AltaGas

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Part V1 Export and Import Consultations
Attention: Suchaet Bhardwaj
National Energy Board
517 Tenth Avenue SW
Calgary, AB T2R 0A8

Via Email: PartVIConsultation@neb-one.gc.ca

In response to the invitation to comment on the proposed changes to the Natural Gas Export Licence Term under Part V1 of the National Energy Board Act and given Royal Assent in the Economic Action Plan 2015 Act on June 23 2015, AltaGas Ltd. appreciates the opportunity for input and has provided specific commentary below. Please contact us if you have any questions regarding our views.

Part I: Comments on the extension of the licence term to 40 years

AltaGas supports the overarching principle of the export licence term extension. A 40 year licence supports the commercial viability of LNG projects, increasing fiscal certainty and accommodating the significant capital investment required to develop LNG projects, by addressing the long term nature of the commercial arrangements that are needed to underpin these capital commitments. Development of LNG projects in Canada creates benefits for all Canadians through job creation and enhancement of a well-functioning natural gas market. It allows Canada to enter the global LNG market, bringing additional supplies of clean burning natural gas to the rest of the world, supported by a regulatory environment that ensures the safety of Canadians and a transparent market-based approach.

Part II: Comments on the Proposed Amendments to Part VI Regulations

Definition of Natural Gas

AltaGas requests the NEB consider the following recommendations as it examines a definition of "Natural Gas":

- The definition of "Natural Gas" is currently established under provincial regulations. The NEB could streamline its definition by adopting that which exists in the provincial jurisdiction in which the gas is sourced. Currently, Alberta and British Columbia have slightly different definitions; adding additional definitions will compound existing reporting processes, adding additional complexity.

- Our commercial evaluation of LNG opportunities leads us to understand that the minimum methane content that is commonly specified in LNG sales contracts in Asia is 84% which is 1% lower than the

NEB has proposed. Should the NEB proceed with a definition where methane content is quantified, we recommend the composition align with the industry convention.

- We advise against requiring a specification percentage as part of its export licence application requirements. Forecasting future natural gas supply composition would be imprecise if not impossible to do.

Application Requirements

AltaGas agrees with the proposed application criteria identified by the NEB. In addition, we recommend that the NEB adopt the following approach to its decision process:

- At the request of each applicant, the NEB extend or grandfather the term of an applied for and approved export licence to a maximum 40 year term on the basis of the finding of the original decision and approval.

- Evidence relating to "the implications of the proposed exportation on the ability of Canadians to meet their natural gas requirements" should focus on qualitative aspects only. Numerous expert studies undertaken by industry, government, and academia, including the NEB's jointly commissioned research [1], have undertaken quantitative assessments of Canada's gas resources. Canada's significant resource potential is well documented. As such, the present NEB requirement to provide both quantitative and qualitative assessments should be revisited as it represents an extra cost and does not provide new data or improved understanding of Canada's resources. We recommend the NEB focus their decision criteria strictly on qualitative evidence on the long term functioning of the market and how the ability of Canadian's to source gas supply may be impacted by the proposed export over the term of the applied-for export licence.

We base our recommendations on the following:

- The abundance of natural gas supply and the ability to meet Canadian demand has been well established over a 25 year horizon and there is nothing to suggest this will not continue. In 2012, the NEB determined that Canada's total demand for natural gas was 88 billion m^3 (3.1 Tcf). The Montney's estimated 12,719 billion m^3 (449 Tcf) of marketable natural gas would therefore be equivalent to 145 years of Canada's 2012 consumption[1]. The ultimate potential will likely increase as additional technological advances are made to discover and produce natural gas.

- No material benefit to an additional 15 year extrapolation of the 25 year forecasted data will be achieved; forecasts will inevitably be wrong. The NEB, in its Letter Decision to Woodside Energy Holdings Pty Ltd.[2], acknowledged that, in aggregate, the LNG export licence applications submitted to the Board to date represent a significant volume of LNG exports from Canada. However, all of these LNG ventures are competing for a limited global market and face numerous development and construction challenges. Factors such as the size, remoteness, complexity, lack of large buyers coming forward, and the Canadian cost structure are among the issues that Canadian LNG ventures are facing. The Board concluded that not all LNG export licences issued by the Board will be used or used to the full allowance notwithstanding the forecasts that are provided by applicants.

- Reapplying and re-commissioning reports will impose an additional cost on applicants and result in no additional meaningful evidence to aid in the NEB's assessment of impact. Small scale projects such as AltaGas' proposed DC LNG project are particularly sensitive to the extra costs of re-commissioning surplus determination reports. Moreover, additional applications may impact NEB resources, creating additional costs and potentially delaying decisions which are needed to advance LNG development.

- In the case of the recent application submitted on June 1, 2015 by AltaGas DCLNG General Partner Inc., on behalf of AltaGas DCLNG Lease Limited Partnership, an AltaGas affiliate, the critical time required to prepare and to process another application makes an extension under these terms not viable given AltaGas' short timeline to FID for its Phase I project.

Terms and Conditions

AltaGas agrees with all the conditions specified except for the provision of a maximum monthly quantity. To the extent that gas to be exported is liquefied and stored prior to export, the maximum monthly condition imposes a limit that may result in an unintended commercial restriction. Volume limits can be fully addressed by the maximum annual limit.

We thank the NEB for inviting interested parties to comment on the proposed amendments to the National Energy Board Part VI (Oil and Gas) Regulations. We urge the NEB to consider our input which we believe will fully address the impact assessment criteria which has been set for the NEB, while providing an effective and practical approach. Should you have further questions regarding the views we have provided herein, please do not hesitate to contact the undersigned.

Sincerely,

Tim Church
Vice President Stakeholder Relations
AltaGas Ltd.

[1] *The Ultimate Potential for Unconventional Petroleum from the Montney Formation of British Columbia and Alberta*, November, 2013, produced jointly by the National Energy Board (NEB or the Board), the BC Oil and Gas Commission, the Alberta Energy Regulator and the BC Ministry of Natural Gas Development.

[2] NEB Letter Decision to Woodside Energy Pty Ltd.

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