



Getting to 'Yes': LNG, First Nations and the Race for Asia

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Prince Rupert, BC

June 25, 2013

Check Against Delivery

Elders, Chiefs, Councillors, Ladies and Gentlemen.

I welcome the opportunity to speak with you today.

I have been here before and so I begin by acknowledging that we meet on the traditional lands of the Allied Tsimshian Tribes.

You probably know a bit about my history. You know that I was once Canada's Minister of Indian Affairs. You may also know that when I was much younger, I negotiated land claim settlements across northern Alberta. And you may be aware that for almost 10 years, I was the Co-Chair of Canada's Indian Claims Tribunal.

What you may NOT know is that in March of 1994, I came here to Prince Rupert as a Commissioner of the Indian Claims Commission and conducted an Inquiry into the land claim grievances of the Lax Kw'alaams First Nation and the Tsimshian people. The nine Hereditary Chiefs of the Allied Tsimshian Tribes took part in that inquiry, as did Chief James Bryant. So too did Commissioner Carole Corcoran, who fought passionately during her life for her First Nation peoples.

Our report into the claims of the Lax Kw'alaams people was published on June 29, 1994, which by my calculation is 19 years ago - almost to the day.

So I have been around – for a long time.

And I remember how we used to talk about how a day would eventually come.

A day when First Nations would be true partners in building out this country.

A day when resource and energy projects would hold for First Nations the promise of economic benefits such as employment, revenue sharing and equity participation.

A day when we would close the door on an era in which grievances would fester, more or less unattended – as they have in the case of the Tsimshian people since you sent a delegation to Ottawa to meet Sir John A. Macdonald in 1885.

We talked about a day when the duty to consult would be the transformative engine – the mechanism to secure economic benefits arising from major projects constructed in your front yard.

That day has arrived. It is yours if you seize it.

Let's talk about LNG.

Progress toward the construction of LNG facilities along the B.C. coast is being made. Corporate interest has never been more engaged. Many of those companies are here today. More are watching closely.

If you go to Bangkok, Tokyo, Kuala Lumpur, Singapore or Beijing – they are interested in what we are doing. I know because I just came from there.

Here in B.C., with Premier Clark re-elected and with Rich Coleman now in place as a strong provincial Minister, there is a sense that we are, indeed, going to 'get on with it.'

All this anticipation and enthusiasm are understandable. A world-scale LNG export industry would mean jobs and growth. It would mean a stronger and more competitive energy industry. It would represent a long-term economic advantage for British Columbia and for Canada.

And if done properly, it would also mean jobs, business opportunity and investment for the First Nation coastal communities that ultimately play host to these LNG facilities.

I have been speaking for a couple years now about the race to Asia – and about the importance of nation-building infrastructure and the role of my own Bank in helping to finance and support it.

This is a pivotal period for our country – one that has brought with it a number of energy-related challenges and opportunities. Among them:

- Securing west coast access and new international markets for our natural gas.
- Improving domestic and continental natural gas pipeline capacity to better manage the supply.
- Reducing the environmental impact of all of the facilities associated with LNG, pipelines, ports, terminals, power facilities and tankers.
- And developing a new Canadian industry in partnership with those First Nations who are willing to seize the potential of LNG exports to Asia.

Over the past five years, Canadian natural gas production has declined more than 15 per cent due to falling prices and the reduced demand for Canadian gas in traditional markets, such as Eastern Canada and the Northeast U.S. The problem is that the North American continent is awash in natural gas and Canadian natural gas is, in a sense, at the end of the far North American pipe.

Industry revenues are down sharply. Government revenues have been adversely affected. And with key plays in the U.S. expected to result in even higher production south of the border, the threat to – and impact on – Canadian gas producers is likely to continue.

Meanwhile, we have no export facilities that will allow us to access the overseas market and higher international prices.

We have therefore now reached a crucial juncture. We need to export into the Asia Pacific basin. We must access new and growing markets if we want to collectively take advantage of this Canadian resource.

That is simply a fact – and here’s another: LNG facilities are among the largest capital investments on the planet. They represent the kind of economic opportunity that rarely comes along.

The real issue now is whether BC's First Nations are going to participate in all of this in a meaningful way, or observe it as bystanders.

Now, the good news is that Canada has a number of advantages in LNG, beginning with geography. We benefit from one of the shortest supply routes to the Asian market – competitive with Australia’s. We are well-positioned, in a literal sense, to meet the needs of China, Japan, Taiwan, South Korea and beyond.

We also have a substantial resource base, supportive governments at the provincial and federal level, and an open-for business environment. These are all good and important things.

In addition, the biggest, toughest and most knowledgeable companies in the LNG world have found their way to Canada, exploring the potential that we represent. This should help ensure that Canada’s export presence is efficient, skilled, globally competitive and driven to excel.

But Canada’s greatest and most important advantage may well be our stability.

The critical element in the LNG industry is – and always will be – contractual dependability. The world has a lot of natural gas. What it doesn't have is an ample supply of reliable, dependable nation states that are capable of fulfilling their contractual obligations over a 50-year period – without potential interruption due to political, legal or territorial conflict.

Social, legal and political stability are essential preconditions to the investment of the billions of dollars required for an LNG facility – and frankly, Canada has excelled at providing them.

Just look to some of our existing relationships in the Asia Pacific - to Japan, for instance, which for decades has been importing our coal and other commodities without supply disruption. We have a history – a record of service in this regard. And those relationships speak to what we are capable of doing with the countries of Asia, reliably and dependably over the half-century span of an LNG investment.

So despite its status as a newcomer, Canada has a lot going for it in LNG. But let's be clear. Getting into liquefied natural gas is expensive and represents an enormous financial bet. The stakes are high and the challenges are formidable. This is no slam dunk and we need to have a sense of urgency because international companies have alternatives.

And so, as a country, we need to be confident and aggressive – but we must also ensure that we resolve and bring across the finish line, in a timely fashion, a number of key outstanding issues.

We also need to be realistic. Those who think there are going to be a dozen facilities along the west coast are dreaming. There is market room for only two or three world-scale facilities on our west coast over the next 20 years.

And those two or three facilities are dependent upon all of us getting it right: industry, First Nations and governments.

When I say “getting it right,” there are three things that need to happen promptly.

First, a taxation and royalty regime must be defined – and defined in such a way that it promotes the establishment of a domestic LNG industry, and helps ensure its long-term survival and success. In a highly competitive global industry, it doesn't take much to marginalize returns to the point that other jurisdictions begin to look more attractive.

The key driver of any project of this scale should be the overall benefits to the local, provincial and national economies – not simply the potential taxation base. The imperative in LNG must be to ensure that the taxes we place on this important, burgeoning industry don't have the effect of stymied or undermining its creation and its growth.

Second, we need to make certain we have sufficient skilled labour to build these facilities and pipelines – and to do so under tight timeliness. Australia, whose industry is more mature than ours, has already experienced significant delays caused by a shortage of qualified workers.

This problem could be exacerbated in Canada because we are a massive country with a small population and we are building major infrastructure projects at a pace and scale which is unsurpassed on the globe. In the result, other large-scale projects, in the oil sands and elsewhere, are already stressing the available market of skilled workers.

There's no silver bullet to confront this challenge. Rather, there is a responsibility for the federal and provincial governments to work together to confront it.

Third, and most important for our purposes today, First Nations need to be true partners in this economic opportunity.

Some time ago, I heard Chief Louie of the Westbank First Nation on the radio. He reminded listeners that I used to say: "I like being Minister of Indian Affairs. But I'd much prefer to be Minister of Aboriginal Inc."

Happily, progress has been made on that front. Today, across the country, aboriginal people are writing new business stories every day. It is time to start writing one here on Canada's West Coast.

I believe it is worth noting that while British Columbians and indeed all Canadians will benefit generally from success in LNG, these facilities – together with the associated power facilities and shipping terminals – represent important, transformational opportunities for new economic partnerships with First Nations.

The ongoing jobs at the LNG plants themselves are part of that – but these facilities are capital intensive, not labour intensive. For First Nations, the greater opportunity in terms of both jobs and investment are the myriad of indirect economic opportunities that surround these projects.

We have achieved this elsewhere. One of the unheralded benefits of the Canadian oil sands has been the extent to which the aboriginal people of northern Alberta have been included and uplifted. There are similar success stories surrounding hydro in northern Quebec, diamond mines in the Northwest Territories, power projects here in British Columbia and mining projects in Nunavut, Quebec, Labrador and northern Ontario.

So despite the challenges that remain, I am confident that B.C. First Nations can secure the financial muscle to participate in these projects as partners – and reap the benefits as they come to fruition over decades to come.

But this is no time for complacency.

We must remember that as Canadians we face competition. Americans, Australians and others are moving quickly to seize the Asian opportunity.

Decisions on LNG projects – the so-called 'final investment decisions' – are unfolding in real time around the world, and the biggest winners are far from being determined. For Canada, nothing is more urgent right now than getting in the game.

So, what then should you do? How do the First Nations represented here today fit into this picture?

First of all, in my view, you need to decide whether you wish to embrace this opportunity or not. This is your choice. Call it a strategic choice.

Do you want to take advantage? Or, for the contrary minded, are you prepared to let it happen without your economic participation or involvement?

Personally, I favour getting to 'Yes.' That has been my own history. That is why I negotiated the Sturgeon Lake Treaty Land Entitlement settlement in 1986. That is why I negotiated the Residential School Agreement in 2006. And, that is why I negotiated the Gwaii Hanas Marine Conservation Area agreement with the Haida in 2009.

Getting to “Yes” isn’t always easy – but as I said earlier, the opportunity that LNG represents will not present itself again – not in my lifetime, nor in yours.

If your choice is to pursue the opportunity, you need to move with purpose. Over the next 36 hours, you should together strike a Steering Committee to pursue your collective best interests.

If you remember nothing else from my speech today, remember this. It is a hard lesson that has come to me over 35 years as a lawyer, a politician and a banker: “You don't get what you deserve. You get what you negotiate.”

In that context, I will offer a few pragmatic observations.

First, you should stick together. My view, strongly held, is that you will achieve more as a group than you will individually. For starters, you have more to offer in a negotiation as a collectivity than as disparate interests. Individually you are relevant. Collectively you are a force.

Second, you should retain good advisors. The people on the other side of the table will represent some of the world's most successful, best capitalized and most sophisticated corporations. You need tough-minded bankers, commercial lawyers and negotiators – people who understand the energy industry, finance and LNG.

Third, you should move expeditiously. Don't wait for some other government to come help you. Get to the negotiating table with industry and represent your own interests.

Fourth, you should pursue equity ownership in addition to Access and Benefit Agreements. There are advantages to being an owner. They are multifaceted and long lasting. Owners, for example, have more say in the many decisions surrounding the project, including those relating to the environment.

In the past, First Nations have been unable to secure the capital to participate as an owner in major energy and resource projects. The concept of 'ownership' has been one of 'gifted' or perhaps 'earned' equity and not surprisingly, there have been limits on the availability of that.

You will hear later today from Harold Calla and Gerry St. Germain on their Crown share proposal. This is a creative way to finance First Nation equity participation and it is an idea worth pursuing.

There are, in addition, other ways to finance First Nation collective interests in projects of this scale. Some relate to the LNG facilities themselves. Others relate to associated power or transportation opportunities. Some involve international investors. Some involve Canadian capital markets. All of these opportunities require that you keep an open mind about partnership and about equity ownership. Your Committee should pursue all of these ideas also.

As Canadians, we are all very fortunate to have these opportunities. However, prosperity is not a birthright. Only with foresight, smart choices and hard work will First Nations' children and grandchildren be able to fully enjoy the benefits of this resource bounty. Indeed, the same applies to all of our children and grandchildren.

I wish you the best of luck with your deliberations and your choices.

Thank you.