants.

It already exports coal to Asia, which accounts for 30% of the world's coal consumption, and Canada is also the world's second largest uranium producer. It also has nuclear power expertise and technology, which will be used in a recently forged partnership with India.

And it's the world's third largest producer of hydro power, so it also has expertise and technology in hydro power development that's likewise in demand in Asia.

And, of course, there's Alberta oil.

“If there's a type of energy you're interested in, we've got it,” International Trade Minister Ed Fast said at the opening of the two-day Pacific Energy Summit April 3.

It was the first time the summit has been held in Canada, which, thanks to B.C., is well positioned to serve the Asian market.

But whether B.C. becomes a major export hub for oil remains to be seen.

The Northern Gateway pipeline has generated massive opposition in the province. A joint review panel will make its recommendation to the federal government by the end of this year.

The Stephen Harper government supports the pipeline proposal, even if B.C. doesn't.

“I’m prepared to wait for the regulatory process to be completed on the Northern Gateway pipeline,” Fast said, “but whatever process it is, and whatever infrastructure it is, we’re going to have to have it in place, otherwise we’re going to undermine Canada’s long-term prosperity.”

Asked if his government might approve the pipeline, even if the joint review panel recommends against it, Fast said: “We have made it very clear that we are going to respect the rule of law. We respect the process that’s in place.

“That’s not the only project that is underway.”

He referred to a proposed twinning of the Kinder Morgan (NYSE:KMI) Trans Mountain pipeline between Alberta and Burnaby.

And just last week, TransCanada Corp. (TSX:TRP) announced an alternative to the Northern Gateway proposal that would send Alberta and Saskatchewan oil east, not west.

It would convert 3,000 kilometres of existing natural gas pipelines running from Alberta and Saskatchewan to Quebec, and 1,400 kilometres of new pipeline from Quebec into Saint John. It would transport 500,000 and 850,000 barrels of oil per day.

But that plan puts it on the wrong side of the globe for Asian markets.

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‘What ifs’ cloud Asia LNG demand forecasts

By Larry Persily, Federal Coordinator
April 9, 2013

In a game of "Jeopardy," the answers would include government subsidies of energy costs, Japan's nuclear power plants, coal, China's shale gas, Russian gas, and liquefied natural gas exports from North America.

The question is: What factors will affect demand and price for LNG cargoes to Asia in the years ahead.

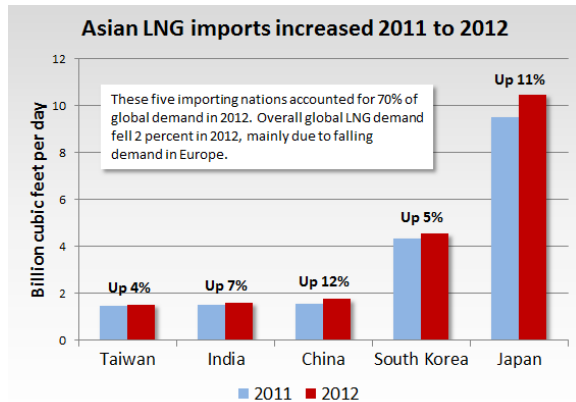
As those unknowns muddle everyone's forecasts of LNG demand, it's also unclear how two conflicting urges will balance out: Buyers want lower prices, while project developers want prices high enough to cover their billions of dollars in capital and operating costs.

"It's indisputable" that energy prices must reflect the costs of exploration, production and transportation, an oil and gas company executive said at the Pacific Energy Summit April 2-4 in Vancouver, B.C. Energy subsidies in some key LNG markets may keep political peace at home, but the cost to government treasuries is significant. Subsidies also can put gas supply at risk:

- Imports will be dampened if LNG is too expensive. Utilities that are unable to pass on their full natural gas costs to consumers will "stick with coal" even if it is more polluting, said an international financial adviser who works with energy companies.
- Domestic production will be dampened if governments don't allow prices high enough to let producers cover costs and earn a profit from developing gas fields, said a director of an Asian research institute.

The conference was sponsored by the National Bureau of Asian Research, based in Seattle and Washington, D.C., the Asia Pacific Foundation of Canada, and the Asian Development Bank, with its main office in the Philippines.

Government and private-industry officials gathered from China, Japan, South Korea, Hong Kong, Singapore, the Philippines, Papua New Guinea, Bangladesh, Vietnam, Indonesia, the United States and Canada. The conference operated under Chatham House Rule, an 86-year-old English tradition that provides "anonymity to speakers to encourage openness and the sharing of information." It's OK to repeat what is said at the conference, but no names.



Source: International Group of Liquefied Natural Gas Importers

[\(Click to enlarge.\)](#)

ENERGY SUBSIDIES

Governments that limit the domestic sales price of natural gas for the benefit of consumers force LNG importers to lose money on some cargoes.

For those countries that subsidize energy, a lot of the aid from government treasuries goes to middle- and upper-income consumers — not the people who need it most.

"Energy security does affect political stability," a Southeast Asia diplomat said. A fellow diplomat concurred, adding countries struggle with the expensive dilemma. Among countries represented at the conference, the government subsidizes energy or sets prices in China, India, the Philippines and Indonesia. The unintended but not surprising economic consequence is constrained domestic production.

China is experimenting with loosening natural gas price controls in two provinces and may expand the move into more provinces, hoping the higher prices will be an incentive for companies to boost domestic gas production, an Asian diplomat said. But higher prices could lower demand for the fuel if consumers have to pay the real costs.

Indonesia faces a particularly frustrating problem in that it exports much of its production as LNG. Growing local demand has put a squeeze on supplies as the country honors its export contracts, while price controls at home deter companies from producing more gas for domestic needs.

South Korea has its own problem, an Asia economist explained. Utilities need the government to allow higher prices for electricity to justify investments by power generators to build plants to meet peak load demand.

NULCEAR POWER

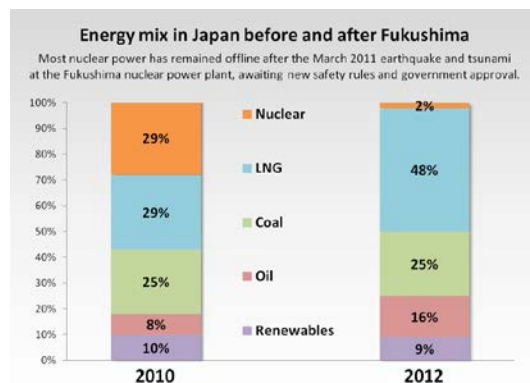
A Japanese government commission is expected to issue new safety rules this summer for nuclear power plant operations. The rules likely will be so stringent, a Japanese economist said, that some of the nation's 50 nuclear plants will need costly retrofits before they can reopen.

It will take until the end of the year before any plants are able to restart, even those that don't require retrofits, he said. Bringing nuclear plants back online will reduce Japan's demand for imported LNG.

"How much, at this moment, I have no idea," the economist said. Japan's LNG imports have climbed 25 percent in the two years since the Fukushima nuclear plant disaster.

Japan's new national government is more supportive of nuclear power, though local governments — which are less supportive — will have a significant role in any decisions to restart individual plants.

"Restarts will not happen in one day," said a Japanese government official, adding, "There is a clear change in direction."



Source: Compiled by Japan's Ministry of Economy, Trade and Industry

COAL IS AN OPTION

Coal remains a prevalent base-load fuel for power generation in Asia, said an international development official. The affordable fuel is a viable option for nations that need to reduce their subsidies of electrical power, said a Southeast Asia government official.

An audience member, however, challenged several speakers when he said "the elephant in the room" is the reluctance of governments to address the total cost of coal-fired power, including the environmental costs of pollution, rather than looking only at the bill for fuel deliveries. A carbon tax would tell the whole truth of coal, he said. Several speakers concurred, but few predicted a majority of the world's nations would impose meaningful carbon taxes anytime soon.

Japan, which has relied heavily on burning more oil and LNG the past two years since shutting down its nuclear power plants, also is increasing its use of coal at times to help restrain imports of more expensive oil and natural gas.

Countries can burn only what they can afford, several speakers said.

It's especially hard to encourage cleaner fuels and costlier alternative energy when governments continue to subsidize or impose price controls on fossil fuels, especially fuel oil, gasoline, diesel and natural gas.

CHINA'S SHALE GAS

China's estimated technically recoverable shale gas resources total 1,275 trillion cubic feet, according to the U.S. Energy Information Administration. China's government policy is to get it out of the ground and into the economy, replacing dirty coal and costly imported LNG. Easier said than done.

Chinese oil and gas companies lack the experience required for shale gas production, though they are buying that expertise while also attracting multinational companies to help explore for the gas.

But much of the shale gas is spread out in remote basins, far from market. Much is in arid regions of the nation, far from the massive amounts of water needed for hydraulic fracking to crack the rock and release the gas. Even if drillers find a water source, handling the water as it comes back up the well "is a critical challenge," an oil company executive said.

If China can get water to where it is needed, if it can solve the problem of wastewater disposal, if it can learn how to produce shale gas at a price the market can afford, conference participants agreed the nation would need less imported LNG than expected.

Though fracking is still new to the Chinese, the practice has attracted a lot of controversy in the United States, where shale gas production has put the country in position to export surplus natural gas. An audience member asked: Will that growth continue and will the environmental pushback against fracking expand to other countries?

"Until there is a scale of disaster" similar to BP's deep-water Gulf of Mexico rig explosion three years ago, shale gas production and fracking will continue, a speaker answered.

RUSSIAN GAS

As Japan looks around the world for new, less expensive LNG supplies, it is waiting to see if the Russian government allows other producers to break Gazprom's monopoly on gas exports, expanding supply options, a Japanese official said.

Meanwhile, his country is "working very hard" on Gazprom's proposed LNG export terminal at Vladivostok, just across the Sea of Japan on Russia's mainland. The government signed an accord with Gazprom last year to move forward in planning the multibillion-dollar terminal. Gazprom is eager to grab a larger piece of the Asia LNG market, and Japan is just as eager to talk with any new potential suppliers.

But the deal is not done, the Japanese official said. It's about money, he said, describing the negotiating stage with Gazprom as "show me your price."

China has been in talks with Russia for years, trying to strike a deal for pipeline gas deliveries. Gazprom's latest proposal involves a pipeline from Eastern Siberia gas fields to serve the Vladivostok LNG plant and to supply China with pipeline gas. Just like Japan, price is the sticking point with China. Gazprom wants top dollar. Asian buyers don't.

A Japanese banking official said he is suspicious the Russia-Japan-China pipeline and LNG project will get built. Cost estimates for the gas field development, transportation and liquefaction plant total \$50 billion, or more.

NORTH AMERICAN LNG

Every speaker who addressed the potential for North American LNG exports to Asia said it will happen. The unknowns, they agreed, are when, how much and at what price.

LNG projects proposed for northeastern British Columbia shale gas plays will need oil-linked prices for their cargoes to cover the high costs of developing remote fields and building a pipeline through two mountain ranges to the Pacific Coast, an international energy analyst said.

The distance to tidewater is a disadvantage for Canadian projects competing for buyers with proposed U.S. Gulf Coast LNG projects, a Japanese bank official said. As is the fact that the U.S. export terminals would be lower-cost additions to existing import operations, whereas the Canadian projects need to build their own docks, jetties and storage tanks.

It's like a hockey game, with the two countries battling for position at center ice. Some pushing and shoving, but no one is throwing off their gloves for a fight.

Score one for the Canadians, however, with stronger government support for gas exports than in the United States, said several speakers. "The U.S. has an energy identity crisis," a global adviser said. After years of fear of oil and gas shortages, "it is going to take time" for the country to accept a new role as a potential exporter.

And score another advantage for Canada in that tanker charges from the B.C. coast could be as much as \$3 per million Btu cheaper than the long haul from the U.S. Gulf Coast, the Japanese bank official said.

And though today's gas prices look attractive, buyers are aware of the price risk of buying North American gas, which has seen periods of price spikes just as painful to customers as LNG linked to oil prices at \$120 a barrel.

This month's North America prices — around \$4 per million Btu in early April — are not sustainable, several speakers said. Producers need higher prices to cover exploration, development and production costs, a Japanese banker said. Long term, he said, prices could settle in the \$6 to \$7 range, which would make the gas \$15 or \$16 in Japan after liquefaction and transportation charges.

LNG PRICING

"We think global LNG prices will be coming down," said a bank analyst. The introduction of North American LNG into the market, coupled with lower oil prices, will push down natural gas prices, he said.

Slower economic growth in China, plus Saudi Arabia's plan to use natural gas instead of oil for power generation, will put more oil on the market and soften prices, the analyst said. Increased U.S. oil production also will contribute to lower prices. And as oil prices fall, so will oil-linked LNG prices.

As for new LNG supply, no one expects every proposed export terminal to start up, but enough will go online in the years ahead that supply growth will loosen up markets, putting pressure on prices, a Southeast Asia economist said. In that buyers' market, "That would be the time when pricing formulas start changing."

And as European customers continue to pressure Gazprom to lower its gas prices, it's "just a matter of time" before the same push wins out for Asian buyers, he said. The new world order could be a blended price, a mix of oil-linked pricing and North American or other market hub pricing, he said.

At least two economists seconded the notion of a blended price, a hybrid system they called it.

And though one global energy economist said he is skeptical of how much North American LNG would affect global prices, he believes Asian buyers "will look to add U.S. LNG into their portfolios as a price-diversification and supply-security strategy."

PROJECT RISKS

Fiscal certainty means "we need to have some sense what the deal's going to be," and that a country will honor its commitments, said an oil company executive.

A North American financial adviser termed it political risk. He listed it as one of the top issues for companies deciding on oil and gas investments. His list of "what it takes to acquire capital" included sufficient proven resource behind the project. Uncertain reserves worry investors, he said. Experienced and credible project participants are equally important. "Investors are very focused on that."

Among the risks that investors look to avoid, he said, are stakeholder problems, including landowners and aboriginal peoples. Cost overruns are always a worry on big projects.

And economics. "Too often people have rosy looks for what they can get for their products in the marketplace." The perception of windfall profits can kill a project's economics, he said.

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Keynote Address at the Pacific Energy Summit

8 April 2013

State Department Press Releases And Documents

Remarks

Robert D. Hormats

Under Secretary for Economic Growth, Energy, and the Environment, Bureau of Economic, Energy and Business Affairs

Pacific Energy Summit

Vancouver, British Columbia, Canada

April 3, 2013

Thank you Dennis for the kind introduction.

I am delighted to be here today at the Pacific Energy Summit. NBR has done a tremendous job in organizing the event. It will, I believe, help inform the consequential debate now underway regarding the worlds-and particularly, Asia's-energy future.

To say that have seen major changes in the global energy landscape in recent years is, surely, an understatement.

In fact, the geography of global energy has changed dramatically-in terms of both supply and demand. The world's energy mix has changed dramatically as well. And, of course, the interaction between energy and environment has emerged as an area of critical importance.

These developments bring both new opportunities and challenges-particularly to the Asia-Pacific region.

Rapid developments in unconventional gas, greater attention to alternative energy, the emergence of large new energy exporters, new oil and gas finds of considerable magnitude, and the meteoric rise in energy demand from emerging economies in Asia have sharply altered where energy comes from, where energy goes, and what kind of energy is produced and used. The geography of energy has changed for the United States and, indeed, for most of the world.

For much of the period since the oil embargoes and disruptions of the 1970's and early 1980's, the United States received the bulk of its oil imports from the Middle East, and more broadly from OPEC. This is no longer true.

The majority of our oil imports now come from here in Canada and from Latin America. We have especially strong energy partnerships with Canada and Mexico.

And, due to significant improvements in energy efficiency, and greater domestic production, U.S. oil imports have fallen to their lowest level since 1987. Oil imports as a share of total U.S. consumption have dropped from a 60 percent in 2005 to below 40 percent today.

The shift has been even more dramatic for natural gas. In the 2005-before the gas boom-experts predicted that U.S. LNG imports would rise to 180 billion cubic meters by 2025.

The U.S. Energy Information Administration now predicts that U.S. gas production will exceed consumption before 2020. This is leading American companies to invest in terminals to export-rather than import-LNG. And, LNG once destined for the United States from places like Qatar, is now fueling economies in Europe and Asia.

America's growing energy self-sufficiency raises a number of geo-political and geo-economic questions. These developments present enormous opportunities not just for strengthening the U.S. economy, and reducing U.S. financial outflows, but also for enabling the United States to pursue new kinds of energy diplomacy.

The world's new energy geography and increased American self-sufficiency should not be seen in the United States-or abroad-as foreshadowing, or justifying, an American pullback from the rest of the world. We live in an interdependent global economy, with interdependent energy markets. Energy shortages, price volatility, or disruptions anywhere can threaten economic growth everywhere.

Therefore, we want to work with participants in this new geography-our traditional partners plus major emerging economies-to help ensure stability and transparency in energy markets, the development of alternative fuels, freedom of navigation, and good environmental practices.

The United States has seen-and will continue to see-global energy security, market efficiency, stability, and cooperation to be in our economic, foreign policy, and national security interests.

But, the United States cannot successfully guarantee global energy security, efficiency, and market stability on its own. This is especially true today, with so many new or rapidly growing players, who account for ever increasing amounts of the energy consumption and production.

The IEA, for example, reports that nearly two-thirds of growth in global energy demand over the next twenty years will come from emerging economies in Asia. China, in particular, is expected to use 68 percent more energy than the United States by 2035. Already, 75 percent of oil flowing from the Persian Gulf goes to Asia.

Increasingly, the Indo-Pacific Sea lanes will be the channel for moving energy east. One graphic indication of this comes from projections that oil and gas shipments through the Straits of Malacca will double over the next two decades. So, many countries share an interest in keeping those lanes open and secure-and ensuring that disputes in the region are settled peacefully and based on international law.

And, on the production side, technical advancements upstream, new finds in places like Tanzania, Mozambique, and the eastern Mediterranean, as well as the globalization of natural gas markets-driven by the rise in LNG trade-will also alter supply patterns and the direction and volume of trade.

As a result, a growing number of countries will have a voice in the global energy dialogue; a stake in the security of important global shipping routes; an interest in market stability, efficiency, and transparency; and a role in developing good ways of financing new energy infrastructure and technologies.

The decisions made by new and increasingly significant players-both importers and exporters-will have a profound impact on global energy markets.

For example, when it comes to natural gas markets, we all-Asia especially-can learn from the European experience. Major changes in Europe in recent years have demonstrated that a greater diversity of supply choices, a wider range of pipeline and distribution systems, enhanced infrastructure, price liberalization, and meaningful anti-monopoly laws and regulations have led to greater energy security and more efficient markets that are unshackled from past rigidities, distortions, and potential political leverage.

These lessons can help guide Asian governments as they weigh their options.

Fortunately, Asia's economies now have many competitive options, such as pipeline gas from Eurasia or LNG imports from Australia and other parts of Asia, Qatar, and North America to fulfill their growing demand for natural gas.

To the difficult challenges already mentioned, we must also add another layer of complexity- the interaction between energy and the environment.

Growth in energy demand in emerging economies has followed the path set by the United States and other industrialized economies in the course of their development. As countries develop, they consume more energy. But the period of rapid growth for most OECD countries came at a time when the environment was for many an afterthought. The world today no longer has that option.

The threats of catastrophic climate change and permanent environmental degradation are real. For many emerging countries, the environmental impact is increasingly apparent within their borders. Choking pollution threatens the health of their citizens-particularly children-and their peoples' economic productivity as well as the quality of millions of lives.

So, today, given the broad sweep of changes in the global energy equation, we need a new vision, a new path forward.

Here, I see four opportunities.

First, all of our countries need to focus on producing greater amounts of energy from renewable sources, such as wind, solar, geothermal, and hydro. And, we need to continue developing nuclear power, which also offers a source of electricity free of CO₂ emissions.

Accelerating the development and deployment of clean energy technologies will require a renewed commitment to innovation.

Governments must, therefore, avoid mercantilist policies that hinder innovation, such as providing subsidies to local producers, favoring indigenous over foreign companies, forcing technology transfer as a condition of market access, distorting regulatory standards, or imposing restrictive trade barriers.

A new form of mercantilism has emerged in the energy and environmental sectors-often referred to as "green mercantilism." While attractive to some in the short-term, over the long-term, green mercantilism will discourage investments of time, money, and talent for the development of new technologies. These policies will reduce the pace of innovation, which is critical to revolutionize our energy sector and enable new technologies to be competitive, without requiring subsidies or other forms of protection.

Progress was made at the last APEC Summit meeting in Vladivostok, Russia, where member-economies agreed to limit tariffs on environmental goods and services. We need to build on this.

Second, the ongoing natural gas revolution presents an intermediate or bridge fuel opportunity. The global landscape has changed markedly because of new shale technologies, as well as major conventional gas finds in Africa, the Mediterranean, Australia, and other regions.

The United States has organized dialogues with a number of large emerging countries to discuss the development of their gas resources. The State Department's Unconventional Gas Technical Engagement Program, in particular, is helping countries develop their gas resources safely and reasonably. Our engagement with foreign governments especially features private sector participation. Many of our companies have great experience in production techniques that can be deployed around the world. And, our engagement involves our regulators, who can work with foreign governments to promote good environmental practices.

Replacing other fuels-particularly coal-with natural gas can benefit both energy security and the environment. Nowhere is this truer than Asian countries, where power sectors are rapidly developing. Natural gas, however, is not a panacea.

This brings me to my third point.

As we take advantage of dramatic new opportunities stemming from the global gas revolution, we cannot lose momentum in pursuing higher environmental standards.

This can be done with great effect. For instance, in the 1970's, the United States Congress passed the Clean Air Act. Owing to this legislation, the United States enjoys some of the cleanest air in the world today. Some feared that the economy would be weakened from clean air regulations. It was not.

National air quality standards for the emission of sulfur dioxide and nitrous oxides from power plants spurred an environment control technology industry that created large numbers of jobs and produced over \$37 billion in exports in 2010.

The fourth opportunity is simply to use energy more efficiently.

The energy intensity-which is a measure of energy use per dollar of GDP-of the U.S. economy is expected to decline by 42 percent between 2010 and 2035. Companies are striving for efficiency not simply to advance good environmental practices, but also because it is good business. Being more efficient makes them more competitive.

Some governments, unfortunately, have gone down a path of providing large fossil-fuel subsidies for their citizens. Although intended to support poor citizens, energy subsidies are, by and large, counter-productive. These subsidies impose substantial fiscal, economic, and environmental costs.

Several studies have shown that fossil-fuel subsidies benefit high-income households more than the poor. Removing or reducing energy subsidies would incentivize energy efficiency and lower energy consumption. But we must also recognize that doing this is far from easy.

For some low-income countries, crafting a more effective social safety net that benefits low-income households would ease the difficult and politically-fraught task of reducing or eliminating fuel subsidies. This should be a high-priority-for social reasons and for energy-related reasons as well.

The four opportunities I have outlined are particularly relevant to the Asia-Pacific region.

Energy diplomacy is a core component of America's focused engagement with Asia.

We see an opportunity for a closer, mutually beneficial dialogue on a wide range of energy matters with Japan, China, India, South Korea, and ASEAN nations.

In fact, after this meeting ends, I will travel to China and then Japan.

Energy cooperation is a top-priority on my agenda, just as it was during my recent visit to India last month.

And I just had a conversation here with Indonesia's Ambassador Dino Djajal about the strong potential for a thriving, comprehensive energy dialogue with all of these countries.

There is also an important multilateral element to our cooperation.

At the East Asia Summit in November 2012, President Obama announced the U.S.-Asia-Pacific Comprehensive Energy Partnership.

Through the Partnership, the United States has committed to provide up to \$6 billion of financing through the U.S. Ex-Im Bank and OPIC for sustainable power and energy infrastructure projects. The U.S. Trade and Development Agency and the State Department are committed to providing technical and capacity-building assistance to help get these projects off of the ground. And, the U.S. private sector is keen to play a constructive role.

As we meet here, a new energy order is emerging.

Facing a rapidly changing worldwide energy picture, the State Department will continue to work across the globe in partnership with others to help countries develop and bolster a variety of new supplies and suppliers, find opportunities to manage the growing global thirst for energy, ensure secure and efficient means of energy transport and transmission, and mitigate environmental damage and climate change.

Our own political, economic, environmental, and national security interests depend on a robust energy diplomacy and strong partnerships to seize the opportunities and address the challenges we all face.

Thank you.

Office of State Department Public Communication Division, 202-647-6575

U.S. Government

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The federal government announced the visit of East Asia the way to peddle the north portal

April 5, 2013

Epoch Times, April 5, 2013 the Harper government in Vancouver on Wednesday announced that it will send a trade delegation to visit Asia, but also did not forget to peddle Enbridge Inc. (Enbridge) controversial \$ 65 billion of the north portal pipeline project vigorously praised the project can bring huge benefits.

The trade ministers Belfast (Ed Fast) Pacific Energy Summit (Pacific Energy Summit) that he will be accompanied by Alice Wong, Minister of State (Alice Wong), led a Canadian trade delegation to Japan in the month, 7 to 12 dates, and China.

Belfast, said he will discuss with the Japan External Trade Minister the Motegi Min charge (Toshimitsu Motegi) Japan recently revealed the commercial intent. Japan not long ago declared Bush look added to, together with the United States, Canada and many other Asia-Pacific countries, consultations and negotiations to build the proposed Trans-Pacific Partnership Agreement. Belfast trade show leadership in the new Japanese government, is undoubtedly a positive signal for the global economy.

Belfast also stressed that British Columbia's potential to meet the energy demand in Asia, especially up to five LNG projects are already in development. In addition, the Belfast also referred to Canada's oil sands also has a massive energy potential of the Asia-Pacific region. Canada has 19 company executives will participate in the East Asian trade visit to Mission.

En Bridge Company the northern the portals pipeline project, prior to the end of the year, to go through the Ministry of Environment and the National Energy Board strict joint review. If passed, the northern gateway to pipeline projects for the Asian market, daily transport 525,000 barrels of oil Belfast. Belfast Canada currently no exports of liquefied natural gas to Japan almost not export petroleum products, but Canada wants to change this.

The Belfast Energy Summit speech, also mentioned Canada vows in 2020, will achieve the target of 17% reduction of greenhouse gas emissions from 2005 levels. However, the Canadian non-profit think tank, the Pembina Institute (Pembina Institute) Tuesday released a report in the Canadian oil sands and liquefied natural gas production will rise under the premise that this goal, almost impossible task.

Harper government sometimes seem to support any specific oil sands project, showed considerable caution, both Enbridge's north portal, Kinder Morgan (Kinder Morgan) 54 billion twin line Pipeline Expansion Project. Such as natural resources minister Oliver (Joe Oliver) in a speech, you never referred to any project. But Oliver was directly asked if these projects through the environmental review, did not hesitate to endorse behalf of the north portal project claim that the project to bring huge profits and jobs to give Canada and British Columbia.

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Former Obama adviser Blair pushes diplomatic benefit of LNG exports

5 April 2013

Washington (Platts)--5Apr2013/1223 pm EDT/1623 GMT

President Barack Obama's former top intelligence adviser claims that limiting US exports of liquefied natural gas could impair diplomatic ties with Asian countries, particularly Japan.

"It would be a major mistake not to do it in terms of US-Japanese relations," said Dennis Blair, a retired four-star Navy admiral who served as Obama's national intelligence director from 2009 to 2010.

In a phone interview Thursday from the Pacific Energy Summit in Vancouver, Blair criticized efforts to limit LNG exports in order to keep domestic gas prices low.

"History shows that every time you try to set government policy against market forces in the interest of near term popularity you end up making your lift that much heavier in the long run," he said.

The Department of Energy has yet to decide whether it will allow additional LNG export facilities to export to countries the US does not have free trade agreements with, including Japan.

Manufacturing groups and some lawmakers, including Senate Energy and Natural Resources Committee Chairman Ron Wyden, Democrat-Oregon, have pushed for limits on LNG exports in order to keep prices low. But additional LNG exports, Blair said, would only boost demand and spur an increase in US production.

Still, Blair cautioned that there are limits to the global LNG market and said that the first few export facilities approved by the Energy Department to export to non-FTA countries will likely be able to capture the majority of global LNG demand. Expectations of a market for all LNG export applications currently approved or pending at the DOE (totaling 29.7 Bcf/d for FTA countries and 28.3 Bcf/d for non-FTA countries) is "completely unrealistic," he said.

"When you take a steely-eyed look at some of the economic realities under likely projections it doesn't seem that this is such a bonanza," Blair said. "We don't want to risk killing a good idea because of over-enthusiasm and under-execution."

Mikkal Herberg, research director at the National Bureau of Asian Research's energy security program, said the Asian market could likely support a maximum of 8 Bcf/d of LNG imports.

"The later projects will have a harder time finding a market for their potential LNG," he said.

During the interview, Blair also pushed for a tax on LNG exports which he said could fund regulatory and safety oversight efforts of the industry and research for safer production, which he said would increase public support for gas.

"Whether you make it a user pays tax, which would be a tax on the energy itself, or you had some other scheme in which the utilities paid a role in rates, I'm pretty indifferent," he said. "If you're going to have public confidence you're going to need a good regulatory regime, you need competent inspectors."

Blair conceded that such a tax would be a tough sell to both industry and lawmakers.

"Given the political toxicity of taxes, if you wanted to call it a regulatory charge or some other euphemism that our society seems to increasingly coming up with, I'm fine with that," he said. "But you have to pay for safety which underlies people's confidence."

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In a buyer's market, Asia seeks new energy bargain with North America

Claudia Cattaneo
05 April 2013

For a brief moment, Canada, a global leader in the unconventional energy revolution that unlocked massive new deposits in the oil sands, shale gas and tight oil, could legitimately call itself an energy superpower.

It's an assertion that the federal government continues to make.

But there is a new global energy power shift going on: Asian consumers are emerging as the new energy superpowers, and the benefits to Canada or its future as an energy kingpin are not so clear.

With so much new gas and potentially oil entering the market as a result of shale gas/tight oil discoveries, and energy consumption in the developed world declining, producers with surplus energy such as Canada and the United States, as well as historic suppliers from the Middle East and Russia, are aggressively chasing Asia's growing energy demand.

While energy poor, Asians are smelling a buyer's market and insisting on setting their own terms.

They would like to diversify their sources of supply away from more risky political environments

That energy consumer confidence was in full display at the Pacific Energy Summit in Vancouver this week, where Asians were clearly looking for a better energy balance as they work with Canada and the United States to establish a new trans-Pacific energy market.

Japan, for one, was leading a push for lower prices for liquefied natural gas, which it would like to link to lower gas prices in North America to replace the much-higher oil-linked prices they have been paying.

Asian countries are prepared to go to great lengths to gain a combination of secure supplies and pricing leverage in North America by investing in resources, pipelines and infrastructure, as shown by the rush of deals in the past few years.

The government of Japan even made an overture to invest directly in pipelines and LNG projects in Western Canada to supply Japan exclusively.

A similar energy consumer power theme is unfolding in the United States. Now that it's awash in tight oil, it's demanding its own terms to import Canada's oil sands by pushing for tougher climate change regulations.

Asians are aiming for an even grander energy bargain. Forget the Middle East or Russian bullies that for decades squeezed as much as they could from consumers simply because of the abundance of oil and gas they have.

“We have heard from our Korean and Japanese friends in a very explicit fashion that they have an interest in accessing energy resources from North America because there are non-economic benefits that come with it,” said Yuen Pau Woo, president and CEO of the Vancouver-based Asia Pacific Foundation of Canada, which co-hosted the Vancouver summit with the Seattle-based National Bureau of Asian Research.

Canadians hoping to reap a windfall by selling oil and gas to Asia will be disappointed

“They would like to diversify their sources of supply away from more risky political environments, like the Middle East and to some extent Russia. They have articulated that there are important political and security benefits of accessing energy from North America. And there is a desire to try to align political relations with trade and energy alliances,” he said.

They are also looking to North America for new energy technologies, help with energy efficiency, help to reduce climate change impacts from their reliance on dirtier sources of energy, primarily coal — side benefits that they can’t get from their old energy suppliers.

Canadians hoping to reap a windfall by selling oil and gas to Asia will be disappointed. It’s become clear that selling LNG from Canada’s West Coast to cash in from higher Asian prices isn’t in the cards.

Mr. Woo argues Canada should aspire for a higher goal — energy integration with Asia to create an interdependence of interests.

“The sooner Canadian markets and producers understand that we have an opportunity to be part of an integrated energy market, rather than think of this as a one-time opportunity to create a massive windfall that we can live off, the better, because that will make it more likely for us to come up with viable commercial projects,” he said.

The question is whether it’s a road Canadians are willing to take, when they already have their hands full trying to achieve their narrow interests — diversify their markets with the goal of selling oil and gas at the highest possible prices.

Japan could put billions into LNG; Country would bolster Canadian infrastructure

Claudia Cattaneo
5 April 2013

VANCOUVER . Japan is pre-pared to invest billions directly in natural gas infrastructure in Western Canada as part of a plan to secure massive supplies of liquefied natural gas to replace nuclear power, a top government advisor said Thursday.

The plan, a new model for Japan, could intensify the race by Asian countries to lock down Western Canada's energy resources and infrastructure, which so far has been led by China.

Tokyo-based Tadashi Maeda, managing executive officer of the Japan Bank for International Cooperation, said Japan is ready to start discussions with private and government entities in Canada to support construction of pipelines and liquefied natural gas terminals to serve the Japanese market exclusively.

"The Japanese government is [prepared to make] a strategic investment for the purpose of developing a commodity market for natural gas, a more transparent and flexible market," Mr. Maeda said on the sidelines of the Pacific Energy Summit, the platform picked by Japan to announce the plan.

"So we are going to make some strategic investments to fill the gap of the infrastructure needs."

"The pipelines and export terminals are imperative. Therefore if it is needed, we are going to bring some capital to cover the cost of the infrastructure."

While the plan is just now being rolled out, Japan hopes to nail it down "relatively quickly" so it can start importing Canadian LNG by 2020.

Japan found itself short of energy after the earthquake and nuclear disaster two years ago caused the country to back away from nuclear power because of safety concerns.

Mr. Maeda said only two of Japan's 50 nuclear plants are still in operation. The energy gap has been filled by stringent energy conservation and a large increase in LNG imports.

But that's resulted in a huge energy price tag because Asian LNG prices are linked to oil prices, making them expensive relative to North American natural gas prices, which have been depressed since the discovery of large shale deposits.

Japan is now trying to ramp up an integrated natural gas industry based on North American gas prices that involves securing supplies in North America, building infrastructure and marketing gas to customers.

Mr. Maeda was one of dozens of industry, government and thought leaders from Asia and North America meeting in Canada for the first time to build an integrated energy industry linking North American energy supplies and Asian markets, where energy demand is increasing. China, Japan and Korea have been

dependent on imports from the Middle East and Russia and are keen to forge energy relationships with Canada and the United States that also offer new energy technology and market-based prices.

Mr. Maeda said Japan is also looking at importing gas from the United States, but is keener to forge an energy partnership with Canada.

LNG transportation costs from Canada's West Coast are lower because of its proximity to Asia, and Japan believes LNG exports are more likely to move ahead from Canada than from the West Coast of the United States.

The Japanese government's planned investment in Canada could take many forms, Mr. Maeda said. It could involve a consortium of Japanese energy companies benefitting from government loan guarantees or it could involve direct government investment. It could also mean financing for standalone pipelines and liquefaction plants that are not backed by supplies of natural gas.

Japanese companies are already participating in the nascent LNG industry in Western Canada. Six LNG export terminals are being planned for the northern British Columbia coast. Japan's Mitsubishi is a partner in the LNG Canada project led by Royal Dutch Shell PLC. Japan's Inpex is a partner in a project planned by China's CNOOC Ltd., which last year acquired Nexen Inc.

But the Japanese government wants to play a direct role because Japanese companies' interests are not always aligned with those of the government, he said. For example, companies are free to sell the LNG to many markets, while Japan wants to be able to count on as much Canadian supplies as possible.

The LNG strategy is separate from Thursday's stimulus announcement by the Bank of Japan, Mr. Maeda said.

Japan is not worried that direct government investment will trigger a backlash in Canada similar to that stirred by the takeover of oil and gas producer Nexen by CNOOC because it doesn't involve state-owned enterprises, he said.

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Canada Looking to Export Oil, LNG to Asia

5 April 2013

NGI's Daily Gas Price Index

Canada Minister of International Trade Ed Fast said his country is an "energy superpower" that "must" export more oil and natural gas to Asian markets in announcing plans for a trade mission to China and Japan in hopes of increasing exports.

In a speech in Vancouver on Wednesday, Fast, who also serves as minister for the Asia-Pacific Gateway, told attendees at the Asia Pacific Foundation of Canada's Pacific Energy Summit that his country is in a unique position. He said global energy demand is expected to increase by 40% from 2010 to 2035, with a large portion of demand coming from Asia.

"What Canada and the Asia-Pacific region have before them is an [exceptional] complementarity of assets and needs," Fast said, according to notes provided from Ottawa. "On one hand, [there is] Canada's abundance of energy assets and our need to sell them at their highest value; on the other, the extraordinary magnitude of the demand for energy in China, Japan, India and other Asian countries. In short, you need resources, and we have them."

Fast said he and Alice Wong, a fellow member of Parliament from British Columbia (BC), would lead a trade mission to China and Japan. He said Wong would begin the trade mission by leading business delegations in Shanghai and Hangzhou in China, and he would join her for meetings in Tokyo and Yokohama in Japan. Visits to Hong Kong and Beijing are to follow.

"We have a once in a lifetime opportunity to work together to capitalize on Canada's energy and work with our trading partners to create long-term prosperity for our citizens," Fast said. "Our government is committed to using every tool we have at our disposal to continue to open new markets for our exporters."

Fast said Canada, the world's third-largest producer of natural gas, held up to 37 trillion cubic meters of natural gas resources, two-thirds of which would come from unconventional sources, including shale. He added that five projects to export liquefied natural gas (LNG) through BC were currently under way:

Western Canada LNG: Spectra Energy Corp. and BG Group's proposal for an 850-kilometer (528-mile), 48-inch diameter transportation system with 4.2 Bcf/d capacity from northeast BC to the Prince Rupert area;

Pacific NorthWest LNG: a partnership between Progress Energy Canada Ltd. and the Malaysian national oil company Petronas to build an LNG export facility on Lelu Island (see Daily GPI, June 29, 2012);

Kitimat LNG: a partnership between Apache Canada Ltd. and Chevron Canada to build an LNG facility in Bish Cove, near Kitimat (see Daily GPI, Dec. 26, 2012);

LNG Canada: a four-way partnership between Shell Canada Ltd., China's PetroChina Co. Ltd., South Korea's Korea Gas Corp. and Japan's Mitsubishi Corp. to build a 24 million tonne per annum (mtpa) LNG export terminal in Kitimat ; and (see Daily GPI, July 31, 2012);

Douglas Channel Energy Project: a partnership between BC LNG Export Cooperative, LNG Partners and the Haisla Nation native community to build a small-scale LNG export facility, capable of exporting 0.9 mtpa, within the Douglas Channel (see Daily GPI, Jan. 23).

"These projects are attracting investors from Japan, Korea and China, and understandably so," Fast said, adding that projections from the International Energy Agency (IEA) "show that between 2010 and 2035, natural gas consumption in China will grow by five times, [and] India's by three times."

Fast reminded the attendees that Canada was the world's sixth-largest producer of oil, and held the world's third-largest oil reserves. He said his country's oil sands held "enormous potential" for meeting energy demands throughout Asia.

"The oil sands are a great Canadian success story and we are keen to export this important energy source to our Pacific neighbors," Fast said, adding that the proposed Northern Gateway Pipeline would transport 525,000 b/d to Kitimat for eventual shipment by tanker to Asia (see Daily GPI, Oct. 6, 2011). "There is, therefore, considerable incentive on both sides of the Pacific to make oil pipeline and BC's LNG projects work.

"Canada does not currently export LNG to Japan and exports very little crude oil and petroleum products there. We want to change that. We must change that."

Spectra said it plans to begin construction on its project in 2015 and have it in service in 2019. Meanwhile, Pacific NorthWest LNG anticipates construction beginning in late 2014 and exports to begin in late 2018.

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Global demand expected to remain high enough for LNG development in B.C

By Gordon Hamilton

5 April 2013

Despite uncertainties about the price liquefied natural gas will bring in Asian markets, demand for energy is going to be high enough to ensure that some, if not all, of the five proposed British Columbia LNG plants are built, the co-chair of the Pacific Energy Summit said Thursday.

Kevin Lynch, who is also vice-chair of BMO Financial Group, said "unambiguous demand" from Asia's growing economies will keep prices high enough to make LNG profitable.

"You know the demand is there, even though the price is uncertain," he said during a meeting with the editorial board of The Vancouver Sun.

Lynch and co-chair Dennis Blair, a former U.S. director of national intelligence and a current director of the National Bureau of Asian Research, both said not all of the LNG proposals will be built. There are 17 applications for terminals along the U.S. Gulf Coast alone, Blair said.

"The one who goes first will be the one who succeeds," Blair said.

Natural gas is selling in the range of \$18 a unit in Asia compared to \$4 a unit in North America, where new drilling technologies have led to a natural gas glut.

However, that price gap is not expected to last. The price in Asian countries is regulated and pegged to the price of oil. Deregulation and the development of an Asian gas trading hub, where market forces would determine the price, will take several years, according to a 2012 report by the International Energy Agency titled Gas Pricing and Regulation.

But even if a trading hub is established, other factors, from sheer economic growth to stricter environmental regulations on coal-fired plants in China, are expected to keep demand robust, Lynch said.

The IEA report notes that Chinese consumption of natural gas is expected to double between 2011 and 2015.

Gaining access to Asian energy markets is essential for Canadian oil and as well as gas, Lynch said. The "huge change" in the U.S. energy supply ushered in by the development of horizontal drilling and hydraulic fracturing of shale deposits means that Canada no longer has the security of relying on the U.S. market. Yet the country's energy infrastructure is mostly north-south. Diversifying by developing pipelines to offshore markets is in the national interest, he said.

Blair said that as the U.S. approaches near self-sufficiency in energy as a result of the development of unconventional oil and gas reserves, countries like China and India will become more dependent on transit security for oil along the world's shipping lanes. As U.S. reliance on foreign oil shrinks, he said,

the Chinese and Indian navies should be expected to play a larger role with the Americans in maintaining shipping lanes.

"I don't feel threatened by that," he said.

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Asia seeking a new energy bargain; It wants to set its own terms in a buyer's market

Claudia Cattaneo
6 April 2013

It's an assertion that the federal government continues to make.

But there is a new global energy power shift going on: Asian consumers are emerging as the new energy super-powers, and the benefits to Canada or its future as an energy kingpin are not so clear.

With so much new gas and potentially oil entering the market as a result of shale gas/tight oil discoveries, and energy consumption in the developed world declining, producers with surplus energy such as Canada and the United States, as well as historic suppliers from the Middle East and Russia, are aggressively chasing Asia's growing energy demand.

While energy poor, Asians are smelling a buyer's market and insisting on setting their own terms.

That energy consumer confidence was in full display at the Pacific Energy Summit in Vancouver this week, where Asians were clearly looking for a better energy balance as they work with Canada and the United States to establish a new trans-Pacific energy market.

Japan, for one, was leading a push for lower prices for liquefied natural gas, which it would like to link to lower gas prices in North America to replace the much-higher oil-linked prices they have been paying.

Asian countries are prepared to go to great lengths to gain a combination of secure supplies and pricing leverage in North America by investing in resources, pipelines and infrastructure, as shown by the rush of deals in the past few years.

The government of Japan even made an overture to invest directly in pipelines and LNG projects in Western Canada to supply Japan exclusively.

A similar energy consumer power theme is unfolding in the United States. Now that it's awash in tight oil, it's demanding its own terms to import Canada's oil sands by pushing for tougher climate change regulations.

Asians are aiming for an even grander energy bargain. Forget the Middle East or Russian bullies that for decades squeezed as much as they could from consumers simply because of the abundance of oil and gas they have.

"We have heard from our Korean and Japanese friends in a very explicit fashion that they have an interest in accessing energy resources from North America because there are non-economic benefits that come with it," said Yuen Pau Woo, president and CEO of the Vancouver-based Asia Pacific Foundation of Canada, which co-hosted the Vancouver summit with the Seattle-based National Bureau of Asian Research.

"They would like to diversify their sources of supply away from more risky political environments, like the Middle East and to some extent Russia. They have articulated that there are important political and security benefits of accessing energy from North America. And there is a desire to try to align political relations with trade and energy alliances," he said.

They are also looking to North America for new energy technologies, help with energy efficiency, help to reduce climate change impacts from their reliance on dirtier sources of energy, primarily coal - side benefits that they can't get from their old energy suppliers.

Canadians hoping to reap a windfall by selling oil and gas to Asia will be disappointed. It's become clear that selling LNG from Canada's West Coast to cash in from higher Asian prices isn't in the cards.

Mr. Woo argues Canada should aspire for a higher goal - energy integration with Asia to create an interdependence of interests.

" The sooner Canadian markets and producers understand that we have an opportunity to be part of an integrated energy market, rather than think of this as a one-time opportunity to create a massive windfall that we can live off, the better, because that will make it more likely for us to come up with viable commercial projects," he said.

The question is whether it's a road Canadians are willing to take, when they already have their hands full trying to achieve their narrow interests - diversify their markets with the goal of selling oil and gas at the highest possible prices.

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Japan eyeing billions in LNG investments in Western Canada

Claudia Cattaneo

4 Apr, 2013

VANCOUVER • Japan is prepared to invest billions directly in natural gas infrastructure in Western Canada as part of a plan to secure massive supplies of liquefied natural gas to replace nuclear power, a top government advisor said Thursday.

Canada touts 'energy superpower' status to secure new customers in Asia

As the United States drags its feet on whether to approve the Keystone XL oil sands pipeline, Canada's federal government is continuing its push to secure new energy customers in Asia.

The plan, a new model for Japan, could intensify the race by Asian countries to lock down Western Canada's energy resources and infrastructure, which so far has been led by China.

Tokyo-based Tadashi Maeda, managing executive officer of the Japan Bank for International Cooperation, said Japan is ready to start discussions with private and government entities in Canada to support construction of pipelines and liquefied natural gas terminals to serve the Japanese market exclusively.

"The Japanese government is [prepared to make] a strategic investment for the purpose of developing a commodity market for natural gas, a more transparent and flexible market," Mr. Maeda said on the sidelines of the Pacific Energy Summit, the platform picked by Japan to announce the plan. "So we are going to make some strategic investments to fill the gap of the infrastructure needs.

"The pipelines and export terminals are imperative. Therefore if it is needed, we are going to bring some capital to cover the cost of the infrastructure."

While the plan is just now being rolled out, Japan hopes to nail it down "relatively quickly" so it can start importing Canadian LNG by 2020.

Japan found itself short of energy after the earthquake and nuclear disaster two years ago caused the country to back away from nuclear power because of safety concerns.

Mr. Maeda said only two of Japan's 50 nuclear plants are still in operation. The energy gap has been filled by stringent energy conservation and a large increase in LNG imports.

But that's resulted in a huge energy price tag because Asian LNG prices are linked to oil prices, making them expensive relative to North American natural gas prices, which have been depressed since the discovery of large shale deposits.

Japan is now trying to ramp up an integrated natural gas industry based on North American gas prices that involves securing supplies in North America, building infrastructure and marketing gas to customers.

Mr. Maeda was one of dozens of industry, government and thought leaders from Asia and North America meeting in Canada for the first time to build an integrated energy industry linking North American energy supplies and Asian markets, where energy demand is increasing. China, Japan and Korea have been dependent on imports from the Middle East and Russia and are keen to forge energy relationships with Canada and the United States that also offer new energy technology and market-based prices.

The Japanese government is [prepared to make] a strategic investment for the purpose of developing a commodity market for natural gas

Mr. Maeda said Japan is also looking at importing gas from the United States, but is keener to forge an energy partnership with Canada.

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But the Japanese government wants to play a direct role because Japanese companies' interests are not always aligned with those of the government, he said. For example, companies are free to sell the LNG to many markets, while Japan wants to be able to count on as much Canadian supplies as possible.

The LNG strategy is separate from Thursday's stimulus announcement by the Bank of Japan, Mr. Maeda said.

Japan is not worried that direct government investment will trigger a backlash in Canada similar to that stirred by the takeover of oil and gas producer Nexen by CNOOC because it doesn't involve state-owned enterprises, he said.

International Trade Minister proposes to change the business model, plus positive Billiton Asian energy market

By Zhang Yu
April 3, 2014

Translation

Federal International Trade and Minister for the Asia-Pacific Gateway, Minister of State for Belfast (Edward Fast) yesterday attended Pacific Energy Forum (Pacific Energy Summit) said Canada is required to change the existing energy trade patterns, and actively seek their natural gas and oil exports to Asia business opportunities in the market, in order to meet the growing energy needs of the Asia-Pacific region.

Belfast depart for China and Japan, a five-day visit to Alice Wong, Minister of State and Federal Elderly Affairs will be held on April 7, when they will be met with 11 Chinese companies and 19 senior Japanese company. The purpose of this trip is designed to promote the Canadian information technology, as well as medical imaging techniques.

Annual Pacific Energy Forum held for three days at the Four Seasons Hotel Vancouver, Belfast and Alice Wong on Wednesday, was invited to deliver a speech. Belfast Canadian crude oil reserves, the world's third country to be managed to the Alberta oil through BC ports, transport to China, Japan and India and other countries, in order to diversify Canadian energy trade patterns and partners.

He said that the Asia-Pacific region a high demand for energy, the country along the Pacific coast is now five being the development of liquefied natural gas facilities, the ability to meet the needs of the Asia-Pacific market. In the next 10 years, Canada will also build about 600 energy-related projects.

To ensure the sustainable development of the raw materials

Belfast stressed that Canada committed to energy development at the same time, will ensure environmental security and sustainable development of raw materials. The expected Canadian greenhouse gas emissions in 2020 compared to 2005, a decrease of 17%.

When asked about the energy giant of Kant Morgan (Kinder Morgan) and the north portal pipeline project (Northern Gateway Pipeline) controversy, Belfast, explained that, similar pipeline plan by private enterprise to promote. If the plan is on hold, the company will try to anyway output of crude oil. But by that time they used the method or may not be legal, or endanger the ecological environment is the best choice for the government to intervene and regulate.

Wednesday's summit forum topics to build trans-Pacific cooperation in new energy era "(Forging Trans-Pacific Cooperation for a New Energy Era), attracting a large number of countries and regions in the world industry elite. They will be discussed the world energy pattern changes, as well as issues related to energy development and environmental protection.

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Canada billed as "energy superpower" to met Asia's demand at Pacific Energy Summit

Mike Chisholm
Apr 3rd, 2013



Photo courtesy Sombilon Photography/Asia Pacific Foundation of Canada

When Exxon Mobil's vice president of strategic planning found out Vancouver would host the 2013 Pacific Energy Summit, Bill Colton was surprised to say the least. The Texas-based oil executive hardly considered a mid-sized, Pacific Northwest city to be a global energy powerhouse. But strange things have been happening to the global energy landscape, and Canada has landed in the middle.

Colton is one of dozens of invited energy leaders, academics and politicians from Pacific Rim countries, meeting in a downtown Vancouver hotel this week to discuss the rapidly changing global energy scene. The fourth annual summit has attracted oil company vice presidents, ministers and academics from Japan, Indonesia, South Korea, China, Philippines and the US to discuss Asia's energy needs and to promote environmental stewardship.

Canada: an "energy superpower"

The summit has been held in Tokyo, Jakarta and Hanoi. This is a first for North America, and Canada wasted no time unfurling its sales pitch.

"Canada is an energy superpower. If there is a type of energy you are interested in, we've got it," said Ed Fast, Canada's minister of international trade told a morning plenary. "Our commitment is to use every

tool at our disposal, to continue to open up new markets for Canada's exporters and that includes trade promotions."

The Pacific Energy summit is a result of a seismic shift in energy use and demand in North American and countries across the Pacific. In the US, cheap domestic natural gas is displacing coal as the major electricity generating fuel for the country. The US is scrambling to find new markets for coal coming out of massive deposits in the mid-west. The American natural gas glut is also directly affecting Canada, which has long relied on the US for markets. Demand for Canadian oil and gas is dwindling, so Canada too is searching for new customers.

From China to The Philippines, Asia driving demand for oil and gas

Overseas, economic growth and a burgeoning middle class in many countries like China is driving demand for more energy. The Philippines would like liquefied natural gas (LNG) to reduce its coal consumption so the government's energy minister is in Vancouver, meeting, and trying to figure out if LNG would work in the Philippines.

For oil and gas companies, accessing the Philippines, or any developing Asian country, is a laborious task. Many countries have trade impediments or barriers that create countless tariffs, rules, taxes and regulations that frustrate business. The most onerous is the fact many countries control their state oil and gas company – and free markets and fair rules are not an ingrained virtue.

"There is a common theme here," said summit organizer Richard Ellings of the National Bureau of Asian Research, "of tension between market forces and government's attempting to secure for their energy security and for a variety of domestic reasons, trying to control prices, supply and so on."

"Often the market runs into these incredibly difficult politics. There is something inherently unstable and conflict orientated when national oil companies, which are components of nation states, are the primary actors."

North American business is making it clear what they would like to see.

"Free markets and rule of law," Exxon's William Colton told a session on Tuesday morning. "You really need to have a thriving free market and free trade rules to facilitate the movement of all these energy supplies around the world. By Rule of Law, I am talking about basic business fundamentals; sanctity of contracts, fiscal stability – what are the taxes going to be, and reasonable regulations."

Colton lauded Canada for its approach to opening up the markets. He referenced Canada's "One project: One review" policy as evidence of a government facilitating investment. Colton says when his company is investing up to \$30 billion in a project, "we want to know what the deal is; what are the taxes; what are the regulations and will our contracts be honoured."

Several hundred conference delegates spent this week discussing the economics 100 of a new energy marketplace centred on the Pacific: cooperation, integrating energy and environmental policies and finding the right price for LNG markets.

But like the selection of a Pope, most of the real work takes place behind the scenes – over coffee and dinners.

As officials wrestle with the details of building a new energy marketplace, what isn't in dispute is a slight decline in greenhouse gas emissions (GHG) from countries switching to natural gas. In the US, lower

sulfur mid-West coal being used to generate electricity, tough vehicle emissions regulations and tighter rules on mercury and air toxics have contributed to a 7.7 percent reduction in GHG's since 2006. Chevron has long recognized the explosive growth in natural gas and is investing heavily in Australian and Canadian LNG plants. Exxon is also a major player.

"Our outlook provides a tremendous growth opportunity for natural gas," Colton said. "We see more than any other fuel source in world the greatest growth in natural gas. We think that natural gas demand across the world will grow by 65 per cent by 2040."

Getting gas and oil to Asia

Tapping into that lucrative market, Canada announced on Wednesday a new trade mission to China and Japan. A dozen Canadian business executives will join trade minister Ed Fast during visits to Shanghai, Hangzhou and Tokyo. This follows similar marketing blitzes to the US by a number of Canadian cabinet ministers. Selling LNG and oil, however, is only part of the battle. The other is actually getting that product to tidal water.

A new report from CIBC economists Avery Shenfeld and Peter Buchanan says Canada lost \$35 billion last year due to infrastructure and pipeline bottlenecks such as the large scale protests fueled by environmental concerns that have stalled the Enbridge Northern Gateway pipeline.

"Canada continues to face a notable long-term challenge shipping its oil to market. The failure to invest in needed transport infrastructure could still prove costly for Canadian producers, governments, and the economy, to the extent that investment plans are delayed or scaled back," says the report.

The government is waiting for a recommendation from the National Energy Board's Joint Review Panel on the Northern Gateway project that would bring Alberta bitumen to the BC coast. And Kinder Morgan is planning to double capacity on its oil pipeline from Alberta to Vancouver. However, both of those projects face serious environmental and aboriginal concerns that could delay the projects for years or stop them completely in their tracks.

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Canada Taps LNG Export Market While the U.S. Waits, Canada Makes Moves

By Justin Williams
Thursday, April 4th, 2013

Canada is making a big push to become North America's premier liquefied natural gas (LNG) exporter to the lucrative Asian market.

With many experts believing that the shale gas boom prices have bottomed out, and with swirling talks around the likelihood of inflating costs, many companies are vying for a slice of the gas bonanza that is circulating around the globe.

British Columbia, Canada's western province, is harboring most of the LNG export activity in North America. The province hopes to liquefying 6 billion cubic feet per day, though some believe this could dwindle down to 4 billion or as low as 2 billion, Petroleum News reports, as the price of materials skyrockets and a limited labor force proves inadequate for operations.

And with uncertainty surrounding those two factors heading into the future, now may be the best time to strike. No matter which way the pendulum swings, it's a risk worth taking. At the prices that some Asian importers are paying for supplies, it is a \$150 billion a year market just waiting to be tapped.

"LNG is the biggest and highest-risk piece of the global energy business these days," Mikkal Herberg of the National Bureau of Asian Research said to The Globe and Mail. "These are enormous projects and huge bets on the future in an uncertain pricing and supply environment."

China and Japan hope to drive down the premium price of the commodity that currently has Asian customers paying more than four times the average natural gas contract in North America.

The high LNG prices in Asia and the uncertainty in this potentially thriving market has companies positioned in British Columbia jumping the gun a little faster than usual, as they all vie for position.

As it sits right now, Canada is a good two years from shipping LNG to any Asian markets; it's all about solidifying a position right now.

That doesn't mean there isn't a whole lot of action to be had. Malaysia's Petronas recently took over Progress Energy (NYSE: PGN), which will triple its rig count in its British Columbia Montney shale this year and plan for its first shipment by 2018, according to Petroleum News. The subsidiary will also increase its barrels of oil equivalent (BOE) from 50,000 to 80,000 BOE per day in that time, and it is mulling over the idea of buying 2 plants.

But for now, Michael Culbert, who remains chief executive officer of Progress after its Petronas takeover, told Petroleum News the plan is to "prove up reserves, prove up the contingent resource and then, ultimately, we'll go back in and develop that resource for production."

And that seems to be the consensus for other companies in western Canada; all have a mind set to focus on future supplies to Asia.

LNG exporters to the west that do gain approval to make shipments will do so from Canada's Pacific Coast to destinations such as Japan and China.

LNG Export Licenses

Canada has so far issued three LNG export licenses with a total export capacity of 4.66 billion cubic feet of gas, according to Bloomberg—more than twice the 2.2 billion cubic feet that the U.S. has permitted.

The U.S. has been much more hesitant to export its LNG supply. There is much debate over fears it would drive up domestic prices, which presently can't be beat.

Of course, as a result, big time players like Exxon Mobil Corp. (NYSE: XOM) and Chevron Corp. (NYSE: CVX) are moving their focus to Canada.

California-based Chevron CEO John Watson said, according to Bloomberg, "One of the things attracting us to Canada is that it's already a natural resources exporting country. We've decided that Canada is going to be the focus of our North American LNG efforts."

BG Group Plc (LON:BG), a U.K. LNG producer that has operations in the Middle East and Caribbean, has also put its name in to obtain export licensing in Canada. AltaGas Ltd (TSX: ALA), Idemitsu Kosan Co., CNOOC Ltd. (NYSE: CEO), and Inpex Corp. (TYO: 1605) are some others that are eyeing projects in British Columbia.

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Asia discovers pricing leverage on LNG

Claudia Cattaneo

3 April 2013

VANCOUVER - Plans to build a new industry to export liquefied natural gas (LNG) off Canada's West Coast have become a lot more complicated.

Discontent among Asian buyers about high LNG prices has evolved into a standoff between Asian consumers and North American producers that could make it more difficult to get new projects off the ground.

The pricing disagreement represents a new hurdle for the five LNG projects planned for British Columbia, which are facing high costs and construction challenges and have been banking on the so-called 'Asian premium' to make their economics work.

But Asian buyers, led by Japan, are standing firm in demanding a price for the fuel that is reflective of market forces rather than its historic link with oil prices.

Tadashi Maeda, the Tokyo-based managing executive officer of the Japan Bank for International Cooperation and a former advisor to Japan's cabinet, said Japanese consumers have become very sensitive to high energy costs in the two years since the earthquake and nuclear disaster that resulted in 48 out of 50 nuclear plants being shut down because of safety concerns.

In that period, LNG purchases mushroomed to 40% of the world's LNG trade, he told reporters Wednesday at the Pacific Energy Summit, an annual gathering of industry, government and thought leaders aiming to build an energy relationship between Asia and North America.

Japan is paying about US\$17 per million British thermal units for its LNG imports, but it is well aware of the shale gas revolution under way in the Western hemisphere and is pushing for prices that are reflective of the cost of supply, plus liquefaction and transportation costs, Mr. Maeda said.

The supply cost is around US\$6 to US\$7 in North America, while the market price is around US\$3 to US\$4 because of ample supplies from shale discoveries.

"We need to decouple the oil price and gas price," Mr. Maeda said. "We need some mechanism to make an adjustment to the market formula."

But while many ideas have been discussed, there has been no solution so far.

London-based Peter Hughes, an independent advisor to major energy companies, said the pricing standoff doesn't have to be a deal breaker for planned energy projects.

While energy producers are insisting on oil-linked prices for their LNG exports to Asia, the prices they get should be high enough to justify their investment and reflect the fundamentals of the business, he said.

Europe is moving away from oil linkage, North America has market-based prices and Asia will have to move to a price that acts as a balancing mechanism between supply and demand, he said.

While competition for Asia's energy market remains fierce, Canadian projects have their advantages.

The main one is the short distance between the British Columbia coast and Asian markets, which means lower transportation costs relative to projects in the U.S. Gulf Coast, which would have to ship supplies across the Panama Canal.

Western Canada remains more attractive than Russia, another top gas producer, which is seen as tough to negotiate with and doesn't want to move away from oil-linked prices.

Australia has an established and growing LNG sector, but its costs are high, and in the Middle East there are concerns about political instability.

Bottom line: Asian energy consumers are discovering they have pricing leverage, which makes the LNG Asia trade less hot than Canada had anticipated.

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Climate disasters leading to pullback from fossil fuels in Asia

Claudia Cattaneo

3 April 2013

VANCOUVER . Increasing energy use in Asia due to population growth and higher living standards is driving energy investments in resource-rich countries like Canada.

But the debate is intensifying in Asia about increased fossil fuel use as a result of climate disasters, said Seethapathy Chander, the Manila-based director general of regional and sustainable development at the Asian Development Bank.

Countries with high population densities have been hard hit by events like floods that resulted in massive property losses.

Those losses have hit poor people the most, he said.

"It's clear that the frequency of those acts is increasing, intensity is increasing, and the impacts are increasing," Mr. Chander said on the sidelines of the Pacific Energy Summit here, held for the first time outside Asia.

The damage has led to a pullback from fossil fuels along with a strong reaction against inefficient use of energy.

"If you look at the pricing of fossil fuels, it's higher than in the U.S.," he said. "There is a consciousness, people are willing to look at energy conservation, standards have gone up sharply . fuel standards in many cities they are higher than in North America. It's no longer get what you can, burn as you like. It doesn't work any more."

Meanwhile, investment in renewables has accelerated and younger generations are putting a higher value on a clean environment than on alleviating poverty.

Still, Mr. Chander expects the hunt for energy assets to continue to replace coal and because Asia has few oil and gas reserves, but to be focused in areas like North America that also provide energy technologies to unlock new energy resources and improve efficiency.

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Energy Summit Held to Discuss Challenges & Opportunities in a New Era of Trans-Pacific Energy

Officials from the U.S., Canada & Asia Addressed Energy Experts, Industry Leaders

(VANCOUVER, CANADA) – More than 150 energy & environment experts, business and policy leaders from Canada, Asia and the United States gathered today at the “Forging Trans-Pacific Cooperation for a New Energy Era,” Pacific Energy Summit to hear international leaders address the energy security and environmental challenges facing our economies and citizens.

The event was co-hosted by The National Bureau of Asian Research (NBR) and the Asia Pacific Foundation of Canada (APF Canada) in partnership with the Asian Development Bank.

“It was very informative to engage so many national leaders, industry leaders and energy experts at today’s forum,” said Dennis Blair, former Director of National Intelligence and NBR Board Director. “Thanks to Vancouver’s unique position as a gateway between Asia and North America, we were able to bring players in the energy sector around Asia and the world to Canada. Making sure the twin challenges of rising energy demand and global climate change are addressed is key to economic and energy security in the Asia-Pacific. We need to continue to foster an open dialogue on practical solutions to our energy issues.”

The U.S. and Canada have traditionally led in energy production resulting in thousands of jobs, low energy prices for consumers and a strong economy. In recent years, there has been a sharp increase in demand in Asia and new production in North America. Today’s industry, policymakers and experts must address not only the geopolitical impact of these trends, but the impact on investors’ decisions and the role of North America in global energy markets.

“Infrastructure investments today will determine future fuel choices, both what is produced and where, and what is consumed and by whom,” said Kevin Lynch, BMO Financial Group. “Energy investments are a high-risk, high-reward calculation, and Canada and North America are well positioned to be global energy leaders well into the future provided elected officials and industry leaders support policies that encourage innovation.”

WHO: 2013 Summit Featured Speakers

- **Elyse ALLAN**, President & CEO, *GE Canada*
- **Dennis BLAIR**, The National Bureau of Asian Research Board of Directors, *United States*
- **Charles W. BOUSTANY, Jr.**, House of Representatives, *United States*
- **Seethapathy CHANDER**, Asian Development Bank, *Philippines*

- **Mikkal HERBERG**, The National Bureau of Asian Research; University of California, San Diego, *United States*
- **Robert D. HORMATS**, Department of State, *United States*
- **Ed FAST**, Ministry of Trade, *Canada*
- **Ken HUGHES**, Alberta Ministry of Energy, *Canada*
- **Peter HUGHES**, Peter Hughes Energy Advisory Limited, *United Kingdom*
- **Muhammad Enamul HUQ**, Ministry of Power, Energy and Mineral Resources, *Bangladesh*
- **Ken KOYAMA**, Institute of Energy Economics, *Japan*
- **Kevin LYNCH**, BMO Financial Group, *Canada*
- **Tadashi MAEDA**, Japan Bank for International Cooperation, *Japan*
- **Carlos Jericho PETILLA**, Department of Energy, *Philippines*
- **Paul SIEGELE**, Chevron Energy Technology Company, *United States*
- **WANG Zhen**, China University of Petroleum at Beijing, *China*
- **Alice WONG**, Minister of State for Seniors, *Canada*
- **Yuen Pau WOO**, Asia Pacific Foundation of Canada, *Canada*
- **Satya YUDHA**, Commission VII, House of Representatives, *Indonesia*

WHAT: “Forging Trans-Pacific Cooperation for a New Energy Era”

WHEN: April 2-4, 2013

WHERE: Vancouver, Canada

About the Summit: Building Economic and Environmental Security through Innovative Energy Solutions

The Pacific Energy Summit aims to foster economic and energy security in the Asia-Pacific by developing practical solutions to the twin challenges of rising energy demand and global climate change.

The Summit convenes policymakers, industry leaders and experts to:

- articulate regional energy needs and opportunities to explore innovative technology and policy solutions;
- coordinate efforts to make effective use of available technology and limited resources; and
- foster public-private partnerships.

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About The National Bureau of Asia Research

NBR conducts advanced independent research on strategic, political, economic, globalization, health, and energy issues affecting U.S. relations with Asia. Drawing upon an extensive network of the world’s leading specialists and leveraging the latest technology, NBR bridges the academic, business, and policy arenas.

About the Asia Pacific Foundation of Canada

The Asia Pacific Foundation of Canada is an independent think tank on Canada's relations with Asia. As a national not-for-profit organization established by an Act of the Federal Parliament in 1984, the Foundation brings together people and knowledge to provide current and comprehensive research, analysis and information on Canada's transpacific relations.

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ENB Van Sun says feds keep touting Enbridge pipeline

4 April 2013

Thursday April 04 2013 - In the News

The Vancouver Sun reports in its Thursday edition the Harper government continues to tout the benefits of Enbridge's proposed \$6.5-billion Northern Gateway oil sands pipeline to Kitimat. The Sun's Peter O'Neil quotes Trade Minister Ed Fast, speaking at the Pacific Energy Summit, as saying he and Minister of State Alice Wong will lead a mission of Canadian businessmen to Japan and China April 7 to 12. Mr. Fast also stressed in his speech British Columbia's potential to meet Asia's energy needs with up to five liquefied natural gas projects now being developed. In addition to natural gas riches, "Canada's oil sands have enormous potential to fuel demand throughout the Asia-Pacific region." Enbridge's Northern Gateway project must still pass the "rigorous" joint review that is due to be completed by the end of the year. If it does the project could deliver 525,000 barrels of oil a day to Asian markets. "There is, therefore, considerable incentive on both sides of the Pacific to make oil pipeline and B.C.'s LNG projects work," according to Mr. Fast. "Canada does not currently export LNG to Japan and exports very little crude oil and petroleum products there. We want to change that. We must change that."

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Government touts benefits of pipeline, trade with Asia

By Peter O'Neil
4 April 2013

The Harper government touted the benefits of Enbridge Inc.'s proposed \$6.5-billion Northern Gateway oilsands pipeline to Kitimat while announcing in Vancouver Wednesday the launch of a new trade mission to Asia.

Trade Minister Ed Fast, speaking at the Pacific Energy Summit, said he and Minister of State Alice Wong will lead a mission of Canadian business people to Japan and China April 7-12.

Fast said he will meet with his Japanese counterpart, Toshimitsu Motegi, to discuss Japan's recently-announced interest in joining negotiations leading to the proposed Trans-Pacific Partnership trade agreement with the U.S., Canada, Australia and a number of other Asia-Pacific countries.

Executives with 19 companies will join the trade mission in Japan, and from 11 in China.

"The trade leadership shown by Japan's new government truly is a positive sign for the entire global economy," Fast is to say, according to a draft of the speech provided to The Vancouver Sun.

Fast also stressed in his speech B.C.'s potential to meet Asia's energy needs with up to five Liquefied Natural Gas projects now being developed.

In addition to natural gas riches "Canada's oilsands have enormous potential to fuel demand throughout the Asia-Pacific region."

Enbridge Inc.'s Northern Gateway project must still pass the "rigorous" joint National Energy Board-Canadian Environmental Assessment Agency review that's due to be completed by the end of the year. But if it does the project could deliver 525,000 barrels of oil a day to Asian markets.

"There is, therefore, considerable incentive on both sides of the Pacific to make oil pipeline and B.C.'s LNG projects work," according to Fast. "Canada does not currently export LNG to Japan and exports very little crude oil and petroleum products there." Fast's speech also stresses Canada's vow to reduce by 2020 Canada's greenhouse gas emissions by 17 per cent from 2005 levels, even though a Pembina Institute report Tuesday suggested that this goal will be almost impossible to meet given projected growth in oilsands and LNG production.

The Harper government has at times appeared cautious about making firm statements that suggest it's backing any specific oil-sands pipeline, and there are currently two being developed. Kinder Morgan is also pitching a \$5.4-billion project to twin its existing pipeline from the Edmonton area to Burnaby.

Last summer, for instance, Heritage Minister James Moore criticized Enbridge after a scathing U.S. regulatory agency's report on the company's failures during a massive spill in Michigan in 2010. Natural Resources Minister Joe Oliver doesn't tend to mention either project in speeches, even though he has long stressed the need for Canada to find a way to get diluted bitumen to markets other than the U.S.

Oliver also has shown no hesitation, when faced with direct questions, to promote the financial payoff if the projects pass environmental reviews. "In respect to Northern Gateway what we see are tremendous economic benefits, the creation of tens of thousands of jobs and hundreds of millions or billions of dollars to governments starting with the government of British Columbia and an opportunity for First Nations to participate in the economic and employment benefits," Oliver said in Vancouver in February.

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Canada touts ‘energy superpower’ status to secure new customers in Asia

By Claudia Cattaneo | April 3, 2013

VANCOUVER — As the United States drags its feet on whether to approve the Keystone XL oil sands pipeline, Canada’s federal government is continuing its push to secure new energy customers in Asia.

Ed Fast, Canada’s minister of international trade and Alice Wong, federal minister of state for seniors, are leading a trade mission to China and Japan next week to promote Canada as an “energy superpower.”

“We are on the cusp of an exciting new era of Canada-Asia Pacific trade and cooperation, one that has the potential to completely remake the global energy dynamic in a positive way,” he said Wednesday at the Pacific Energy Summit, an annual gathering of industry, government and thought leaders from Asia and North America looking for ways to build an energy relationship.

“Canada is uniquely positioned to be a leader in this energy revolution.”

Mr. Fast said needs between Canada and the Asia Pacific region are complementary.

“Canada boasts an incredible abundance of energy assets, and a corresponding desire to sell them at their highest value; on the other, we have an exploding demand for energy from China, Japan, South Korea, India and other Asian countries,” he said.

“In short, Asia needs Canada’s energy resources, and Canada is uniquely positioned to deliver those resources.”

Canada’s latest push to promote energy trade with Asia comes after its approval of the controversial takeover of oil sands producer Nexen Inc. by China’s CNOOC Ltd. last December.

While allowing the deal, Prime Minister Stephen Harper warned that foreign investment by state-owned enterprises in the oil sands would be restricted in the future.

Speaking to reporters, Mr. Fast said response to the restrictions has been “muted.”

“We have heard no complaints,” he said. “I have engaged with counterparts around the world. They understand that every country has to make sure that it defends its sovereignty and ensures that foreign investment takes place in a responsible manner.”

The push also comes despite environmental and aboriginal opposition in British Columbia to build oil pipelines to enable oil exports off the West Coast.

It’s “absolutely essential” that Canada construct the critical energy infrastructure it needs to diversify its energy markets, he said in his speech.

“Whether it’s the Northern Gateway Pipeline proposal, the Kinder Morgan expansion or other pipelines, our government remains firmly committed to getting our oil and gas to the British Columbia coast for shipment to Asia,” he said.

But Mr. Fast also said Canada’s trade relationship with the United States will continue to be dominant, making it “imperative” that the Keystone XL pipeline between Alberta and the U.S. Gulf be constructed to ensure its energy security. The U.S. State Department is continuing to review the project and a final decision from the U.S. President is expected this summer.

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Canada's close ties with Asia of little concern to United States

If neighbour prospers, we will too, says ambassador attending energy summit

BY GORDON HAMILTON, VANCOUVER SUN
APRIL 3, 2013

U.S. Ambassador David Jacobson says that for every dollar that Canada exports, the U.S. gets a quarter, adding that the other 75 cents is 'there to buy stuff in the new Target stores that are opening, and to buy iPods. And the same applies in the other direction.' The U.S.-based Target chain plans to open 124 stores in Canada.

Photograph by: Dave Chidley, The Canadian Press, Vancouver Sun

Stronger Canadian trade links with Asia are no threat to Canada's largest trading partner, the United States, U.S. Ambassador David Jacobson said Tuesday.

If it's good for Canada to diversify its trade offshore, then it's also good for the U.S., Jacobson said in an interview in Vancouver. The U.S. ambassador is in the city to attend the annual Pacific Energy Summit on the potential for deepening energy ties between Asia and North America.

"We expect that Canada will sell its goods and services and natural resources where the markets need them, and that if Canada prospers as a result of that, then the United States will be one of the beneficiaries," said the ambassador.

"As Canada increases its export markets, that's good for the United States. One of my favourite statistics is that 25 cents of every dollar that Canada exports is U.S. content. For every dollar you export, we get a quarter. And the other 75 cents? It's there for trade between United States and Canada. It's there to buy stuff in the new Target stores that are opening, and to buy iPods. And the same applies in the other direction."

Jacobson also said that the Canadian focus on building liquefied natural gas facilities in B.C. for Asian markets is not so much a race between the two countries, as a competition based on economics. The region that does it better will benefit, he said.

"The thing that makes us both strong is that we compete, for the most part, based on the economics of the situation, not on trade restrictions. If Canada succeeds or the United States succeeds in any particular transaction, it's because they do it better, they do it cheaper, they do it more expeditiously.

"As long as the competition is fair, we are prepared to let the chips fall as they may."

However, Jacobson said that despite the growth of trade between Canada and Asia, it is dwarfed by the trade between Canada and the U.S., where everything from markets to integrated supply chains facilitate

the free movement of goods and services. The U.S. economy is rebounding, he said, and Canada will benefit as a result.

"Last year, exports from Canada to the United States grew by \$41 billion. Exports from Canada to China grew by \$4 billion. I think that puts the economic relationship between our two countries in perspective," he said. "It is the largest trading relationship between two countries in the world. We have incredibly integrated supply chains. We don't just sell things from one to another; we make things together. It is one of the great economic successes between two countries."

Jacobson, who has been ambassador to Canada since 2009, has made expanding bilateral trade between the two countries one of his prime objectives, along with improving border security and efficiency. He also believes in striking a balance between utilizing Canadian energy resources and environmental protection.

However, he offered no opinion on how one of the hottest energy-versus-environment battles - the Keystone XL pipeline proposal to transport bitumen from the Alberta oil sands to the U.S. Gulf Coast - will unfold.

"It will not surprise you if I tell you that I am not going to jump the gun on the president of the United States. There is a process with respect to the pipeline, and we are going to respect that process."

Jacobson said the dramatic growth of natural gas reserves in North America over the last five years has "huge implications" for not only energy exports but also the environment, the economy and geopolitics.

Innovations in unlocking gas and oil from shale formations have changed America's energy future. As those reserves are developed, the U.S. is expected to overtake Russia as the world's largest gas producer by 2015, and Saudi Arabia as the world's largest oil producer by 2017, according to projections by the International Energy Agency.

"It is one of the most important things that has happened in North America in quite some time. As we become more self-sufficient with respect to energy, we are going to have to import less, and eventually none, from some of the least stable places in the world. That's good. It is going to have significant impact on the on-shoring of manufacturing as we become the place with the lowest, or one of the lowest, energy costs anywhere in the world. That is an enormous competitive advantage in the United States and Canada. It is one of those things that is going to have a huge impact across the board in ways that I think we are going to have to watch play out in front of us over the next few years."

Already, lower natural gas prices in the U.S. are attracting European manufacturers. German chemicals manufacturer BASF has pumped \$5.7 billion into new investments in the U.S. since 2009.

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The high-risk, high-stakes plan to export LNG from B.C. to Asia

BRENT JANG - VANCOUVER

Published Tuesday, Apr. 02 2013, 7:23 PM EDT

As British Columbia eyes the lucrative Asian market for liquefied natural gas, industry experts are cautioning that the global race to export LNG will give Japan and China the clout to reduce premium prices for the commodity.

While natural-gas futures in the U.S. market have been trading at around \$4 (U.S.) per million British thermal units, Asian customers are currently paying LNG prices that are at least four times higher than typical contracts for natural gas within North America.

“LNG is the biggest and highest-risk piece of the global energy business these days. These are enormous projects and huge bets on the future in an uncertain pricing and supply environment,” said Mikkal Herberg, research director of the energy security program at the Seattle-based National Bureau of Asian Research.

The large price spread between natural gas in Canada and LNG in Asia will be one of the key subjects at the Pacific Energy Summit being held Wednesday and Thursday in Vancouver.

More than 150 delegates from around the world will be at the event co-sponsored by the bureau and the Vancouver-based Asia Pacific Foundation of Canada. This week’s gathering marks the first time that the conference has been held in North America. The first three events were staged in Tokyo, Jakarta and Hanoi.

Mr. Herberg, who will moderate a session on forging energy co-operation between North America and Asia, said in an interview Tuesday that he expects a couple of LNG projects in British Columbia will come to fruition within five to seven years.

LNG Canada, a joint venture led by Royal Dutch Shell PLC, filed a summary of its proposal on Tuesday with federal and B.C. regulators. LNG Canada said in its 39-page filing that it plans to begin construction in 2015, subject to environmental and regulatory approvals. The venture’s first phase is slated for completion in 2019-20, with the project’s lifespan slated to last more than 25 years.

Transporting LNG in tankers from Canada’s West Coast would help meet the thirst in Asia, which is forecast to account for the bulk of increased LNG demand globally over the next two decades. The trouble is that even though Asian customers, led by Japan, are willing to pay \$16 to \$18 per million British thermal units in 2013, these importers will be seeking to get better deals in the years ahead. Instead of directly linking LNG contracts with crude oil prices, Asian customers will be trying to drive down premiums through new pricing formulas, Mr. Herberg said.

Canada is poised to play an important role in providing a new source of LNG for Asia, but suppliers must be prepared for price volatility. “Markets change, and you can end up doing things and spending money on things that five years later look very dumb,” Mr. Herberg said.

As the number of LNG suppliers grows, “sophisticated Asian buyers” will be better positioned to push for more flexible pricing regimes for LNG, but Canadian projects will need to be primarily linked to oil prices to justify capital costs, said Shahriar Fesharaki, principal consultant at Facts Global Energy.

Yuen Pau Woo, president of the Asia Pacific Foundation of Canada, said that while numerous projects have been proposed, there is still a long way to go before even one gets started in B.C. “The opportunity for LNG is massive, and the expectation is something will happen, but it will not happen by default. Don’t get me wrong. I’m a huge supporter of energy trade, but we can’t get complacent,” he said.

The fledgling export market in Canada for LNG will be competing against an array of projects in Russia, Australia, offshore Africa, the U.S. Gulf Coast and Alaska, so ventures planned for British Columbia can’t afford to be late off the mark, experts say.

Ken Koyama, the Tokyo-based chief economist at the Institute of Energy Economics, said Japan, South Korea, China and India are thirsty for LNG. B.C. projects have a geographical advantage in being closer to Asia than prospective LNG suppliers in the U.S. Gulf Coast, he noted.

“Demand for LNG is increasing in Asia. The question is whether the current LNG import prices can be maintained or what the future will hold,” Mr. Koyama said.

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Liquefied natural gas: Transforming US into global energy hub

By Rep. Charles Boustany (R-La.) - 04/02/13 11:45 AM ET

This week, the 2013 Pacific Energy Summit will be held in Vancouver, British Columbia, from April 2-4. The Summit provides a forum for leaders across the world to discuss and collaborate on topics revolving around energy security and climate change. This year's theme, "Forging Trans-Pacific Cooperation for a New Energy Era," focuses on realizing the potential for energy trade and investment between Asia and North America. As an attendee of this year's discussion, I seek to highlight and promote the exportation of liquefied natural gas (LNG) and the subsequent transformation of the United States into a global energy hub.

In 2009, the United States surpassed Russia in becoming the world's largest producer of natural gas. Due to recent technological advancements, large deposits of natural gas resources, mainly shale gas, are now being harvested. Through the use of hydraulic fracturing or "fracking" and horizontal drilling, previously inaccessible hydrocarbons are now seeing the light of day. Combined with the nation's abundant supply and consequential low domestic price for natural gas, the United States now has a surplus of this vital resource.

In its annual energy report for 2012, the U.S. Energy Information Administration projected overall natural gas production to grow by 28 percent between 2010 and 2035. With such projections, natural gas producers across the country are seeking new markets in which to sell their product. The congressional district I represent is the location of a key natural gas pricing center, Henry Hub, and the first LNG export facility in the continental United States. Low prices during the last two years have delayed full scale development, but positive signs indicate the economic opportunities for our nation by exporting LNG.

The United States is no stranger to LNG exportation. Due to the glut of natural gas, our nation finds itself in a unique position to grow its exports of LNG. In liquid form, LNG is safe, non-corrosive, non-toxic, and non-flammable. Risks are minimal in transportation of LNG. The Kanai LNG export terminal in Alaska has been doing it since 1969. By permitting LNG export facilities in Louisiana, already-existing infrastructure, such as major natural gas pipelines serving 2/3 of the nation's natural gas markets, can be fully utilized.

LNG continues to serve as an attractive energy source to companies and governments in Europe and Asia. For instance, in Japan, natural gas can cost in upwards of \$20 per MMBtu. Compare that to \$3-\$4 per MMBtu here in the United States. Unlike other commodities like oil or gold, there is no central pricing system with natural gas. Therefore, the international price of the commodity continues to fluctuate depending on the market one shops. However, LNG continues to be used for the same purposes across the world: home heating, cooking, and commercial and industrial use. LNG can become a valuable trade export providing reliable energy sources to markets otherwise unreachable.

Many of the current or proposed export terminals in the United States are located on the East and Gulf Coasts. This may be attributed to the fact Europe continues to experience an increase in demand with a high capacity for importing LNG. However, with the widening of the Panama Canal, growing Asian

demand will provide for additional natural gas markets to open up. Exporting LNG to these areas of the world is a win-win for all parties involved. It brings an additional source with ample supply to the marketplace. With domestic demand being met, shipping excess LNG leads to job creation at home, a reduction in the national trade deficit, and an increase in revenues for the federal government. As a Member of the House Ways and Means Subcommittee on Trade, I believe these are all value-added benefits for our nation. By bringing larger volumes of natural gas to market, the role this commodity plays in international development could also be enhanced. The primary beneficiary of such actions would be countries with surplus supplies of the product, specifically the United States.

Opponents of LNG exportation argue shipping this commodity outside our borders will only increase the price of manufacturing feedstock fuel. These detractors cite how an increased international demand will only force global prices to turn volatile leading to demand shocks. This could not be further from the truth. According to the American Petroleum Institute, the barriers of entry for LNG facilities remain high as a single project can require anywhere from \$5-45 billion of capital investments in addition to years to build and properly permit the site.

The domestic natural gas boom presents the United States with an opportunity to become a global energy player. Our nation should seize this opportunity and not let it pass by. It's in the public's interest. However, the rest of the world is not far behind, nor will it wait. Australia has eight LNG facilities currently under construction; the United States only has one. Because of LNG, the United States now finds itself standing on the edge of an unprecedented domestic energy renaissance with South Louisiana serving as the hub of operation. I'm proud to see South Louisiana doing its part to lead the way in harnessing this energy source and turning into a global game changer. The rest of our country should do the same.

Boustany represents Louisiana's 3rd Congressional District and serves on the House Ways & Means Committee.

Read more: <http://thehill.com/blogs/congress-blog/energy-a-environment/291397-liquefied-natural-gas-transforming-us-into-global-energy-hub#ixzz2PK0ohrlO>

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Self-sufficiency will open doors in Asia-Pacific region

Opinion: New energy relationship with region offers opportunities for co-operation on common objectives

**BY DENNIS BLAIR AND KEVIN LYNCH, SPECIAL TO THE VANCOUVER SUN
APRIL 1, 2013**



The Suncor oil sands extraction facility near Fort McMurray, Alta., is part of the massive Alberta industry that has locked horns with B.C. over pipeline projects.

Energy politics in Ottawa and Washington make it difficult to focus on the stark reality of global energy needs presented by the International Energy Agency.

According to its most recent annual report, global energy needs are forecast to increase by a third by 2035, with the vast majority of the additional demand coming from emerging economies such as China and India. Energy demand is projected to nearly double in Asia and the Pacific region by 2030, driven both by the growing middle class in these countries, and by the nearly 700 million people in Asia who have no access to electricity today.

Policies in Canada, the U.S. and Asia must focus on this regional demand and the opportunities it creates for jobs and prosperity at home and improvements in the quality of lives of North Americans and of people far beyond our borders. Quality of life — both in Asia and North America — includes not only access to electricity, but cleaner air and water and a better environment.

It is energy independence that captures the headlines in Canada and the United States. The truth is that as Canada and soon the U.S. come closer to energy self-sufficiency, we will open a new chapter in global interdependency. Asia's increased energy demand will be met through a mix of resources — renewables, fossil fuels, and better energy efficiency. North America may well produce both more petroleum and more natural gas than it will consume. Because energy markets are global and because governments set energy policies, Asian demand and North American supply and national policies will interact. The only question is whether that interaction will result in intelligent and co-operative government policies or, driven by narrow short-term considerations, risk triggering beggar-thy-neighbour policies that cause damage to the citizens of all countries.

This week, Vancouver will be the host city for the annual Pacific Energy Summit, an event co-ordinated by U.S.-based research institute the National Bureau of Asian Research, in partnership for the first time with the Asia Pacific Foundation of Canada and the Asian Development Bank. The summit will provide a forum for a wide-ranging and timely conversation among policy-makers, energy industry leaders and environmental experts about the future of energy security in the Asia-Pacific region.

British Columbia is Canada's second-largest producer of natural gas. In B.C., natural gas has become more economically important than crude oil. The province has ambitions to construct four LNG plants for export to Asia by 2020, where natural gas could generate electricity with half the carbon dioxide emissions of coal. Besides meeting the energy needs of Canadians, these LNG plants are a major part of the province's economic renewal and promise to create up to 54,000 jobs annually and generate more than \$180 billion in new direct investment by 2035. With strong construction and operating standards and a stringent inspection regime by vigilant regulators, these economic benefits can be achieved with minimal risk to the health and environment of British Columbia's citizens.

These historic developments will go a long way toward ensuring economic recovery and long-term growth. Energy self-sufficiency, fixing our economies and protecting our environment can all be accomplished. However, this trifecta requires smarter policies, more efficient use of energy wherever it is consumed, and new and improved energy production, transportation and consumption technologies.

Home to British Columbia's fragile coastline, Vancouver will keep policy-makers' attention focused on the imperative of effectively managing the inherent risks of energy extraction and transit. To continue to achieve new energy sources and new investments in infrastructure, we need both technology and regulatory policies that support safety and the environment. This means funding for technology and for regulatory and mitigation capacity. We must live up to high standards in protecting the environment. B.C. is currently locked in a dispute with Alberta over the building of a pipeline to export crude oil and, while a challenging combination of economic, environmental and political considerations is at play, a continuing impasse benefits no one.

The new energy relationship between Asia and North America offers new opportunities for co-operation on common objectives. As increasingly important potential natural gas suppliers to China and India, the U.S. and Canada can influence both its efficient use, and a greater commitment to energy sources that do not damage the global environment. In the area of technology, the governments of all these countries can commit a new level of resources to the daunting challenge of carbon capture, reuse and sequestration. Without progress on this front, even significantly increased use of natural gas for new electrical generation will not reduce the CO₂ generation from existing coal-fired plants.

It takes courage and discipline to invest long term when the economy is emerging from a recession. It takes courage and discipline to balance short-term economic growth and more efficient long-term energy resource use.

Dennis Blair and Kevin Lynch are co-chairs of the Pacific Energy Summit taking place April 2-4, 2013. Blair is a former U.S. director of national intelligence and serves on the board of directors at the National Bureau of Asian Research. Lynch is vice-chair of BMO Financial Group and a former clerk of the privy council and secretary to the cabinet in Canada.

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How to Secure Our Energy Future

Lawmakers need to rethink energy and environmental security

By Dennis Blair
April 1, 2013



Dennis Blair is co-chair of the Pacific Energy Summit and the former director of national intelligence and a retired Navy admiral.

It is time for American policymakers to think comprehensively about energy and environmental security. The United States is on a path to producing as much total energy as it consumes, thanks to increasing levels of efficiency throughout the energy economy and technological advances in domestic oil and natural gas production. Meanwhile, global energy demand will increase by a third in the next 20 years, with 60 percent of that additional demand coming from China, India and the Middle East. Sound national energy policies balance four parameters—security of supply, affordability, sustainability and safety.

Abundant and inexpensive natural gas (costing as little as one-fifth the price in Asia) has increased U.S. global competitiveness, especially for the manufacturing sector. According to an American Chemistry Council study, this price advantage will spur an estimated \$72 billion in new investment in eight primary gas-consuming industries over the next couple of years. Moreover, exports of natural gas to Asia would bring economic benefits to the United States. To sustain their rapid growth and domestic demand, the Asian Tiger economies require fuel. Meeting Asia's needs would generate billions of dollars in direct investment in the United States. This, in turn, would create domestic jobs in energy extraction, processing, refinery infrastructure, trade and financial services.

The Keystone pipeline has assumed a symbolic importance far beyond its reality. Approval would decrease American oil imports from volatile and hostile regions like the Middle East, a good thing. It will not affect American gas prices—they are set by the world market—nor the global environment since 80

percent of the greenhouse gases from a barrel of oil come out of the vehicles burning the gas it produces, not the extraction process. Thus, this seems to be a decision that can be made on a business basis.

Unfortunately, the debates over both natural gas and Keystone have failed to discuss safety adequately. If Americans had confidence in the security of the energy extraction and transportation operations, then it would ease some of their environmental concerns. The history of fracking and deepwater wells has given them little cause for confidence.

Dangerous materials and activities can be managed safely. The armed forces have been doing so for generations. The keys are: mandatory use of the safest equipment and procedures continually improved by research; certified training for operators who must follow strict procedures that emphasize safety above all; and, independent and competent inspection teams that continually check on operations and have the authority to halt them if conditions are unsafe. Regulatory bodies, whether governmental or independent, must enforce these standards and be funded to do so. No industry can regulate itself.

This safety-minded approach should be applied to both the Keystone and the natural gas export decisions. If the pipeline is approved, very high standards should be set for both its construction and operation. A tax on exported natural gas can be used to fund both competent regulatory agencies and research on safer and cleaner technologies for natural gas. We will always pay later the recovery costs from an energy disaster. We should pay now the more modest upfront costs required to prevent such a calamity.

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Asian push for lower prices may hurt Canadian LNG projects

YADULLAH HUSSAIN | 13/03/27 | Last Updated: 13/03/27 3:38 PM ET



Kimimasa Mayama/Bloomberg NewsA liquefied natural gas (LNG) tanker, leaves a berth in Yokohama, south of Tokyo.

Canadian projects will be under more pressure than most to link to Henry Hub, given the current linkage with the U.S. market

Alarmed by the 13.4% jump in its natural gas import bill last year, Japan is planning a new energy strategy that could change how natural gas is traded around the world and put pressure on some of the proposed Canadian liquefied natural gas projects.

The world's largest LNG importer, which paid a US\$68-billion LNG import bill last year, is offering US\$11-billion in loan guarantees to Japanese companies to source liquefied natural gas from the United States.

Tokyo is also eyeing a seat at the U.S.-led Trans-Pacific Partnership negotiating table, as U.S. law only allows LNG exports to nations with which it has a trade agreement. Meanwhile, President Abe Shinzo has been pushing President Barack Obama to allow U.S. companies to export gas to his country.

The Japanese Development Bank estimates cheaper imports from the U.S. could shave as much as 20% of the Asian giant's LNG import costs by 2020.

Japan's focus on U.S. shale sends a signal to LNG exporters that Asian countries are no longer willing to pay a premium on natural gas prices.

CONSTRUCTION COSTS FOR SELECTED LNG PROJECTS

LNG Project	Country	US\$/tonnes of production	Status
Sabine Pass	U.S.	\$800	Producing
Kitimat LNG	Canada	\$940	Proposed
Darwin	Australia	\$1,000	Producing
QatargasIV	Qatar	\$1,026	Producing
East Africa LNG	East Africa	\$1,500-\$2,500	Proposed
Angola LNG	Angola	\$1,731	Producing
Donggi Senoro	Indonesia	\$1,850	Producing
Sakhalin 2	Russia	\$2,083	Producing
PLNG	Papua New Guinea	\$2,273	Under Construction
Prelude	Australia	\$2,778	Under Construction
Gorgon	Australia	\$2,867	Under Construction
Pluto	Australia	\$3,256	Producing
Wheatstone	Australia	\$3,258	Under Construction
Ichthys	Australia	\$4,048	Under Construction

SOURCE: INTERNATIONAL ENERGY AGENCY

ANDREW BARR / NATIONAL POST

"Japanese government and industry hope to enhance security of LNG supply in terms of both quantity and price," said Dr. Ken Koyama, a director at The Institute of Energy Economics in Tokyo, who will be speaking at the Pacific Energy Summit in Vancouver next week. "Thus to procure LNG at more competitive prices is a priority for Japan."

The Asian natural gas market is currently dominated by long-term contracts indexed to oil prices. This has kept Asian LNG prices much higher than those in other parts of the world, "leading to serious questions about whether such a system is sustainable," according to an IEA report.

Asia continues to pay between US\$14-US\$18 per million Btu of LNG, while Europe pays about US\$10-US\$12 and US\$3 in North America.

"There have been calls from many Asian buyers to switch away from the current oil-linked gas pricing mechanism which have resulted in too high gas prices (up to \$18/MBtu in Japan)," said Anne-Sophie Corbeau, an analyst at the IEA, who co-authored the report 'Developing a Natural Gas Trading Hub in Asia.'

Japan is not the only Asian country hoping to cut its ballooning import bill. China and India, the second- and third-fastest growing LNG markets after Japan, are also looking to raise domestic production and diversify gas imports.

South Korea, another major LNG importer, is working on a proposal to secure long-term pricing for natural gas in tandem with its Asian counterparts.

“New long-term contractual arrangements would be augmented by greater cooperation between Korea and its LNG-importing regional neighbours such as Japan and Taiwan,” said Oh Sung-Hwan, director of Global Energy Cooperation Center, Ministry of Foreign Affairs at South Korea.

“In this regard, Asian countries are highly interested in introduction of North American natural gas, which is much cheaper than Asian market prices,” Mr. Sung-Hwan said.

Cheap is not exactly music to the ears of Canadian LNG exporters who are hoping to move away from the US\$3-US\$4 per MBtu they get for domestic Canadian AECO and U.S. Henry Hub prices.

But buyers are increasingly playing hardball on prices due to a surge in LNG exporters keen to enter the market.

With more than 650 million tonnes of LNG capacity in the planning stage across the world, there are inevitably going to be losers. Canadian LNG producers are hoping that they are not the ones left out as natural gas producers scramble to supply Asia.

“Costs will determine [who the losers are],” said Dr. Tilak K. Doshi, head of energy economics division at the National University of Singapore. “A key question in the industry today is how the U.S. shale-gas revolution will start impacting high-cost Australian projects.”

In Canada, developers will be keeping an eye on both the U.S. and Australian strategy.

Chevron Corp. and Royal Dutch Shell are spearheading two of five LNG projects on the British Columbia coast with a combined capacity of 50 million tonnes per annum (mtpa), of which 18 mtpa may come on stream by 2020, according to Hong Kong-based Bernstein Research. In contrast, the eight U.S. proposals may see 75 mtpa of LNG capacity by the end of the decade.

But U.S.-based LNG exporters are setting a precedent for low prices. Texas-based Cheneire Energy Inc. has agreed to sell Korean Gas Corp. (KOGAS), 16-18 mtpa at US\$3 per MBtu, plus a 15% premium to Henry Hub prices. India’s GAIL Ltd. and the U.K.’s Centrica Plc. have also signed gas price-indexed deals. Critics argue, however, that most of the contracts are tolling agreements and it is unclear what the final buyer will end up paying.

“Canadian projects will be under more pressure than most to link to Henry Hub, given the current linkage with the U.S. market,” Neil Beveridge, an analyst Bernstein told the Financial Post. He believes U.S. producers can profitably deliver LNG to Asia at \$8-10 per MBtu.

Canadian developers will need to keep costs down to be able to compete. But as Australia’s LNG cost blowouts have shown, that may be tough as Canada faces similar labour and material costs.

Chevron, Exxon Mobil Corp. and Shell, all of which are contemplating Canadian projects, have seen the cost of their joint Gorgon project in Australia soar \$15-billion to reach \$52-billion.

Shell, which is years away from making a final investment decision on the project, is betting higher prices will improve project economics.

“Spot-priced natural gas will grow in the US, but so will oil-linked LNG as customers look for long-term, secure energy sources to run their economies,” said a Shell spokesman.

We are not lily-white around cost containment in Canada. But I am hopeful for better-cost control than we achieved for some of the oil sands projects because we have great learnings at our back “But once you are over-budget with a project, then you have challenging economics for the life of the project,” warned Barry Munro, Canadian Oil & Gas Leader at Ernst & Young.

“Australia is a cautionary tale for Canada,” Mr. Munro said. “From a Canadian perspective, the project proponents will proceed cautiously, given what has happened in cost inflation perspective in Australia. We are not lily-white around cost containment in Canada. But I am hopeful for better-cost control than we achieved for some of the oil sands projects because we have great learnings at our back. But also because all the participants will have learned their lessons from challenges they faced in Australia.”

If B.C. sets a high tax, producers may even contemplate shipping gas to the U.S. Gulf Coast and convert it there into LNG, said Steven Paget, analyst at Calgary-based First Energy Capital.

“We believe that brownfield conversions of sites in the U.S. from LNG regasification facilities into liquefaction facilities would be cheaper than new-build sites in B.C. and adding a tax in B.C. would add to the expense.”

Despite the challenges, Canadian developers can also count on a few advantages.

Costs of shipping a unit of LNG to Japan from B.C. is estimated to be US\$1.50 lower than the Gulf Coast because of lower transportation costs and colder climate which means less energy consumption during the liquefaction process.

Canada may also benefit from the embedded Asian investors in some of the projects. Shell’s LNG Canada project counts KOGAS, Japan’s Mitsubishi Corp. and PetroChina Co. Ltd. as partners. Malaysia’s Petronas Bhd. also has established Asian supply networks.

“That is the Canadian story,” said Mr. Munro, noting that Australian projects also had Asian investors. “The end users are taking an equity stake in the underlying gas reserves, so from a vertical integration perspective, it gives you a significant advantage.”

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“Canada Should Move Faster to Access Asian Markets,” Interview
with Kevin Lynch (April 3, 2013)



“Keystone XL a win-win for Canada and U.S.: Boustany,” Interview
with Congressman Boustany (April 3, 2013)

Korean companies to invest more in Canadian LNG resources: analyst

YADULLAH HUSSAIN | 13/03/27 1:53 PM ET



Seokyoung Lee/Bloomberg News Recently completed LNG ships lay berthed in front of massive cranes in the Hyundai Heavy Industry Co. Ltd. shipyard in Ulsan, South Korea.

Dr Tilak K. Doshi, principal fellow and head of Energy Economics Division at National University of Singapore, says LNG price changes in Europe will impact how Asia structures its pricing.

Q How do you see the great race to meet Asian LNG demand playing out? Australia, Qatar, Africa, Canada, US are all at it – what will determine the winners and losers?

A Costs will determine it. A key questions in the industry today is how the U.S. shale-gas revolution will start impacting high cost Australian projects. East African LNG will also emerge as a key factor, given the volume of discoveries there.

Q Do you expect LNG price structures to change? Do you believe current prices are unsustainable?

A The battleground for change in gas pricing is in Europe, with the major European utilities bearing major losses due to indexation of Gazprom's pipeline supplies to oil prices while an increasing share of European downstream consumers can access gas tied to gas-hub prices, like the NBP. With increasing supplies of LNG coming on-stream over the next few years, it is likely that hub-based pricing of gas in Europe will increasingly be more prevalent, and Russian pipeline supplies will probably be itself increasingly tied (as part of the formula) to hub pricing indexes.

As reloaded or diverted cargoes from Europe to Asia have become increasingly common, what happens in the Atlantic market is bound to have an impact on Asia. If Europe is the marginal source of spot LNG

supply to Asia, then an “NBP+ “ floor price indicator could have an impact on Asian spot LNG assessments.

Q Do you think Canadian and U.S. LNG producers will accept Henry Hub-indexed prices given the huge capital outlay of their projects?

A At the end of the day, it is the market that will determine whether US suppliers accept a toll fee plus a premium over Henry Hub prices. Given the ample supplies in the US, and extremely low domestic gas prices relative to Europe and Asia, it should not be too surprising if there are more LNG export projects from North America with Asia as the target market that offer a link to Henry Hub pricing.

Oh Sung-Hwan, director of Global Energy Cooperation Center at the Ministry of Foreign Affairs in South Korea, expects Korean companies to invest heavily in natural gas assets to ensure supply security. Excerpts from the interview:

Q Do you expect South Korean companies to invest more in LNG resources in places like Canada?

A Canada is one of the world’s largest LNG producers with 5.4 tcf in 2010, ranked third after U.S.(21.5 tcf) and Russian Federation(20.5 tcf). Western Canadian Sedimentary Basin(WCSB) is estimated to have 143 tcf of marketable gas remaining (discovered and undiscovered), which represents about two thirds of Canadian gas reserves.

In particular, provinces such as British Columbia, Alberta, Saskatchewan, are well-known as the most prolific LNG reserves areas of the WCSB. In recent years, development of unconventional energy sources such as shale gas has also been actively ongoing in Horn River and Montney areas.

Over half of the gas produced in Western Canada is being exported to the United States(3.2 tcf, 2010), and Western Canada is also looking for its partners in Asian LNG on exporting its LNG to diversify the exporting routes.

Accordingly, the Western Canada plans to increase LNG infrastructure aiming increased export to the Asian market and the Canadian Natural Resources Minister’s recent remark in Tokyo LNG conference also shows that the country strives to become a major new safe and reliable LNG supplier to Asia-Pacific nations including Korea and Japan.

Further, the first Korea-Canada Natural Gas Forum was held on December 12 in Vancouver, Canada to expand bilateral collaboration in natural resources such as shale gas and natural gas.

In fact, Korean companies are actively engaged in several LNG projects including the project ‘LNG Canada,’ which is a joint venture comprised of Shell Canada Ltd., Korea Gas Corporation (KOGAS), Mitsubishi Corporation and PetroChina Company Limited that is proposing to build and operate a liquefied natural gas export terminal in Kitimat, British Columbia.

KOGAS has a 20% stake. With abundant reserves, advanced technology and financing market, and development-friendly policy environment, Canada is considered to have huge potential and competitive advantage to be a new big LNG supplier in international market and I expect that Korean companies will further invest in LNG resources in Canada.

Q. How does South Korea view Canadian natural gas resources compared to Australia, Qatar, East Africa and the U.S?

A Korea is world's second largest natural gas importer that annually imports three thousand tonnes of natural gas.

The country imported 36.7 million ton of natural gas amounting 23.8 billion dollars in 2011, almost completely dependent on foreign supplies for its domestic natural gas consumption.

The major importing countries are Qatar, Indonesia, Oman, Malaysia, and Russia accounting for 22.2%, 21.5%, 11.4%, 11.3%, and 7.7% respectively.

In fact, Korea imports most of LNG from the South Asia and the Middle East. As the imported gas price from those countries are oil-indexed and specified in long-term contracts, the price is more expensive than the price in North American gas market. In addition, those contracts fix the final destination of the exporting volume so that the importing country has difficulty to manage supply.

Meanwhile, due to the increase of shale gas production, U.S. is expected to export LNG and currently Korea, India, and Spain gained approval from U.S. government to import U.S.'s LNG from 2017.

As Korea is heavily dependent on the South Asia and the Middle East for gas import, introduction of U.S.'s natural gas is expected to contribute to diversifying the gas importing routes as well as lead to a drop in the price of natural gas in the Asia market, ultimately leading to the improvement of buying power of Asian countries and their management of LNG.

Further, contracts with U.S. are not obligated to fix the final destination and Korea could use the import volume in more flexible way by re-exporting remaining volume after supplying domestic market.

Like U.S., Canada is also actively engaged in shale gas development. The country is interested in exporting its natural gas to the Asian market as its major importer U.S.'s natural gas production has rapidly been increased and Canada needs a new market accordingly.

Particularly, the province of British Columbia, located in westernmost of Canada close to Asian Market, is actively promoting export of its natural gas to the Asian market. Asian energy companies are also actively participating in LNG projects in Canada. For example, Korea jointly launched LNG project in Canada with Shell, Mitsubishi, and Petro China. Holding business rights for 20% of stakes, KOGAS will produce 2.4 million tons of LNG a year for its own.

Together with U.S.'s natural gas, the Canadian natural gas is expected to benefit Korea and the Asian market by mitigating Asian gas premium, diversifying importing routes, and increasing buying power of Asian countries over the traditional gas exporter including Qatar, Indonesia, Oman, and Malaysia.

Q What is the South Korean government doing to contain LNG prices? Is the government working on gas-indexed pricing for future contracts?

A The Korean government prepares a long term natural gas supply and demand plan every two years. The plan examines LNG import facility and construction and expansion projects, electricity supply and demand plans each within the context of the National Basic Energy Plan and the gas demand outlook by sector based on past trends.

The 10th long term Natural Gas Supply and Demand Plan, which was published in December 2010, contains a detailed long term natural gas supply and demand outlook, a gas import plan and an infrastructure investment plan for the next 15 years from 2010 to 2024. The Tenth Plan forecasts that natural gas demand in Korea will increase at an average rate of 1.8% per year between 2009 and 2024.

The Tenth Plan also proposes that KOGAS, Korea's only natural gas importer, leverage its position as the world's largest purchaser of LNG to secure greater imports, mainly from the Asian-Pacific region, under short term to medium term contracts until 2014. From 2015, it proposes that KOGAS secure oil-indexed long term contracts, with improved flexibility and conditions.

New long term contractual arrangements should be augmented by greater cooperation between Korea and its LNG-importing regional neighbors such as Japan and Taiwan. In this regard, Asian countries are highly interested in introduction of North American natural gas, which is much cheaper than Asian market price. The introduction of North American natural gas into Asian market will contribute to improving flexibility in contracts as it will intensify gas-to-gas competition. As far as I know, KOGAS recently signed a gas-indexed pricing contract with a local company in the Gulf of Mexico.

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Alberta Energy Minister Hughes Discusses Options if Keystone XL not Approved, and More



By Jared Anderson

Published: March 25, 2013



An industry source told AOL Energy last November the two greatest challenges companies operating in Alberta's oil sands region face are access to markets and skilled labor. Alberta Energy Minister Ken Hughes elaborated on these and other issues during a recent phone call.

In a scenario where the Keystone XL Pipeline is not approved by the Obama Administration, Minister Hughes said companies have lots of different options and that rail has become "compelling." Although generally less efficient than transporting oil via pipeline, rail could be used to bring Canadian oil as far as the Gulf Coast and maybe the West Coast and Mid-continent as well, he said.

Companies "also have other options in terms of pipelines to Eastern Canada," Hughes told AOL Energy, with 600,000 to 800,000 barrels per day currently being piped into Central and Eastern Canada. TransCanada is converting a natural gas line to carry oil possibly as far as St. John, New Brunswick, he said, and Enbridge is working to reverse its Line 9 "in order to allow for the eastbound transportation of incremental western Canadian crude oil," according to the company's website.

With regard to accessing Asian markets, "it's all about getting to tidewater," Hughes said, and the Energy Ministry is doing work to build relationships and secure pipeline access to Canada's West Coast. In the coming years, "energy demand growth will be from the Asia Pacific region and it will be imperative for Alberta to access that market."

Hughes also stressed "every barrel of oil that gets sold from Canada has substantial US content," with many equipment, steel and service companies based there. "The two economies are very much integrated," he said

Companies are scrambling to get their oil into higher value markets because market pressure and oversupply in Western Canada are suppressing the price with the lost opportunity cost for producers and the province running into the billions of dollars. As recently reported by AOL Energy, Cenovus Energy currently receives \$25 to \$30/bbl more for oil transported via barge to the US West Coast.

Accessing Skilled Labor

As oil sands production increases, getting the right people to spend months at a time in remote locations north of Edmonton is an ongoing challenge for companies. Minister Hughes pointed out this is not a new phenomenon, "Alberta has a long history of needing people and capital to come from outside to develop its resources," he said.

But the labor issue is a constraint, he admitted, and explained that as an entrepreneur before getting elected he saw how all industries can be affected by a tight workforce. Hughes said the Alberta Energy Ministry is working with the US Ambassador to organize a job fair and website to open employment opportunities for returning service people. "They have good skills and discipline and we have need for people to learn and contribute," if people have trades as a background there might be opportunities in Alberta's oil patch.

New Energy Regulator

Alberta is forming a new regulatory body for oil, gas and coal designed to streamline the permitting process and generally increase efficiency, but critics fear the new system could water down environmental oversight of these extractive industries.

Hughes sees the new regulator as a "once in generation opportunity" to step up to next generation regulatory practices. He insists the system will be "effective and efficient without environmental compromise."

Time will tell, but in the meantime formation of the new regulator is progressing on schedule – it should be in place this June - and the board of directors and CEO will soon be announced, Hughes said.

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Lynch and Woo: Canada must act before Asia finds energy supply

By Kevin Lynch and Yuen Pau Woo
March 19, 2013

Our world is pervasively global and changing profoundly, whether we like it or not. Structural trends are reshaping economies, living standards and expectations around the world. One such trend, with incredible potential for Canada, is the rapid growth of Asia's emerging economies and their impact on global demand for energy and natural resources.

By 2035, according to the International Energy Agency, three developments will remake global energy markets. First, world energy demand will increase by one-third, but most of this (more than 90 per cent) will occur in non-OECD countries. China alone by 2035 will consume substantially more energy than the United States. Second, the U.S. will approach energy self-sufficiency as domestic energy demand ceases to grow, due in part to energy efficiency measures, and as new unconventional gas and oil projects cause domestic energy supply to surge. Third, the advent of shale gas and its widespread geographic distribution suggest the potential for global gas trade rather than the series of regional markets that exist today in Asia, North America and Europe.

Competition in this burgeoning global energy trade will be formidable. In the case of liquefied natural gas (LNG), the number of exporting countries has doubled since 1997 and is only expected to increase. The United States may itself emerge as a major LNG exporter with the first project slated to ship gas to Asia in 2016 and other producers lined up for permission to export more than 30 billion cubic feet of LNG daily.

How is Canada positioned for this global energy revolution? The answer is mixed. We rely on a single customer for all our oil and gas exports, the United States, which appears to be an increasingly unreliable future buyer and which may even emerge as one of Canada's major competitors for export markets. At the same time, we also have a capacity to dramatically increase our supply of unconventional oil and gas, provided we secure new customers and do so before our competitors.

Asia is similarly wedged between an increasingly risky reliance on a predominant energy supplier, the Middle East, and rapidly increasing energy demands to fuel growth and consumer needs. Herein lies the seeds for a mutually beneficial energy partnership between Canada and Asia. Canada needs greater security of energy demand to develop its vast unconventional oil and gas potential and Asia needs greater security of energy supply to better mitigate the geopolitical risks in the Middle East today.

So, how do we turn this potential into reality? To start, we need to encourage dialogue in order to establish common understanding and relationships. One forum for this type of discussion is the April 2013 Pacific Energy Summit, co-sponsored by the Asia Pacific Foundation of Canada (APF Canada) and the U.S.-based National Bureau of Asian Research, that will bring together private sector, government

and policy leaders from a number of Asian countries, as well as the United States and Canada, to discuss how to forge trans-Pacific co-operation for this new energy era.

Another building block is strong investment and commercial ties. The recent CNOOC-Nexen deal is an example of Asian investment that fosters stronger energy partnerships between Canada and Asia.

However, Asian interest in developing investment ties with Canada is not limited to China: Companies from Japan, Korea, Malaysia and Thailand have invested capital in Canadian oil and gas assets, and other Asia-based companies are looking at investment opportunities.

Most importantly, Canadian energy producers must be able to access new energy markets in Asia, and this will require massive new energy transportation infrastructure. Without the ability to reach these Asian energy markets through new oil and gas pipelines, rail capacity and port facilities, our potential will remain unrealized. We must recognize that the need for Canadian energy in Asia is an opportunity that may disappear if we do not act decisively to capture markets in the face of stiff competition. Without markets and the transportation infrastructure linking to those markets, resources have limited economic value.

A recent task force report from APF Canada and the Canada West Foundation points to the importance of export diversification for the Canadian economy and how trans-Pacific energy trade can provide the vanguard of a broader effort to develop new Asian markets for Canadian products and services to service growing middle class demands in Asia. By helping energy security needs in Asia through oil and gas exports, Canada will be in a better position to work with Asian partners on other energy challenges, including energy efficiency, renewables and clean technology.

As we face a global future that will be profoundly different from the present, both Canada and Asia need more energy partners. Canada has many advantages to bring to such a partnership. However, the full potential of this partnership cannot be realized on a project-by-project, enterprise-by-enterprise basis. Given its scope and impact, there is a national interest in pursuing a broad-based, strategic Canada-Asia energy partnership that encompasses government, industry and community stakeholders. It will require concerted leadership from across the country.

Kevin Lynch is the Vice-Chair of BMO Financial Group and Yuen Pau Woo is President and CEO of the Asia Pacific Foundation of Canada.

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By ALEX GUILLEN

With help from Erica Martinson, Darius Dixon and Darren Goode

02/26/13 9:31 AM EDT

MARK YOUR CALENDAR: The National Bureau of Asian Research, a Seattle-based nonprofit, will host the Pacific Energy Summit in Vancouver, Canada, April 2-4. Speakers include former Director of National Intelligence Admiral Dennis Blair, Canadian Natural Resources Minister Joe Oliver and Rep. Charles Boustany (R-La.).

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FOR IMMEDIATE RELEASE
Tuesday, February 26, 2013

NEWS ADVISORY – APRIL 2-4, 2013 – VANCOUVER, CANADA

Energy Experts, Leaders and Officials from Canada, U.S. and Asia to Headline Annual Pacific Energy Summit

(VANCOUVER, B.C. and WASHINGTON, D.C. – February 26, 2013) – Today, the Asia Pacific Foundation of Canada (APF Canada) and The National Bureau of Asian Research (NBR), in partnership with the Asian Development Bank, announced key speakers headlining the annual Pacific Energy Summit, which will take place on April 2-4 of this year in Vancouver, Canada.

This year's Summit, "Forging Trans-Pacific Cooperation for a New Energy Era," will feature former Director of National Intelligence Admiral Dennis Blair, U.S. House of Representatives Ways & Means Committee Member Congressman Charles Boustany (R-LA), U.S. Under Secretary of State for Economic Growth, Energy, & the Environment Robert Hormats, Kevin Lynch of BMO Financial Group, and Canada's Natural Resources Minister Joe Oliver.

The Summit aims to explore the potential for deepening energy ties between Asia and North America to meet Asia's rising demand and address climate change.

WHO: 2013 Summit Featured Speakers

- **Elyse ALLAN**, President & CEO, *GE Canada*
- **Dennis BLAIR**, The National Bureau of Asian Research Board of Directors, *United States*
- **Charles W. BOUSTANY, Jr.**, House of Representatives, *United States*
- **Mikkal HERBERG**, The National Bureau of Asian Research; University of California, San Diego, *United States*
- **Robert D. HORMATS**, Department of State, *United States*
- **Peter HUGHES**, Peter Hughes Energy Advisory Limited, *United Kingdom*
- **Muhammad Enamul HUQ**, Ministry of Power, Energy and Mineral Resources, *Bangladesh*
- **Ken KOYAMA**, Institute of Energy Economics, Japan, *Japan*
- **Bindu N. LOHANI**, Asian Development Bank, *Philippines*
- **Kevin LYNCH**, BMO Financial Group, *Canada*
- **Tadashi MAEDA**, Japan Bank for International Cooperation; Special Advisor to the Cabinet, *Japan*
- **Joe OLIVER**, Minister of Natural Resources, *Canada*
- **WANG Zhen**, China University of Petroleum at Beijing, *China*
- **Yuen Pau WOO**, Asia Pacific Foundation of Canada, *Canada*

- **Satya YUDHA**, Commission VII, House of Representatives, *Indonesia*
- **Anthony YUEN**, Citi Research, *United States*

WHAT: “Forging Trans-Pacific Cooperation for a New Energy Era”

WHEN: April 2-4, 2013

WHERE: Vancouver, Canada

About the Pacific Energy Summit:

Building Economic and Environmental Security through Innovative Energy Solutions

The Pacific Energy Summit aims to foster economic and energy security in the Asia-Pacific by developing practical solutions to the twin challenges of rising energy demand and global climate change. The Summit convenes policymakers, industry leaders, and experts to articulate regional energy needs and to explore market and policy solutions for deepening North America-Asia energy ties and environmental cooperation.

2013 Summit discussion topics include:

- The Golden Age of Gas: How far can it take us?
- Finding the Right Price: LNG Markets and the Asian Premium
- The North American Policy Environment and the Impact on Asia
- Infrastructure: Building the Energy Framework of the Future

For more information, visit PacificEnergySummit.com.

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About The National Bureau of Asia Research

NBR conducts advanced independent research on strategic, political, economic, globalization, health, and energy issues affecting U.S. relations with Asia. Drawing upon an extensive network of the world's leading specialists and leveraging the latest technology; NBR bridges the academic, business, and policy arenas.

About the Asia Pacific Foundation of Canada

The Asia Pacific Foundation of Canada is an independent think tank on Canada's relations with Asia. As a national not-for-profit organization established by an Act of the Federal Parliament in 1984, the Foundation brings together people and knowledge to provide current and comprehensive research, analysis and information on Canada's transpacific relations.

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