Intelligence MEMOS

From: Charles DeLand

To: Canadian Climate and Energy Infrastructure Watchers

Date: October 25, 2022

Re: **ANOTHER LNG OPPORTUNITY FOR CANADA TO GRASP**

German chancellor Olaf Sholz came to Canada late this summer seeking Canadian liquefied natural gas (LNG). He left empty-handed, not for lack of supply but because Canada lacks the infrastructure to deliver it. And mixed government messaging doesn't make the paths to new project investment much clearer.

Deputy Prime Minister Chrystia Freeland recently offered a tiny slice of hope, as she indicated Canada will be more willing to speed approvals for badly needed energy and mining projects to support our allies. Canadians and our allies should welcome meaningful action in speeding and simplifying complex regulatory processes.

LNG for export is not the only opportunity for Canada.

Ports around the world are recognizing the major environmental and economic benefits that come with the ability to provide LNG as a marine fuel for ocean vessels. This August in California, the *George III,* a new 230-meter vessel, became the first container ship to refuel with LNG on North America's Pacific coast, part of an industry-wide shift to lower-emitting marine shipping.

Replacing heavy fuel oil with LNG can reduce lifecycle GHG emissions by up to 21 percent and also eliminates nearly all particulate matter (including carbon and sulfur) that can harm human health.

By 2030, LNG will account for 37 percent of shipboard energy use, according to

DNV, the worlds largest shipping classification society. As of last May, shipyards had orders for 805 LNG fuelled ships. Despite that rapid growth, DNV warns that current LNG fuelling activity remains very low, and needs new infrastructure to support the growth in the LNG fleet.

Meanwhile in Canada, a recent study concluded that use of LNG in Arctic shipping can contribute to reduction in emissions – both air quality improvement and reductions in greenhouse gases – and could provide opportunities for cost savings as well as local economic benefits.

The 2019 federal Transport Minister mandate letter highlighted the development of programs that support making Canada's major ports the most efficient and cleanest in the world and directs the Minister to "support efforts that develop marine infrastructure and convert ships from burning heavy oil and diesel toward more environmentally friendly fuels, like liquefied natural gas."

And the 2021 mandate letter for Transport Minister Omar Alghabra directed him to "continue to support Canada's transition to net zero by advancing measures to…support global efforts to reduce emissions in the air and marine sectors."

Canada's 2030 Emissions Reduction Plan (ERP) notes that its Paris commitment includes a commitment to promote and facilitate global climate change efforts by other countries (some of whom would get credit for switching from oil to LNG) yet there is not yet a way for Canadian companies and the Canadian economy to receive emissions credit for making the necessary infrastructure investments.

Canadian companies are working to solve the problem. For example, FortisBC and its partners are seeking to construct infrastructure to expand the provision of LNG as a marine fuel from FortisBC's existing Tilbury LNG production facility just south of Vancouver. The proposed Tilbury Marine Jetty project first entered the environmental assessment process in 2015, a process that is still not yet complete, though it has garnered the support of British Columbia's provincial government, which recently passed legislation to amend the BC Low-Carbon fuels act with provisions to reduce emissions in the marine sector. This is yet another example of Canada's extremely drawn out approval processes hampering infrastructure development.

Other North American ports have been taking action. In the time it has taken to reach the end of the environmental assessment process for the Tilbury Marine Jetty process, the Port of Tacoma has already built a similar project.

Tellingly, that project was only in the planning stages when the Tilbury jetty was submitted for approval. And ironically, local regulators, stipulated that the project use natural gas sourced from B.C. and Alberta in recognition of the lower life-cycle emissions of Canadian natural gas relative to US feedstock.

Our regulatory process is still too slow and outcomes too uncertain. But better late than never. Approving projects like the Tilbury Marine Jetty offers the federal government two big wins: First, a chance to reduce global emissions, and maybe even more important, a small step to show Canadians it is serious about regaining badly needed credibility in its commitment to investment and prosperity.

Charles DeLand is the Calgary-based associate director, research at the C.D. Howe Institute.

To send a comment or leave feedback, email us at blog@cdhowe.org.