Alberta's proposed pivot to petrochemicals: a fresh investment landscape in the "new normal"

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There have been a number of recent interesting economic and legal developments aimed at generating greater investment in Alberta—particularly in areas that will help diversify the provincial economy and make it more resilient to energy commodity price shocks and difficulties in accessing markets. Some of these developments are directly related to the COVID-19 pandemic and the adverse impact it has had on the economy generally and specifically with respect to energy commodity prices. Other developments result from pre-pandemic macroeconomic conditions, as well as the provincial election in 2019. These developments may be of interest to existing, new and potential investors in Alberta.

Part 1: Opportunities in Alberta’s petrochemical industry

At the heart of what the government calls the "New Alberta Advantage" is a desire to expand the petrochemical industry in Alberta. The government needs to seize this opportunity, given the province’s skilled workforce and significant resource endowments. The government has embraced a strategy to expand and diversify the petrochemicals industry, as part of its larger Natural Gas Vision and Strategy, announced on October 6, 2020. The government proposes that supporting the province’s capacity to produce petrochemicals is a means to attract investment, capitalize on the education and skills of Albertans, capture a larger share of the commodities value chain, and to mitigate and avoid some of the market access challenges that currently face crude oil, bitumen and natural gas.

Every day, people around the world use dozens of products that are made with petrochemicals, including:

- medical supplies, personal protective equipment, including face shields, masks and gloves, components for ventilators, and computers for X-rays and MRIs;
- commercial fertilizers;
- polyester fabric, televisions, cellphones, bicycle helmets, household appliances and computers;
- car tires and automotive parts;
- desks, chairs, carpets and office supplies; and
- food packaging to keep food fresh and safe during transport and storage.

Alberta already has a significant petrochemical industry, and is Canada’s largest hub for refining and petrochemical production. There are 36 chemical and petrochemical manufacturers currently operating in central Alberta. In 2019, the production of industrial chemicals contributed $12.1 billion to the province’s economy and employed over 58,000 people directly and indirectly. Methane, ethane, ethylene and propane, among others, are some of the petrochemicals produced in Alberta which are used as the chemical building blocks for manufacturing.

There are five petrochemical production hubs in Alberta, each of which has rail access to export markets. Alberta has four ethane-cracking plants, including two of the worlds largest, with a combined annual capacity of 4.1 million tons per year of ethylene output. These plants make plastics and other building block chemicals from natural gas liquids. The National Energy Board of Canada
(now the Canada Energy Regulator) estimated that Alberta's ethane gathering system has an excess ethane supply, which can be tapped to build new steam cracking capacity in the province.\(^8\)

Alberta produces significant volumes of petrochemical feedstocks for manufacturing. The province currently produces an estimated 10 bcf/d of natural gas and 160,000 bbl/d of propane, both in excess of domestic demand, with large quantities available for petrochemicals applications.\(^9\) The province accounts for 68% of Canadian natural gas production and is a major exporter of natural gas and natural gas liquids. The in-Alberta price of petrochemical feedstocks is often lower than the price in other markets and this value differential supports the economics for investing in new or expansions of existing petrochemical facilities in Alberta.\(^10\)

In addition to the availability of feedstock for petrochemical production, Alberta has extensive infrastructure in place, which can help to accommodate new petrochemicals production capacity. Furthermore, Alberta’s existing carbon capture infrastructure and geology make the province well-positioned to produce petrochemicals with lower greenhouse gas emissions.\(^11\) The province has the most comprehensive natural gas and natural gas liquids transportation and processing capacity in Canada, with the Nova Gas Transmission Line system, the Alberta Ethane Gathering System and in-depth natural gas liquid extraction infrastructure integrating upstream hydrocarbon production with downstream consumers.\(^12\)

**Projects on the horizon**

With global demand for petrochemicals expected to continue to increase, there is great potential for expansion in Alberta's petrochemical sector. The government's goal is to establish Alberta among the world's top ten petrochemical producers by 2030.\(^13\) The Alberta Industrial Heartland Association,\(^14\) a non-profit group of municipalities near the Industrial Heartland area northeast of Edmonton, estimates that there could be a further $30 billion of private-sector investment in the province's petrochemical industry by 2030.\(^15\)

The petrochemical industry in Alberta is considered an essential service and has remained active through the COVID-19 pandemic.\(^16\) Industry participants have adapted to the public health crisis and petrochemical production has supported the increased demand for products made from petrochemicals such as personal protective equipment, acrylic shields, ventilators, and COVID-19 testing kits.\(^17\)

The province will be home to Canada's first two propane derivatives plants, each of which will produce polypropylene (a plastic product) from propane: the 525,000 tonne per annum Heartland Petrochemical Complex, currently under construction by Inter Pipeline Ltd., and the 550,000 tonne per annum complex to be constructed by Canada-Kuwait Petrochemical Corporation, a joint venture between Pembina Pipeline Corporation and Kuwait’s Petrochemical Industries Company.\(^18\)

On May 11, 2020, two Canadian companies, NOVA Chemicals Corporation, a prominent producer of chemicals and plastic resins, and Enerkem Inc., a world-leading renewable fuels and chemicals producer, announced the signature of a joint development agreement to explore turning non-recyclable and non-compostable municipal waste into ethylene. Enerkem Inc. is the first company in the world to produce renewable methanol and ethanol from non-recyclable, non-compostable municipal solid waste on a commercial scale.\(^19\) This joint venture is a unique and cutting-edge component of Alberta's growing petrochemical industry. It has the potential to unlock the potential of the "circular economy", and recover and recycle plastic initially created for single-use.\(^20\) The government is encouraging of these initiatives, in alignment with its goal of taking stewardship and accountability over plastics management, and becoming the centre of excellence for plastics diversion and recycling in Western North America by 2030.\(^21\)
New Petrochemical Incentives Program aims to maintain momentum

As part of the province’s pandemic Recovery Plan, on July 9, 2020, the government announced the Alberta Petrochemicals Incentive Program (APIP), a 10-year program administered by the Alberta Department of Energy to attract investments in the petrochemical sector. The APIP is intended to be an improvement, and expansion of the province’s 2016 Petrochemicals Diversity Program (PDP). On October 30, 2020, a Program Guidelines Document was released, which sets out additional details of the APIP.

One of the key features and improvements of the APIP is that grants will be provided in line with typical investment cycles, and are anticipated to give project proponents the ability to account for the full value of the APIP grants in their project modeling, rather than the PDP approach of estimating the value of royalty credits in an unpredictable market.

The government anticipates that growth in the petrochemical sector through the APIP could create more than 90,000 direct and indirect jobs over the construction and operation periods of new facilities, and more than $10 billion in revenue from corporate and personal income taxes. Indeed, on October 30, 2020 the government announced that a non-state owned entity from Saudi Arabia has expressed interest in constructing a $50-$150 million petrochemical facility in Alberta, and is currently in talks with the government.

APIP structure

Under the APIP, projects can be divided into four categories based on timing and capital costs. Projects can either be underway at November 1, 2020 (the APIP launch date) or new after November 1, 2020, and either have budgeted eligible capital costs of $50 to $150 million dollars or in excess of $150 million dollars.

The APIP applies to both greenfield projects and to brownfield expansion/debottlenecking projects. Projects that are currently underway (e.g. projects which have take final investment decision prior to November 1, 2020) can apply for eligibility in the APIP, but must do so by filing an Advance Notification by January 31, 2021. In addition, proponents of projects that are underway and that were approved to receive royalty credits under the first two rounds of the previous PDP program have the option to retain such approval or transition into the APIP. Proponents must make this decision by April 30, 2021.

Proponents of new "$50M-$150M" projects may apply for eligibility in the APIP before November 1, 2025 and proponents of new "$150M+" projects may apply before November 1, 2030. However, there is a clear benefit to applying early given (i) that the application deadlines and the facility "in-service" deadlines are the same date; and (ii) that there may be limitations on aggregate available APIP grants.

The government has clarified that APIP grants will be cash payments, which is fundamentally different from royalty credits under the PDP and also from the government’s previous announcement that the grants would be in the form of provincial income tax relief. However, it is possible that there will be a mechanism by which the government could set off the APIP grants against provincial income tax. The amount of each APIP grant is capped at 12% of the eligible capital costs of the approved project. Eligible capital costs are calculated as certain "undepreciated capital costs" under the Income Tax Act and the quantum of the APIP grant will not increase if the actual eligible capital costs exceed those approved for the purpose of the APIP grant (i.e. cost overruns). Although there is no stated limit on the total aggregate amount of APIP grants available in the Program Guidelines Document, the APIP Committee retains discretion to determine which qualifying projects will be offered APIP grants.
As of November 1, 2020, APIP is open for applications, through the province's Electronic Transfer System.\textsuperscript{35}

The minimum requirements for projects to be eligible for the APIP include:

- the proposed project must be located in Alberta;
- proposed project must process natural gas, natural gas liquids, or petrochemical intermediaries into different petrochemical intermediaries, hydrogen fertilizers or fuels;
- the minimum capital investment for a proposed project is $50 million;
- the proposed project must create permanent jobs in Alberta; and
- standalone hydrogen projects and projects that produce fuels from natural gas and natural gas liquids must capture their carbon dioxide by-products.\textsuperscript{36}

Certain types of projects are ineligible for APIP grants, including midstream infrastructure, refineries and LNG facilities.\textsuperscript{37}

Proponents whose projects meet the minimum requirements must undertake a three-stage process: (i) Advance Notification; (ii) Qualification/ Grant Agreement; and (iii) Earned Grant Application. The government has published a Registration Guide to assist with APIP's application process.\textsuperscript{38}

**Advance Notification**

The Advance Notification is intended to be used to determine if a project is eligible for the APIP and the amount of the APIP grant that may be available. It is not a guarantee of funding.\textsuperscript{39} The Advance Notification application must include a class 5 (or better) capital cost estimate.\textsuperscript{40} As noted, Advance Notifications must be filed before November 1, 2025 for $50M-$150M projects and before November 1, 2030 for $150M+ projects.

**Qualification/ Grant Agreement**

If a project under an Advance Notification is be eligible for the APIP, the proponent must next submit the information necessary to have the project qualified and enter into a grant agreement. This step involves providing a class 3 (or better) capital cost estimate, which estimate will provide the basis for the quantum of the APIP grant. If the APIP Committee determines that the project qualifies under the APIP, it will notify the proponent who will be offered a grant agreement. It is unclear whether these grant agreements will be negotiable, other than to include the specifics of the proponents and the project. It is noteworthy that only one qualification application can be made for each project and changes to a project after this stage can lead to grant disqualification where such changes breach the conditions in the grant agreement.\textsuperscript{41}

Once the grant agreement is signed, the proponent will have certain reporting obligations and must consent to sharing tax information between various governmental authorities.

**Earned Grant Application**

The final step, the Earned Grant Application, distinguishes between $50M-$150M projects and $150M+ projects, but treats them consistently where it is logical to do so. The two categories of projects are represented in the following table.
For a project to be declared in-service, construction must be complete and the facility must be operational.

In order to make an Earned Grant Application and apply for payment, the facility must be in continuous operation for 12 or 36 months (as applicable) and, during such period, the facility must consume eligible feedstock (minimum of 60% of design quantity over the relevant period) and produce its intended product (minimum of 60% of design quantity over the relevant period), each as validated by the Alberta Department of Energy. For brownfield projects, the assessment is based on the incremental amounts.

The Program Guidelines Document includes this helpful visual summary of the process.

Source: Program Guidelines Document p 17

Part 2: Projects, programs and policies that can support Alberta's growing petrochemical industry through regulation, environmental leadership and new infrastructure

(a) Legislative changes to promote investment

Corporate Income Tax reductions

Alberta is the most tax-competitive business jurisdiction in Canada, and is among the most attractive investment destinations in North America. The government announced its "Job Creation Tax Cut" in
2019. Through the tax cut, the government was to reduce Alberta’s corporate income rate from 12% to 8% by 1% increments by January 1, 2022. These reductions have been accelerated through the Recovery Plan, such that Alberta's corporate income tax rate was reduced to 8% effective July 1, 2020. This does not affect the federal corporate income tax rate, which applies across Canada.

"Red tape" reduction

As of June 2020, the government completed more than 200 initiatives to eliminate "red tape" that reduces administrative efficiency and job creation. On June 11, 2020, the government proposed to eliminate further procedural burdens and bureaucratic barriers in order to create new jobs and bolster economic growth in Alberta and tabled Bill 22, the Red Tape Reduction Implementation Act, 2020 (Bill 22) to achieve this. Bill 22 received Royal Assent on July 23, 2020 and will enact changes to 14 statutes across six ministries; these changes come into force upon proclamation.

The amendments that Bill 22 makes to the Business Corporations Act and the Partnership Act are aimed at increasing investment in Alberta. The changes made to both statutes seek to increase foreign and extra-provincial investment and reduce barriers that both corporations and partnerships face when coming to Alberta. Bill 22 does this by removing the requirement for corporations to have directors who are residents of Canada and substituting the requirement to have an "agent for service" who is an Alberta resident. Bill 22 significantly streamlines the process of forming limited partnerships in Alberta (by reducing the public disclosure requirements), provides limited partners with greater statutory rights, and makes it clear that the laws of the jurisdiction of formation of an extra-provincial limited partnership will apply to determine the limited liability status of its limited partners. These changes are investor-friendly and are intended to make Alberta laws as or more attractive than the laws of other Canadian jurisdictions, such that Alberta either has a competitive advantage or is on equal footing with those jurisdictions.

Another change brought about by Bill 22 is a streamlining of the approval process for new oil and natural gas projects, with a goal of giving investors greater certainty that projects will be approved, and will be able to proceed sooner. This acceleration can be seen in both the Mines and Minerals Act and the Oil Sands Conservation Act, where the requirement for certain Cabinet approvals of the Minister of Energy's or Alberta Energy Regulator's recommendations will be removed. As a result, the Minister of Energy's or AER's decision will be determinative in these situation without the further review and approval by the Cabinet, saving time and expense.

Bill 22 will also remove Cabinet oversight under the Marketing of Agricultural Products Act and the Municipal Government Act.

For more information on Bill 22, see our articles here and here.

Invest Alberta Corporation

On July 31, 2020, Bill 33, the Alberta Investment Attraction Act, came into force. Through this new legislation, the government has created Invest Alberta Corporation (IAC), which has a mandate to work closely with banks and investors globally to define and defend Alberta's leadership on environmental, social and governance standards across all sectors, and to outline major capital investment opportunities as the province recovers from the pandemic. IAC will coordinate the work of Alberta's 11 trade promotion offices around the world and expand its footprint to include key foreign markets for Alberta, beginning with establishing permanent staff in Houston, Texas.

Seven members have been appointed to IAC's board of directors, with diverse backgrounds and professional experience. The board will determine IAC's strategic direction and announced on September 23, 2020 that it has appointed Dr. David Knight Legg as IAC's CEO. Dr. Legg was formerly the Principal Advisor to the Premier of Alberta where his focus was on capital markets, investment,
tax, sector diversification, Indigenous equity participation, and environmental, social and governance matters. 

Support for innovation in smaller enterprises

On July 22, 2020, the government introduced the Innovation Employment Grant, which is intended to encourage economic growth by supporting small and medium-sized businesses that invest in research and development (R&D) with a grant worth up to 20% of their qualifying expenditures. The Innovation Employment Grant will be delivered through the corporate tax system, and will provide up to $4 million in annual R&D spending. The legislation governing the Innovation Employment Grant will be introduced in the fall of 2020.

(b) Environmental leadership

Carbon pricing and capture

The Technology Innovation and Emissions Reduction (TIER) Regulation came into effect on January 1, 2020. TIER replaces and updates Alberta’s Carbon Competitiveness Incentive Regulation. Through TIER, the government aims to manage emissions without disrupting investment through overregulation. TIER applies to any facility that emitted 100,000 tonnes or more of carbon dioxide equivalent (CO2e) greenhouse gases in 2016, or any year following. Facilities with fewer than 100,000 tonnes of CO2e greenhouse gas emissions may be eligible to opt into TIER. The ability to opt in is available in respect of a facility that competes against a TIER-regulated facility or that has greater than 10,000 of annual emissions "in an emissions-intensive, trade-exposed sector." TIER meets the federal government’s carbon pricing requirements – and by opting in, operators of facilities may apply to become exempt from the application of the federal Greenhouse Gas Pollution Pricing Act. TIER was designed to drive continued reductions in emission intensity. It configures emissions obligations by one of two approaches: a facility-specific approach or a high-performance benchmark approach. The facility-specific benchmark calls for a 10% reduction relative to a facility’s average emissions intensity. The high performance benchmark, which applies to facilities that have already made substantial progress in reducing their emissions, is linked to the average emissions of the most efficient facilities in the industry. TIER seeks to achieve emissions reduction with a more cost-efficient approach tailored directly to Alberta’s industries, while maintaining robust regulation and upholding the highest environmental standards.

Alberta was also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. The province has committed $1.24 billion through 2025 to fund two commercial-scale carbon capture and storage projects. Both projects will help reduce the CO2 emissions from the oil sands and fertilizer sectors, and reduce greenhouse gas emissions by 2.76 million per year.

Payments made through the TIER program are allocated into the TIER fund, which will be used for research and investment in carbon capture utilization and storage, and improved oil sands extraction. On September 22, 2020 the government announced that it will spend $750 million from the TIER fund to support projects across all of Alberta’s industries reduce their carbon emissions, with a particular focus on advancing carbon capture and sequestration technology. The province’s $750 million investment will be supplemented with money from industry and other sectors, for a total investment of $1.9 billion in Alberta’s economy, which is intended to create 3,400 jobs through the provincial funding, and up to 8,700 jobs through partnerships with private enterprises who collaborate with the province to make investments aimed at reducing emissions.
Methane emissions

Canada’s oil and natural gas industry has committed to a 45% reduction of methane emissions by 2025. This voluntary commitment is supported by and consistent with a number of recent governmental programs.

In April 2020, the federal government announced a $750 million emissions reduction fund that will help companies continue their progress to reduce methane emissions (the ERF). On August 17, 2020 the federal government announced that eligible conventional and offshore oil and gas companies will be able to apply to a new "repayable contribution program". The ERF has been organized into an onshore stream and an offshore stream.

Onshore Stream

On October 29, 2020, Natural Resources Canada released details on the onshore stream of the ERF which will provide repayable loans of $100,000 to $20 million (up to an aggregate of $675 million) to upstream and midstream participants in the oil and natural gas industry who propose projects that aim to reduce or eliminate venting of methane-rich natural gas from conventional, tight and shale oil and gas operations. The loans may fund up to 75% of a project’s cost, and will be subject to 5-year repayment period after a project is completed. The submission period for Request for Proposals opened on October 29, 2020, and closes on November 30, 2020. A second round Requests for Proposals will open in January 2021, with the possibility of a third round if the program is not fully subscribed. All funding is slated to be allocated by March 31, 2022.

Offshore Stream

The offshore stream of the ERF has two components, totalling $75 million:

- the Offshore Deployment Program, a $42 million investment that provides repayable loans to capital projects designed to either reduce offshore greenhouse gas emissions or improve the environmental performance of offshore oil spill monitoring, detection and response activities; and

- the Offshore RD&D Program, a $33 million investment that targets research, development and demonstration projects that advance solutions to decarbonize Newfoundland and Labrador’s offshore industry.

The Offshore Deployment Program is open to companies and organizations who operate in, or directly support, upstream oil and gas in the Canada-Newfoundland and Labrador offshore area. Loans extended through the Offshore Deployment Program are repayable within five years from the final disbursement, but recipients can elect to repay more in the final two years of the repayment period. The submission period for Request for Proposals is currently open and closes on January 31, 2021. As with the onshore stream of the ERF, all funding is slated to be allocated by March 31, 2022.

The Offshore R&D Program is being delivered in collaboration with Petroleum Research Newfoundland and Labrador, and details are not yet publically available.

Hydrogen

The emerging market for hydrogen is forecast to increase ten-fold and be worth $2.5 trillion by 2050, offering a potential solution for carbon-intensive sectors such as heavy industry and freight. Alberta is one of the world’s largest hydrogen producers, and produces it at the second-lowest cost worldwide, after Russia. Both the federal and Alberta governments are seeking to build on existing hydrogen and natural gas production, with a goal of becoming the frontrunner producer for the
world's hydrogen needs. Pure hydrogen can be burned to produce heat in a furnace or engine, just like oil or natural gas. Hydrogen can also be channeled into a fuel cell to produce electricity. Interest in hydrogen as an alternative energy source is on the rise, as hydrogen burns without emitting carbon dioxide, and has been heralded as a potential solution to global emissions and energy storage challenges. In the longer term, the government's goal is to deploy large-scale hydrogen production with carbon capture, utilization and storage in various commercial settings in the province by 2030, and to export hydrogen and hydrogen-derived products to other provinces and countries by 2040.

Hydrogen does not naturally occur in commercially producible quantities, and not all hydrogen is created equally. "Grey" hydrogen is produced using fossil fuels such as natural gas, and accounts for roughly 95% of the hydrogen produced globally. "Blue" hydrogen is made by extracting hydrogen from natural gas using steam methane reformation, and then using carbon capture and sequestration technology to store the remaining carbon. "Green" hydrogen is generated through electrolysis using renewable energy sources, such as solar or wind power.

In July 2020, the government announced $10.8 million in funding for the three hydrogen projects in Alberta. The goal of Alberta's hydrogen plan is to establish "a very aggressive and profitable hydrogen industry", including maintaining the province's position as the leading hydrogen producer in Canada, according to Dale Nally, Alberta's Associate Minister of Natural Gas. The announcement this summer pledged $5 million for a prototype and field-testing for a new method of extracting hydrogen from natural gas, and $3 million on the development of a new early-stage technology to use heat to crack methane into hydrogen and other by-products. ATCO Ltd. will also receive $2.8 million in provincial funding for a $5.7 million project to be built next year that will blend blue hydrogen into natural gas streams distributed for home heating in Fort Saskatchewan, near Edmonton.

A key benefit to Alberta's hydrogen market is the extensive pipeline and carbon dioxide transportation systems, including Air Products' Heartland Hydrogen pipeline, the Alberta Carbon Trunk Line and the Quest Carbon Capture and Storage Project. Current gas conduits can flow with as much 20% of their streams consisting of hydrogen, and many home furnaces could handle increased hydrogen amounts, providing a ready market for the fuel and a quick way to reduce carbon emissions.

Ontario has begun introducing hydrogen to its existing natural gas network. On November 19, 2020, Enbridge Gas, a subsidiary of Calgary-based Enbridge Inc. announced that it would be proceeding with a pilot project to blend hydrogen from their facility in Markham, Ontario into part of the existing natural gas network. The 3,600 customers in Markham who will receive the blend of natural gas that includes 2% hydrogen will not see an increase to their natural gas bills as a result of the project.

At the national level, the federal government has indicated that a national hydrogen strategy is forthcoming. This plan is expected to be premised on the use of both blue and green hydrogen.

For additional information on Alberta's hydrogen strategy, please see this article published by our colleagues in BD&P's Infrastructure and Project Development Group.

(c) Energy infrastructure projects to support new investors

By the end of 2020, Alberta will have seen the largest-ever government investment in infrastructure. The government has earmarked $10 billion to be spent on projects across the province. These projects are intended to establish the foundation for the private sector to create 50,000 jobs while creating many collateral benefits for Alberta, and drawing additional investors to established and emerging industries in Alberta.
On April 1, 2020 the government announced a $1.5 billion equity investment in the Keystone XL Pipeline (Keystone XL), coupled with a $6 billion loan guarantee. During the next two years of construction, Keystone XL will directly and indirectly support 7,000 jobs, spurring increased economic activity in associated trades, retail, and hospitality services along the construction route. TC Energy Corp. the primary proponent announced on September 29, 2020 that a memorandum of understanding had been reached with Natural Law Energy, which represents four First Nations in Alberta and one in Saskatchewan, for a minority investment in Keystone XL.

Overall, the government estimates that Keystone XL will contribute approximately $2.4 billion to Canada’s GDP, and in its first year of service, will generate more than $7 million in property taxes. Keystone XL could generate $30 billion in tax and royalty revenues over the life of the pipeline.

Despite legal challenges, protests and blockades related to the construction of the Trans Mountain Pipeline expansion, construction of the expansion is underway. Courts of all levels, including the Supreme Court of Canada, have repeatedly confirmed the validity of the approvals for and processes undertaken in respect of the pipeline. On January 16, 2020 the Supreme Court of Canada ruled in support of the Trans Mountain Pipeline expansion going forward, and the Government of British Columbia has since announced that it will not initiate further challenges against the Trans Mountain Pipeline. In March 2020, the Supreme Court of Canada declined to hear five additional challenges to the federal government’s decision to approve the expansion and, in June 2020, declined to hear additional challenges to the adequacy of the government’s consultation efforts. Construction is ongoing in Alberta and Kamloops, British Columbia, and expansion work continues in the Westridge Marine Terminal and the Burnaby Terminal on the West coast. On September 15, 2020, Ian Anderson, president and CEO of Trans Mountain Corp. announced that the Trans Mountain Pipeline expansion is currently on budget and on schedule for completion by the end 2022, despite challenges related to COVID-19. The Trans Mountain Pipeline will increase the pipeline’s capacity to transport petroleum products from Strathcona County (near Edmonton), Alberta to the Burnaby Terminal from 300,000 to 890,000 barrels per day.

In October 2018, the joint venture partners of the LNG Canada liquefied natural gas export terminal announced a positive final investment decision to proceed with the project, which will allow LNG Canada to transport natural gas from northeastern British Columbia to the LNG Canada liquefaction facility and export terminal in Kitimat, British Columbia, via the Coastal GasLink pipeline (the CGL Pipeline). The Coastal GasLink Limited Partnership, which is controlled by TC Energy, is building and will own and operate the CGL Pipeline. Pre-construction activities began in November 2018 and completion is targeted for 2025. In late 2019, TC Energy announced that it would sell 65% of the limited partnership units in Coastal GasLink Limited Partnership to investment companies KKR & Co Inc. and Alberta Investment Management Corporation. The transaction closed on May 25, 2020. The government aims to gain access to Asian and European markets via multiple LNG export facilities by 2030.

To address crude oil egress concerns for Alberta’s producers, the previous government leased 4,400 rail cars capable of transporting 120,000 bbls/day of crude oil out of the province. Under this arrangement, the Alberta Petroleum Marketing Commission would purchase crude oil from producers and market it, using the expanded rail capacity to transport the marketed oil to purchasers. In February 2020, the current government announced that it had sold or assigned $10.6 billion worth of crude-by-rail contracts to the private sector, a move that retained producers’ ability to access the expanded export capacity.

On September 28, 2020, the President of the United States granted a presidential permit for the proposed US$17 billion Alaska to Alberta railway. The project would extend United States access to Alberta's resources and would provide Alberta with an additional means of egress and access to the
Southcentral Alaska Ports. The 2,750 km project is not yet fully permitted. The project developer, Alaska to Alberta Railway Development Corp., estimates that the project will provide an additional $60 billion in cumulative economic output through 2040 and create more than 28,000 jobs.89

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Alberta’s pandemic recovery strategy and the pre-pandemic goals of the provincial government combine to create a welcome environment for investors in the province. Alberta’s vast resource endowment gives the province great power to responsibly diversify its economy in the wake of the pandemic. The government is investing heavily in infrastructure to facilitate investors’ projects, and introducing legislation and policies to remove barriers to entry. As the demand for petroleum-based products remains ubiquitous globally, Alberta presents a strong option for investors seeking to get involved in petrochemicals, or other projects across various industries.

This bulletin is general information only, not legal advice. For further guidance and advice, please reach out to our Infrastructure and Project Development Group.

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75 Green and Blue Hydrogen, (note 55, supra).

76 Blue Hydrogen Blueprint, (note 51, supra).


78 NG Vision and Strategy, p 24.

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82 Provincial investment kick-starts KXL pipeline (March 31, 2020), online: Alberta.ca <https://www.alberta.ca/release.cfm?id=69965D6D6E7A-92F8-DD89-BB89F1FE323BD2DD>; Recovery Plan (note 22, supra).


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86 Geoffrey Morgan, "Trans Mountain races to the finish line as two other pipeline projects near completion" (September 15, 2020) online: financialpost.com <https://financialpost.com/commodities/energy/trans-mountain-races-to-the-finish-line-as-two-other-pipeline-projects-near-completion>.

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