Public Interest Evaluation of the Trans Mountain Expansion Project

By

Thomas Gunton (PhD)

Sean Broadbent (PhD)

Marvin Shaffer (PhD)

Chris Joseph (PhD)

James Hoffele (MRM)

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School of Resource and Environmental Management

Simon Fraser University

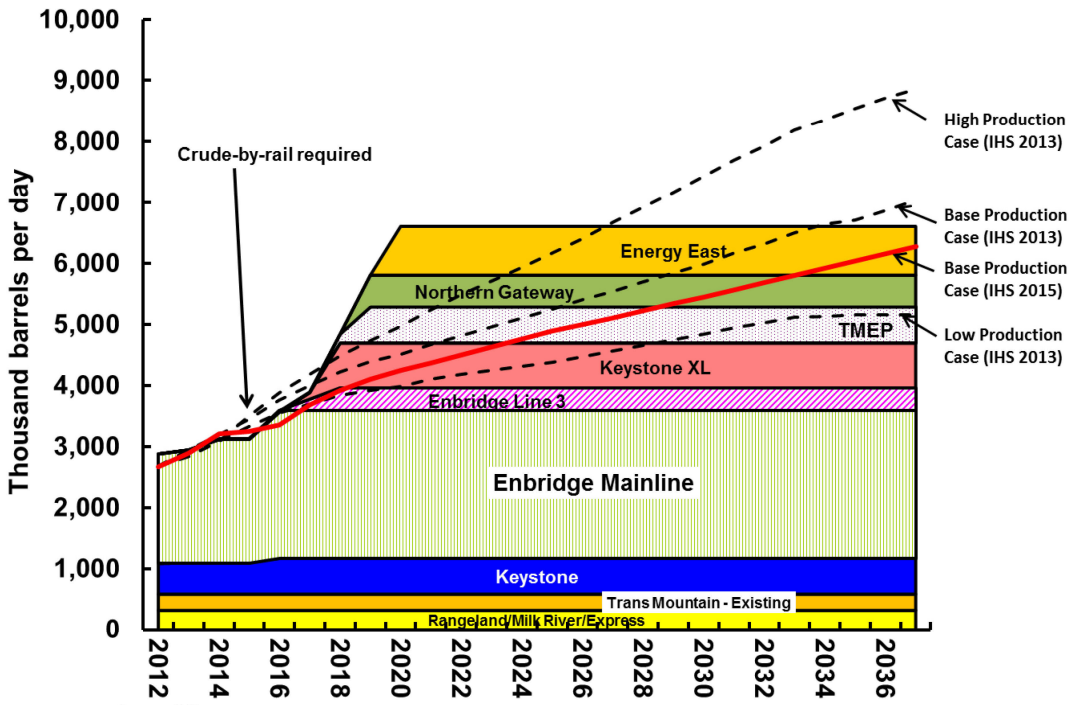
Executive Summary

1. The purpose of this report is to assess whether the proposed Trans Mountain Expansion Project (TMEP) is required and in the public interest.
2. The TMEP is a proposal to expand the existing Trans Mountain Pipeline (TMPL) to provide an additional 590 kbpd transportation capacity to ship crude oil from Alberta to markets in the Pacific Rim. The TMEP would consist of twinned pipelines (one new and one existing), a marine terminal, and tanker traffic to ship oil from Vancouver to Pacific Rim markets.
3. The National Energy Board (NEB) approval criteria as specified in Section 52 of the *National Energy Board Act* require the applicant to show that:
   a) the project is required; and
   b) the project is in the public interest.
4. The TMEP application asserts that the TMEP is required and in the public interest for the following reasons:
   a) growth in production from the Western Canada Sedimentary Basin (WCSB) requires increased oil transportation capacity;
   b) TMEP will provide access to new markets in Asia and the United States;
   c) TMEP will increase netbacks to all Western Canadian oil producers by lowering transportation costs and accessing higher price markets; and
   d) construction and operation of the TMEP will stimulate economic activity in Canada and generate tax revenue for government.
5. The evidence in the TMEP application that the TMEP is required and in the public interest is incomplete and deficient in the following respects:
   a) TM's assessment uses gross economic impacts as the primary measure of the contribution of the project to the public interest instead of net impacts and net economic benefits;
   b) TM incorrectly assumes that economic impacts are a measure of benefits without taking into account the opportunity cost of the labour, capital and other resources it uses;
   c) TM overstates the need for the TMEP by underestimating current and potential WCSB transportation capacity and relying on optimistic oil price forecasts;
   d) TM overstates project benefits in its estimates of the impact of the TMEP on oil netbacks to producers;
   e) TM understates costs by not estimating the economic losses resulting from the excess transportation capacity TMEP will cause; omitting cost estimates of the environmental impacts and risks of TMEP; and not evaluating other adverse consequences that should be taken into account in a full and proper public interest benefit cost analysis of the project.

f) TM fails to provide any benefit cost analysis undertaken in accordance with well-established principles and guidelines, and does not set out in a clear and comprehensive way the advantages, disadvantages, and trade-offs of its proposed project as is necessary for determining whether the TMEP is in the public interest.

6. TM's analysis shows that construction of the TMEP will contribute to a large increase in surplus capacity in the oil transportation sector. TM estimates in its original application that there will be 1.8 million bpd of surplus capacity by 2019 if all proposed transportation projects proceed as planned. Based on TM's updated forecast (TM 2015a), surplus capacity is now estimated to be approximately 2.5 million bpd in 2019. TM's updated base case forecast shows that if all proposed projects proceed as planned there will be surplus pipeline capacity beyond 2037 (Figure 1). Surplus capacity may be even higher than TM's forecast because TM excludes rail transportation in its estimates. This unused capacity would impose a large cost on Canada's oil transportation sector, oil producers and the Canadian public in the form of reduced tax revenues. TM has not included the costs of this unused capacity in its evaluation of TMEP costs and benefits.

Figure 1. TM/IHS Estimates of Western Canadian Supply for Pipeline Export vs. Pipeline Capacity



Source: TM (2015a, p. 8).

7. To assess the need for and the impact of the TMEP on the public interest we have

completed a comprehensive benefit cost analysis of the TMEP. We have assessed the benefits and costs by key sector and stakeholder group and tested a range of scenarios and assumptions in our analysis to address uncertainty in project parameters and impacts. Our benefit cost analysis shows that:

a) Under base case assumptions the TMEP results in a **net cost to Canada of $6.5 billion**.

b) to address uncertainty in estimating benefits and costs of the TMEP we completed a large number of sensitivity analyses to test the impact of alternative assumptions. Under all scenarios tested, our analysis shows that the TMEP will result in a **net cost to Canada that ranges between $4.1 and $22.1 billion**. Fewer new projects and higher oil production reduce the net costs while more projects, lower oil production, and higher environmental impacts increase the net costs.

While we recognize that estimating benefits and costs of the TMEP is challenging and subject to many uncertainties, we believe that our results indicate clearly that the TMEP will impose significant net costs on Canadians. Further, our base case estimate of a cost of $6.5 billion is conservative because it omits many potential environmental and social costs which are difficult to quantify and are therefore not included in our cost estimates.

Table 1. Benefit Cost Analysis Results for TMEP

Item	Net Benefit (Cost), Base Case (million $)	Sensitivity Analysis Range (million $)[1]
TMEP Pipeline Operations	0	(792) to 396
Unused Oil Transportation Capacity	(3,098)	(8,018) to (2,112)
Oil Price Netback Increase	0	0 to 2,008
Employment	77	77 to 284
Tax Revenue	242	242-892
Electricity	(257)	No sensitivity
GHG Emissions from Construction and Operation of TMEP and marine traffic in defined study area	(289)	(916) to (289)
Other Air Emissions	(85)	(427) to (9)
Oil Spills	(1,022)	(1,022) to (310)
Passive Use Damages from Oil	(2,026)	(17,667) to (2,026)

Item	Net Benefit (Cost), Base Case (million $)	Sensitivity Analysis Range (million $)[1]
Spill		
Other Socio Economic, Environmental Costs not estimated	See Appendix A	
Base Case Net Cost	**(6,458)**	**(4,070) to (22,099)**

Note. 1. Based on sensitivity scenarios

8. One of the primary reasons that the TMEP will result in a large net cost to Canada is because TMEP will create excess pipeline capacity. There are currently more WCSB oil transportation projects planned than required, and construction of all proposed projects will result in a significant net cost to Canada. These pipeline projects were proposed before the current downturn in the oil markets and some were able to secure long-term shipping contracts that may allow these projects to be feasible financially while externalizing the cost of the surplus capacity onto existing transportation systems, oil producers, and governments. The creation of this excess capacity can be prevented by rejecting or deferring new projects that are not required and developing a comprehensive oil transportation strategy that comparatively evaluates all proposed projects from a social, economic, and environmental perspective to determine which project or mix of projects are required and best meet Canada's needs.
9. A further reason that the TMEP will result in a net cost to Canada is due to the major environmental risks it entails, including the risk of oil spills in British Columbia. The marine spill risk can be avoided by relying on other transportation options that do not require oil tankers to ship crude oil to markets through Canadian waters.
10. In summary, our evaluation shows that:
    a) the TMEP application fails to show that the TMEP meets the need and public interest criteria required for NEB approval; and
    b) the TMEP will result in a significant net cost to Canada if the project is built, the TMEP is not needed and is not in Canada's public interest.

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List of Acronyms

BC	British Columbia
BCA	benefit cost analysis
Bpd	barrels per day
CAPP	Canadian Association of Petroleum Producers
CERI	Canadian Energy Research Institute
EconIA	economic impact analysis
ENGP	Enbridge Northern Gateway Project
EVOS	*Exxon Valdez* oil spill
GDP	gross domestic product
GHG	greenhouse gas
GWh	gigawatt hour
IEA	International Energy Association
IHS	IHS Global Canada Limited
IOPCF	International Oil Pollution Compensation Fund
IR	information request
Kbpd	thousand barrels per day
LNG	liquefied natural gas
mbpd	million barrels per day
MWh	megawatt hour
NEB	National Energy Board
NEBA	*National Energy Board Act*
PHRCC	Petroleum Human Resources Council of Canada
TM	Trans Mountain
TMEP	Trans Mountain Expansion Project
TMPL	Trans Mountain Pipeline
TVAUs	Tank Vapour Activation Units
US EIA	US Energy Information Administration
USGC	United States Gulf Coast
WCSB	Western Canada Sedimentary Basin
WTI	West Texas Intermediate
WTA	willingness to accept
WTP	willingness to pay

1. Introduction

The purpose of this report is to assess:

- the costs and benefits of the Trans Mountain Expansion Project (TMEP); and
- whether TMEP meets the criteria for project approval for pipelines as set out in the *National Energy Board Act (NEBA)* including whether the TMEP is in the Canadian public interest.

Our conclusions show that:

- the evidence provided by Trans Mountain (TM) in their application to justify the TMEP has significant deficiencies and does not provide the information on project need, benefits, and costs required to assess whether the project is in the Canadian public interest and support project approval; and
- if built as planned the TMEP will result in a significant net cost to Canada.

We begin this report with a review of the approval criteria in the *NEBA*. This is followed by a description of the TMEP and then an evaluation of the evidence provided in the TMEP application regarding the need for, and public interest benefits, of the TMEP. We then provide additional evidence in the form of a benefit cost analysis to assess the TMEP and determine if the TMEP meets the approval criteria as specified in the *NEBA*.

1.1. National Energy Board Approval Criteria

Section 52 of the *NEBA* states that the National Energy Board (NEB) will make a recommendation to the Minister on project applications and in making its recommendation it may have regard to the following factors:

a) the availability of oil, gas or any other commodity to the pipeline;
b) the existence of markets, actual or potential;
c) the economic feasibility of the pipeline;
d) the financial responsibility and financial structure of the applicant, the methods of financing the pipeline and the extent to which Canadians will have an opportunity of participating in the financing, engineering and construction of the pipeline; and
e) any public interest that in the Board's opinion may be affected by the granting or the refusing of the application.

The NEB defines the public interest as follows:

> *The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that change as society's values and preferences evolve over time. The Board estimates the overall public good a project may create and its potential negative aspects, weighs its various impacts, and makes a decision (NEB 2010a).*

In addition to these general criteria, the NEB (2013d) has approved the following list of issues to be considered in the TMEP application:

- the need for the proposed project;
- the economic feasibility of the proposed project;
- the potential commercial impacts of the proposed project;
- the potential environmental and socio-economic effects of the proposed project, including any cumulative environmental effects that are likely to result from the project, including those required to be considered by the NEB's *Filing Manual* (NEB 2013c);
- the potential environmental and socio-economic effects of marine shipping activities that would result from the proposed Project, including the potential effects of accidents or malfunctions that may occur;
- the appropriateness of the general route and land requirements for the proposed project;
- the suitability of the design of the proposed project;
- the terms and conditions to be included in any approval the Board may issue;
- potential impacts of the project on Aboriginal interests;
- potential impacts of the project on landowners and land use;
- contingency planning for spills, accidents or malfunctions, during construction and operation of the project; and
- safety and security during construction of the proposed project and operation of the project, including emergency response planning and third-party damage prevention.

The NEB (2013d) states that it does not intend to consider the environmental and socio-economic effects associated with upstream activities, the development of oil sands, or the downstream use of the oil transported by the pipeline. Factors such as greenhouse gas (GHG) emissions from oil production, therefore, are excluded by the NEB in its consideration of the TMEP.

1.2. Certificate of Duty

This report has been prepared in accordance with our duty as experts to assist: (i) Tsawout First Nation, Upper Nicola Band and Living Oceans Society in conducting their assessment of the Project; (ii) provincial or federal authorities with powers, duties or functions in relation to an assessment of the environmental and socio-economic effects of the Project; and (iii) any court seized with an action, judicial review, appeal, or any other matter in relation to the Project. A signed copy of our Certificate of Expert's Duty is attached as Appendix "B". Attached as Appendix

69 “C” are our respective curriculum vitaes.

2. Overview of the Trans Mountain Expansion Project

The TMEP is a proposal to expand the existing Trans Mountain Pipeline (TMPL) which has been operating since 1953. According to TM, the purpose of the TMEP is “to provide additional transportation capacity for crude oil from Alberta to markets in the Pacific Rim including BC [*British Columbia*], Washington State, California, and Asia” (TM 2013b, Vol. 1, p. 1-4). The TMEP would consist of twinned pipelines, a marine terminal, and tanker traffic to meet the project’s stated objective.

2.1. Key Project Components

2.1.1. Pipeline

The proposed TMEP would twin the existing TMPL from Edmonton, Alberta to the Westridge Marine Terminal in Burnaby, British Columbia (BC) and increase operating capacity from the current 300 thousand barrels per day (kbpd) of oil to 890 kbpd (TM 2013b, Vol. 2, p. 2-12). The TMEP would consist of two pipelines. The first line (Line 1) is a 1,147-km pipeline with the capability of transporting 350 kbpd (TM 2013b, Vol. 4A p. 4A-2-3). Line 1 would use mostly existing and reactivated TMPL pipeline to transport refined products and light crude oils but will also have the capability to carry heavy crude oil at a reduced throughput rate (TM 2013b, Vol. 4A p. 4A-2-3). Line 2 is a 1,180 km pipeline with throughput capacity of 540 kbpd for heavy crude oils but will also be capable of transporting light crude oils (TM 2013b, Vol. 4A p. 4A-3). Line 2 would consist of approximately 987 km of newly built pipeline and some existing pipeline built in 1957 and 2008 (TM 2013b, Vol. 4A p. 4A-2). The proposed route for the TMEP largely parallels the existing TMPL route (TM 2013b, Vol. 5A). The TMEP would include 12 new pump stations, new storage tanks, and other new components to support Lines 1 and 2 (TM 2013b, Vol. 4A p. 4A-3).

2.1.2. Terminal

TM would expand Westridge Marine Terminal in Burnaby, BC to accommodate increased pipeline throughput and tanker traffic. The expanded marine terminal would require the removal of the existing tanker loading dock and the construction of a new dock complex having the capability

to handle Aframax-sized tankers (75,000 to 120,000 deadweight tonnes) (TM 2013b, Vol. 1 p. 1-11 and Vol. 4A p. 4A-3). The dock complex would also include cargo transfer arms to load crude oil on tankers and vapour recovery and vapour combustion units to capture hydrocarbon vapours (TM 2013b, TERMPOL 3.15 p. 22). Oil for tanker export would be collected and stored in 14 new storage tanks at Burnaby Terminal and delivered to Westridge Terminal via three delivery lines (TM 2013b, TERMPOL 3.15 p. 22 and Vol. 4A p. 4A-3). According to TM (2013b, Vol. 2 p. 2-27), up to 630 of the 890 kbpd in system capacity delivered on the TM pipeline would be for export via the marine terminal.

2.1.3. Tankers

The TMEP would increase tanker traffic from 60 to an estimated 408 tankers per year (TM 2013b, Vol. 2 p. 2-27). Tankers accessing Westridge Marine Terminal would be Panamax-sized (less than 75,000 deadweight tonnes) or larger Aframax-sized tankers, which are the current class of tankers calling at the terminal for the TMPL (TM 2013b, Vol. 8A p. 8A-68 and -71). Tankers would use between two and four tethered tugs to navigate the Vancouver Harbour Area (TM 2013b, TERMPOL 3.15 p. 12). TM would not own or operate the tankers (TM 2013b, Vol. 2 p. 2-27) and thus the tanker owner would be liable to pay any costs associated with an oil tanker spill (TM 2013b, Vol. 8A p. 8A-52). TMEP tankers travelling to and from Westridge Marine Terminal would use existing marine transportation routes (TM 2013b, Vol. 8A p. 8A-67).

2.2. Project Costs

TM (2013b, Vol. 2 App. B) estimates that the capital costs of the TMEP would amount to $5.5 billion nominal to be spent over a seven-year period from 2012 to 2018 (or $4.9 billion in 2012 dollars).[1] Nearly $5.0 billion of the $5.5 billion nominal would be spent in 2016 and 2017 when construction is planned to take place (TM 2013b, Vol. 2 App. B, pp10-11). TM estimates incremental operating costs of $118 million per year after construction is complete (TM 2013b, Vol. 5D). TM expects the TMEP to operate for at least 50 years after which the pipeline and facilities would be decommissioned at an incremental cost of approximately $263 million (or $603 million for both the TMPL and the TMEP) (TM 2013b, Vol. 2).

[1] All monetary figures in this report are in 2014 Canadian dollars unless otherwise specified.

3. TM's Rationale for the TMEP

TM indicates in *Volume 2* of its application (TM 2013b) that building the TMEP is needed because:

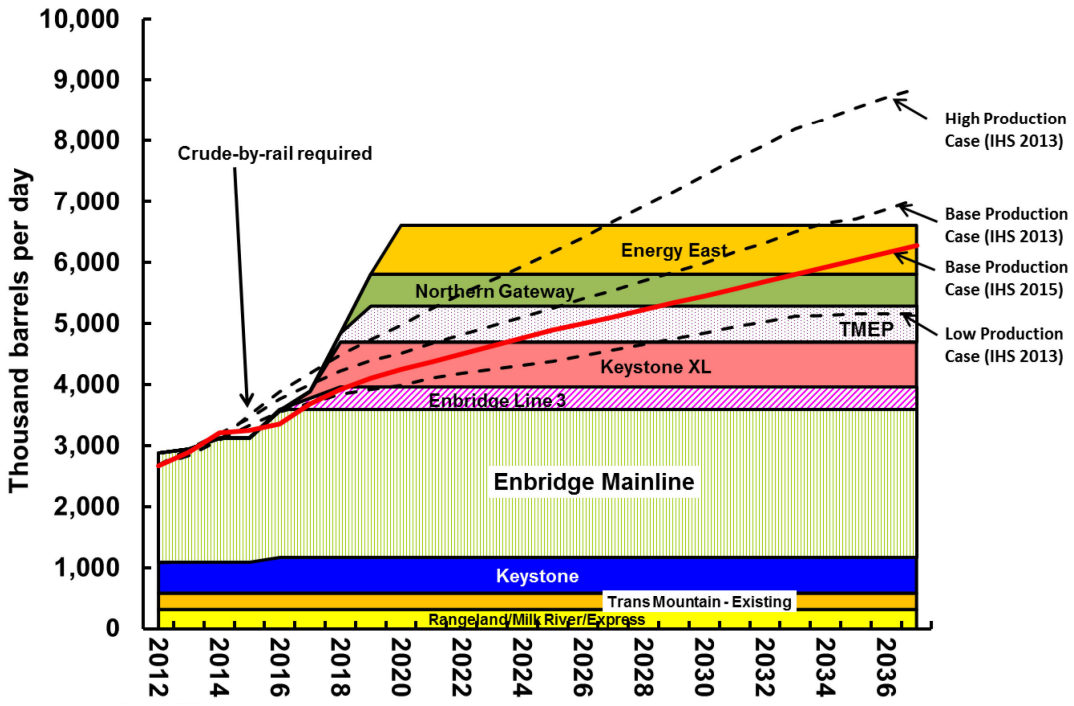
- new pipeline capacity is required to transport the forecast increase in oil production from the Western Canada Sedimentary Basin (WCSB);
- the TMEP will increase netbacks to Western Canadian oil producers by lowering transportation costs and accessing new markets in Asia and the United States;
- construction and operation of the TMEP will stimulate economic activity in Canada and generate tax revenue for government; and
- the TMEP will enhance the flexibility of the Canadian oil sector in the face of increasing market dynamics.

3.1. Need for New Pipeline Capacity

TM asserts that there is a need for new pipeline capacity based on forecasts of oil supply and pipeline export capacity and the fact that some oil companies have signed 15- to 20-year 'take or pay' shipping agreements with TM for 80% (707.5 kbpd) of the nominal capacity of the proposed pipeline (TM 2013b, Vol. 2 p. 2-36-37).

In its evidence submitted on behalf of TM, IHS Global Canada Limited (IHS) (TM 2013b, Vol. 2 App. A) forecasts WCSB oil supply and existing and proposed oil transportation capacity (Figure 2). IHS uses three oil supply scenarios in its original 2013 forecast, a new updated base case scenario in its 2015 update, as well as capacity data for existing and proposed pipelines. IHS estimates in its original submission that there will be 1.8 million bpd of surplus capacity in 2019 if all proposed transportation projects proceed as planned (TM 2013b, Vol. 2 App A p. 45). The surplus capacity estimate has increased in TM's updated forecast to approximately 2.5 million bpd in 2019 (Figure 2). TM now forecasts that if all proposed projects proceed as planned there will be surplus pipeline capacity beyond 2037, even without any existing rail capacity included in the estimates. If rail is included, the surplus capacity estimates would be even higher.

149 ***Figure 2. TM/IHS Estimates of Western Canadian Supply for Pipeline Export vs. Pipeline***
150 ***Capacity***



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152 Source: TM (2015a, p. 8).

153 Although IHS estimates that there will be significant surplus pipeline capacity if all planned
154 projects proceed, the IHS forecast suggests that there may be need for some new pipeline
155 capacity in the future. Whether and when TMEP is required depends very much on what oil supply
156 forecast one assumes and what other new pipeline capacity is developed.

157 Based on IHS's 2015 Base oil production forecast, and assuming Enbridge line 3 and
158 Keystone XL go ahead, additional pipeline capacity would not be needed until 2024. If either
159 Energy East or TMEP are built, there would add enough capacity until after 2028 under the 2015
160 base case assumption and until after 2037 under the 2013 low production assumption. Adding
161 TMEP capacity based on TM's proposed schedule, therefore, will create unused capacity that will
162 simply divert oil shipments from other pipelines for much of the forecast period. It should also be
163 noted that Figure 2 does not include existing and proposed rail capacity. If rail capacity is
164 included, the unused capacity would be even higher.

3.2. Higher Netbacks for Canadian Oil

TM claims that the TMEP is in the public interest because the project will ensure that crude oil producers and governments receive the highest value for their oil (TM 2013b, Vol. 2 p. 2-37). TM estimated that the TMEP will generate incremental producer revenues of $45.4 billion over the first 20 years of operations resulting in federal and provincial tax benefits of $14.7 billion from increased royalties and corporate income taxes (TM 2013b, Vol. 2 p. 2-37). TM estimates that the TMEP will generate: $37.4 billion higher netbacks by reducing the marginal transportation costs for Canadian oil, and $8 billion by accessing markets in Asia that have higher delivered prices for oil (TM 2013b, Vol. 2 App. A p. 14). In their 2015 update (TM 2015a, p. 10), TM estimates these benefits to amount to $56.3 billion for lower transport costs and $5 billion due to higher prices in Asia. The increase in transportation cost benefits from $37.4 billion to $56.3 billion in the 2015 update is due to an estimated increase in the difference between rail and pipeline transportation costs to the US Gulf Coast (USGC). The 2015 update reduces the estimate of market access benefits due to a lower estimate of the Asian price premium.

3.3. Impact on the Canadian Economy

TM provides an economic impact analysis (EconIA) of the TMEP prepared on its behalf by the Conference Board of Canada. This EconIA estimates direct, indirect, and induced effects from construction and operation of the TMEP on employment, gross domestic product (GDP), and government revenues. As part of this analysis the impact of higher netbacks received by crude oil producers on these economic indicators is estimated (TM 2013b, Vol. 2 App. B p. 7). The EconIA assesses economic impacts of construction over a seven-year period and economic impacts of operations over a 20-year period (TM 2013b, Vol. 2 App. B).[2]

The EconIA estimates economic impacts under two scenarios: the first scenario estimates impacts associated with only the contracted capacity of 708 kbpd, and the second scenario estimates impacts of both contracted capacity and additional spot shipments of approximately 180 kbpd (TM 2013b, Vol. 2 App. B p. 38). According to TM, the first scenario represents a minimum estimate of economic impacts whereas the second scenario represents a maximum estimate (TM

[2] TM states that it only assesses operating impacts over a 20-year period because this is the amount of time for which shippers have signed transportation agreements (TM 2013b, Vol. 2 App. B p. 28).

192 2013b, Vol. 2 App. B p. 40-41).

193 The EconIA estimates that the TMEP will generate between 108,310 and 123,221 direct,
194 indirect, and induced person-years of employment during the construction and operation of the
195 project, which translates into 342 direct permanent jobs and a total of 2,514 jobs when multiplier
196 effects are included (TM 2013b, Vol. 2 App. B p.6, p.30, p.36).[3] Furthermore, the EconIA
197 estimates that the project will generate between $18.2 and $22.1 billion in direct, indirect, and
198 induced effects to GDP and up to $4.5 billion in government revenues, with potential for an
199 additional $14.7 billion of increased government revenues related to higher netbacks (TM 2013b,
200 Vol. 2 App. B p. 42).

201 3.4. Additional Benefits

202 A report provided by John J. Reed of Concentric Energy Advisors on behalf of TM (TM
203 2013b, Vol. 2. App. C) also addresses the justification for the TMEP. Mr. Reed states that the
204 TMEP should be assessed in terms of a new dynamic in oil markets that reflects flexibility,
205 diversity of market access, the ability to manage risk associated with competing in numerous
206 markets, and the management of development and operational risk (TM 2013b, Vol. 2. App. C p.
207 16). Mr. Reed also references the benefits that TMEP will potentially provide Canadians including
208 producers, residents along the pipeline right-of-way, suppliers, governments at the local,
209 provincial, and federal levels, and the overall Canadian economy (TM 2013b, Vol. 2 App. C p. 24).

[3] The use of person-year estimates of employment can exaggerate the significance of the full-time employment effects of the project. The TMEP regulatory application references the creation of 108,310 person-years of employment (TM 2013b, Vol. 1 and Vol. 2 App. B). However, the Conference Board of Canada's EconIA states that the TMEP would create only 342 direct permanent jobs and a total of 2,514 jobs when multiplier effects are included (TM 2013b, Vol. 2 App. B p.30, p.36). A person-year is one person working for one year. Assuming the project operates for 20 years, one permanent job is reported as 20 person-years of employment even though it is one worker employed at one job. The presentation of employment impacts in person-years for operating employment can lead to a misunderstanding of the project's actual employment impacts.

4. Evaluation of TM's Justification for the Project

The evidence provided by TM in *Volume 2* of their application (TM 2013b) to assess the need for the TMEP and whether TMEP is in the public interest is deficient in that:

- it underestimates potential excess pipeline capacity and does not consider the cost of the underutilization of the pipeline capacity the project will cause;
- it exaggerates the potential price uplift and transportation cost savings the project will generate;
- it relies on an assessment of gross, as opposed to net, economic impacts in making its case as to the value of the project from the perspective of the public interest;
- it fails to analyze all of the costs of the project and present any benefit-cost assessment of the consequences of its project in accordance with Treasury Board of Canada guidelines or any other standard guidelines and principles for such an analysis;
- it fails to analyze and present key distributional issues and trade-offs for different stakeholders as is necessary to fully understand the consequences of and public interest impacts of the project; and
- it does not sufficiently analyze and comparatively assess the alternatives to the project.

We discuss each of these deficiencies below in more detail.

4.1. Deficiencies in the Analysis of Need

4.1.1. Understatement of Oil Transportation Capacity

A comparison of IHS's oil transportation capacity estimates to those provided by the

Canadian Association of Petroleum Producers (CAPP 2014) shows that IHS's capacity estimates are 1,731 kbpd lower than CAPP estimates (Table 2). The reasons for IHS's lower capacity forecast are that IHS omits current and planned rail shipments of at least 700 kbpd and has a lower current and potential pipeline capacity of 1,031 kbpd.

Table 2. Comparison of IHS and CAPP Transportation Capacity Estimates

Facility	IHS Estimate (kbpd)	CAPP Estimate (kbpd)	Difference IHS vs CAPP (kbpd)
Enbridge	2,005	2,500	495
Express/Milk River/Rangeland	320	485[1]	165
Trans Mountain	265	300	35
Keystone	590	591	1
Rail	0	300	300
Existing Subtotal	**3,180**	**4,176**	**996**
Enbridge Mainline Expansion	785[2]	720[3]	(65)
Keystone XL	730	830	100
Enbridge Northern Gateway Project (ENGP)	525	525	0
Kinder Morgan TMEP	590	590	0
Energy East	800	1,100	300
Rail[4]	0	400+	400+
Total Existing and Proposed	**6,610**	**8,341**	**1,731**

Sources: CAPP (2014) and IHS (2014, Table 1.2A-1). The transportation capacity estimates underlying IHS's analysis are provided by TM (2014b). Notes: 1. Rangeland and Bow River are included on pipeline maps by CAPP but their capacity is not included in the CAPP report. Capacity for these two pipelines is from Ensys (2010). 2. IHS updated its estimates in 2015 by including Enbridge's Line 3 (370 kbpd) replacement as new capacity (TM 2015a, p. 11). Enbridge filed the Line 3 replacement application to replace and expand capacity of Line 3 with the NEB in November 2014. 3. We have updated the CAPP estimates by adding the 370 kbpd of Enbridge line 3 to the 350 kbpd Clipper expansion in CAPP's pipeline forecast.4. CAPP estimates rail capacity will increase from the current 300 to 1,000 kbpd by 2016 and has the potential to increase to 1,400. CAPP estimates that rail shipments will be 700 kbpd by 2016, well below rail capacity (CAPP 2014, p. 30-33).

In response to information requests (IRs), IHS states that the discrepancy between its pipeline capacity estimates as shown in Figure 2 in our report (section 3.1) and the estimates

based on CAPP and pipeline operators is that IHS's estimates are based on available capacity to ship WCSB crude, which is estimated by deducting the capacity required to ship US Bakken oil and refined products on Canadian pipelines (TM 2015c, p. 1-3). While we agree that adjustments have to be made for refined products and US shipments, IHS did not provide any reference to this rationale for these capacity adjustments and has not provided adequate supporting evidence justifying its capacity adjustment assumptions. In describing its adjustment to the capacity of the proposed Energy East pipeline, IHS simply states that:

> *IHS understands that some of this capacity is likely to be allocated to the transportation of Bakken crude. This amount is not known publicly, but for the purposes of this analysis IHS assumed that 300,000 [bpd] of capacity on the Energy East system would be allocated to Bakken crude (TM 2015c, p. 2-3).*

To support this assumption, IHS should provide an analysis of oil transportation supply and demand in the Bakken region. As our analysis shows (section 4.1.3), IHS's assumption regarding Bakken shipments on Canadian pipelines is likely high.

The rationale for omitting rail capacity unless it is needed to cover a shortfall in pipeline capacity is also contrary to IHS's own evidence. IHS (see TM 2013b, Vol. 2 App. A` p. 44) estimates total potential rail capacity of 804 kbpd in Western Canada in 2016 and then excludes this capacity from its supply and demand analysis despite stating in a study prepared for the Energy East pipeline application that

> *we expect that some rail movements would continue, since rail can ship crude oil to refiners that cannot access some crude oil supplies by pipeline (IHS 2014, p. 18).*

IHS also states in the TMEP application that:

> *[r]apid growth is projected in Western Canadian and U.S. northern tier crude on-loading capacity… More project announcements are expected. New rail loading capacity is expected to incorporate efficiency improvements, which will involve the use of unit trains or other efficiency improvements in many cases. This will contribute to improved economics, particularly for facilities that are connected by pipeline (TM 2013b, Vol 2 App. A, p. 43-44).*

CAPP (2014, p. 30-33) estimates current rail shipments of 300 kbpd and forecasts an increase of at least 700 kbpd by 2016, with 2016 rail capacity of 1 million barrels per day (mbpd) with potential for subsequent expansion to 1.4 mbpd. CAPP also notes that some rail shipments are based on longer term contracts, suggesting rail will continue to play a significant role in

transporting WCSB oil. US studies (USDS 2014, Vol. 1.4) also document the role of rail and conclude that rail capacity out of the WCSB could increase at a rate required to meet all of the forecast increase in oil transportation requirements to 2030. As discussed below in section 4.3.1, the costs of transport by rail are continuing to decline with efficiency improvements, and TM's own evidence shows that rail costs are competitive with pipelines (Schink 2013, App. A p. 18). Therefore, IHS's omission of existing and planned rail capacity from the transportation supply and demand analysis in the TM application is a serious deficiency that results in a significant underestimate of oil transportation capacity.

We agree with IHS that some adjustments are required to account for the delivery of refined products and US Bakken crude on the Canadian oil transportation system. However, IHS should have made the adjustments in a transparent manner and with sufficient supporting evidence. IHS should also have included an allowance for existing and planned rail capacity instead of including rail only if it was needed to supplement proposed pipeline capacity. These omissions result in a substantial underestimate of transportation capacity and an underestimate of the unused capacity costs to Canada of developing the TMEP.

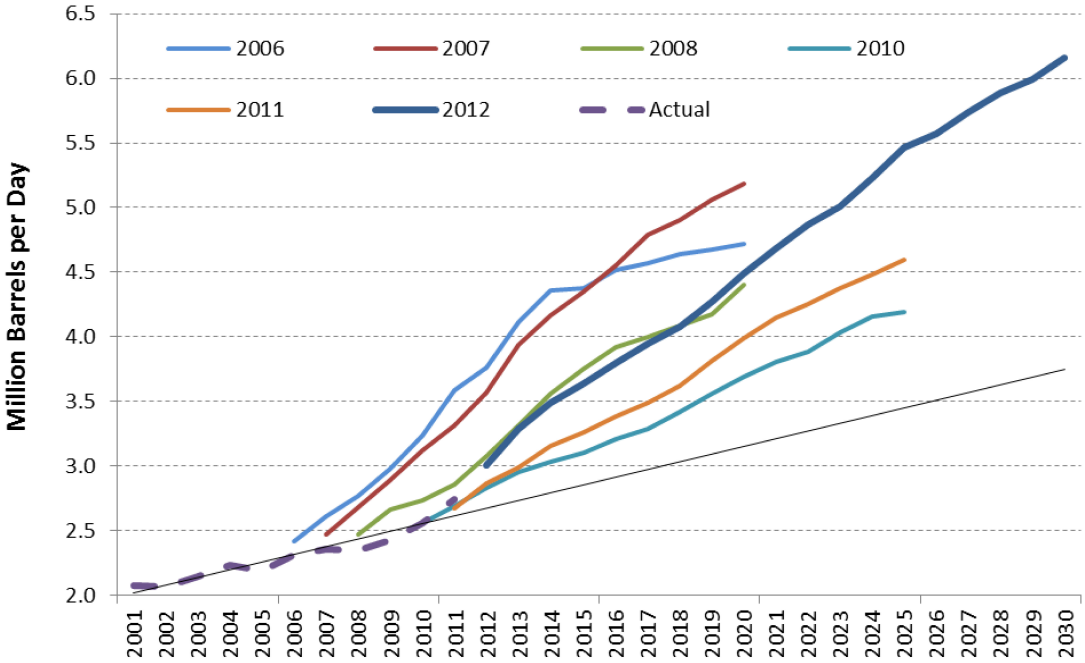
4.1.2. Estimate of Future Crude Oil Supply

TM estimates the need for the TMEP based on a crude oil supply forecast from IHS presented in Appendix A of *Volume 2* in the TMEP application (TM 2013b). Three scenarios are provided in IHS's original 2013 forecast for the 2016 to 2037 time period: base case, high supply, and low supply. IHS states that its base case scenario is consistent with CAPP's forecast (TM 2013b, Vol. 2 App. A p. 7), but higher than the NEB's (2011) crude oil production forecast (TM 2013b, Vol. 2 App. A p. 22). In April 2015 (see TM 2015a), IHS updated its WCSB oil production and export supply forecasts to incorporate the downturn in the oil sector by adding a new base case that is substantially lower than the previous IHS base case (Figure 2 in section 3.1).

IHS's forecasts raise several concerns. First, there is the issue of potential optimism bias in oil supply forecasting. Despite IR requests, IHS did not provide past forecasts to allow for evaluation of IHS' forecasting accuracy. IHS does state, though, that its base case crude oil production forecast is consistent with CAPP's forecasts, which systematically over-estimates production. CAPP explicitly acknowledges optimism bias in its forecast methodology as CAPP seeks to ensure that there is adequate investment in transportation capacity (CAPP 2006, p.6). As shown in Figure 3, the magnitude of overestimation in the CAPP forecasts varies by forecast year. For example, the 2006 CAPP forecast is higher than actual production by more than 800 kbpd in

314 2011 and 2012, and the CAPP 2007 forecast exceeds actual production by about 300 kbpd from
315 2009 to 2012 (CAPP 2006; CAPP 2007; CAPP 2008; CAPP 2011; CAPP 2012; CAPP 2013). In
316 all cases, CAPP's forecasts were markedly higher than actual production. Given IHS's stated
317 consistency with CAPP forecasts, IHS forecasts may reflect the same optimism bias.

318 ***Figure 3. Comparison of Historical CAPP Forecasts of Canadian Oil Sands Production***



319

320 Sources: CAPP (2006; 2007; 2008 as cited in USDS 2013, Vol. 1.4 p. 1.4-25; 2011; 2012; 2013).

321 A second concern with IHS's production oil supply forecasts is optimistic price
322 assumptions. In its 2013 forecast IHS assumed an oil price of about $95 per barrel (Brent) in
323 constant US dollars for the life of the project (TM 2013b, Vol. 2 App. A p. 47). However, since IHS
324 completed its forecast, Brent prices have fallen from $109 (2013 US $) in 2013 to a forecasted
325 $59 in 2015, while West Texas Intermediate (WTI) prices have fallen from $98 to a forecast of $52
326 in 2015 (US EIA 2015a). In its April 2015 update (see Figure 2 in section 3.1; TM (2015a)) IHS
327 lowered their forecast for western Canadian crude production to reflect lower oil prices. Other
328 forecasters have also cut their Canadian oil production forecasts in response to declining oil
329 prices. CAPP (2015) expects a 33% reduction in oil sector investment in 2016, a 30% decline in
330 drilling in 2016, and a 120 kbpd reduction in production in 2016 relative to the 2014 forecast
331 (which itself reduced the production forecast by approximately 300 kbpd from the 2013 CAPP
332 forecast) (CAPP 2014). The International Energy Agency's (IEA) most recent market analysis (IEA
333 2015) similarly reduced its Canadian oil production forecast by more than 10% for 2019 due to

lower oil prices. However, although IHS reduced its price and supply forecast to better reflect current market conditions, its 2015 update (TM 2015a) still appears optimistic relative to other recent forecasts for the medium to longer term. The 2015 IHS production forecast assumes 2015 Brent prices of $54.38 (2014 US $) rising to $80.26 in 2020 and to $110.48 in 2025, yet the US Energy Information Administration's (US EIA) most recent reference forecast for Brent crude is for prices to remain below $80 (2013 US $) to 2020 and rising to just over $92 in 2025 (US EIA 2015c, p. ES 1-2). Wolak (2015) recently forecasted oil prices to stay in the range of $50-$70 per barrel for the next 10-20 years. While the IHS price forecast for 2020 is similar to the recent 2015 US EIA forecast, IHS's forecast for 2025 is 20% higher than the US EIA forecast (Table 3) and considerably higher than Wolak's forecast. Although the updated IHS forecast better reflects current market conditions, the updated forecast still anticipates a strong recovery in oil markets that may be too optimistic. As IHS states in its update:

> *the IHS long-term outlook, which calls for sustained growth in supply from the Canadian oil sands, has not fundamentally changed in response to the current short-term decline in crude prices. …Short-term oil prices have been volatile historically, and IHS has not materially changed its long-term oil price forecast (TM 2015a, p. 17).*

Table 3. Comparison of IHS and US EIA Oil Price Forecasts

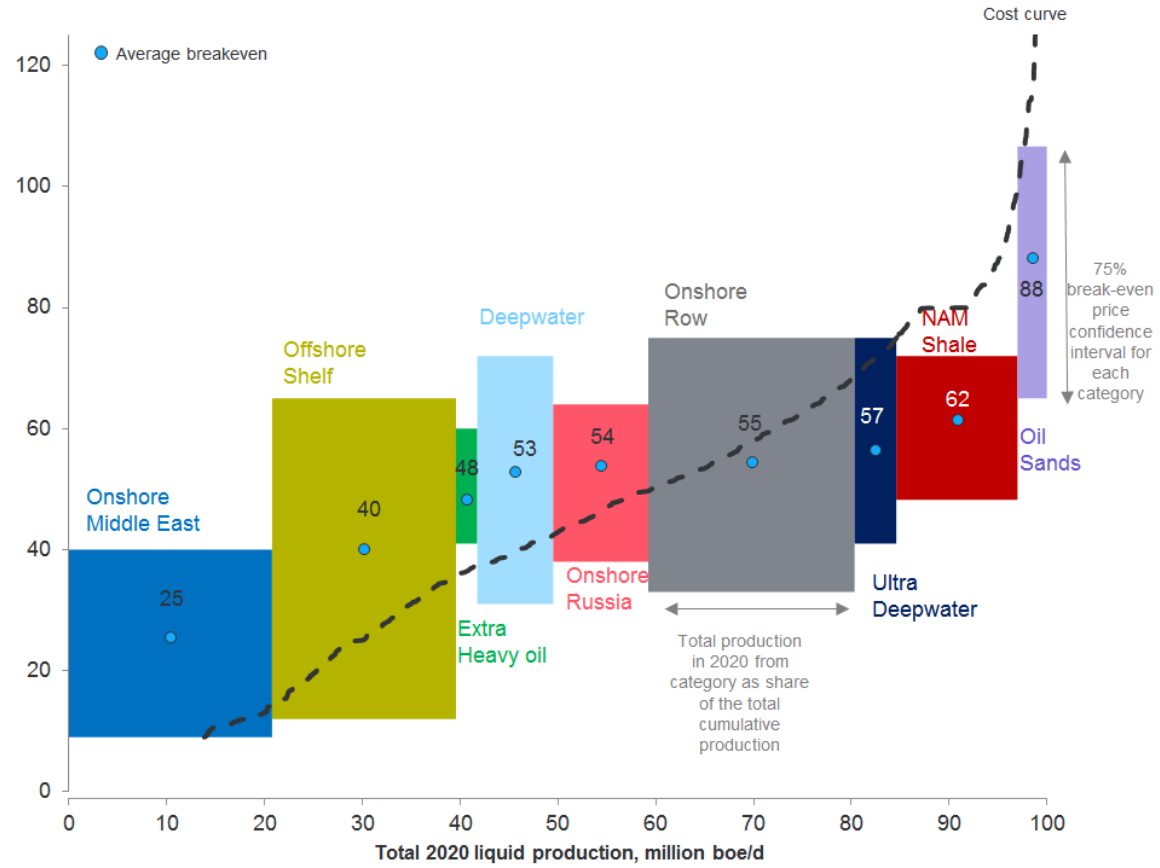
Year	IHS (Brent in 2014 US $)	US EIA[1] (Brent in 2014 US $)
2014 (actual)	99.00	99.00
2015	54.38	59.32
2020	80.26	80.41
2025	110.48	92.61

Sources: TM (2015a, p.5) and US EIA (2015a, Appendix A Table A1). Note. 1. US EIA forecasts are updated from US 2013 $ to US 2014 $ by the US CPI for comparison to the IHS forecast.

There is a high degree of uncertainty regarding the future direction of oil prices. We stress that oil prices can have more significant impacts on Canadian production because Canadian oil sands production (Figure 4, see Oil Sands) is at the high end of the international cost curve (see also IEA (2013, p.454)). Studies by the Canadian Energy Research Institute (CERI) (2014) estimate the WTI prices (2013 US $) needed to justify oil sands expansion are $85 for *in situ* SAGD projects and $105 for mine projects. While some oil sands projects will have higher or lower supply costs than CERI's average estimates, CERI's analysis shows that many previously planned

new greenfield projects in the oil sands are unlikely to be developed at current WTI prices. While some other forecasts have lower cost of production estimates for the oil sands, they also forecast slower growth in WCSB production.[4]

Figure 4. Oil Supply Cost Curve (US$ per barrel)



Source: Rystad Energy Research and Analysis (2015).

A third concern with IHS's forecasts is that IHS does not provide a detailed description of the assumptions on which the forecast is based other than oil prices, nor does it explain the methodology used, and how risks and uncertainties are incorporated into the forecast. As a consequence, the reliability and margin of error in IHS's forecast is impossible to assess.

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[4] CERI's estimates are based on a US/Canada exchange rate of .98, but with the recent decline in the Canadian dollar and potential reductions in costs due to slower rates of expansion, the WTI break-even prices will fall. Leach (2015) estimates current break-even costs for new *in situ* projects at just under $50 WTI and new mines at about $63 WTI based on lower exchange rates and lower diluent costs. Leach nonetheless anticipates a downward revision in the oil sands production forecasts due to lower prices.

Providing detailed descriptions of methods and assumptions, and exploring plausible variation in uncertain model parameters, are standard practice in modelling and forecasting. For example, the NEB, IEA, and US EIA provide transparency with respect to the assumptions underlying their crude oil production forecasts and show how different assumptions impact their forecasts through sensitivity analyses. The NEB forecasts crude oil production using three cases (high, low, and reference), and all of the NEB's assumptions related to price, macroeconomic conditions, and energy consumption are clearly stated for each case. The NEB's reference case, for example, forecasts supply based upon the current macroeconomic outlook, moderate energy prices, and government policies and programs that were either law or near-law during report preparation (NEB 2013a, p. 1). Similarly, the IEA's *World Energy Outlook* (IEA 2013) uses its New Policies Scenario, which projects production according to the continuation of existing policies and measures and assumes the cautious implementation of policies announced by governments that have yet to take effect. Likewise, the US EIA provides details on their underlying assumptions and the confidence intervals associated with their forecasts (US EIA 2015c; US EIA 2015a).

A final concern is that the IHS forecasts due not appear to factor in the impact of potential climate change policies on Canadian oil production. Recent studies show that implementation of new climate change policies to achieve global climate change targets could severely curtail Canadian oil sands production because of its high production costs (McGlade and Ekins 2015).

4.1.3. Optimistic Forecast of Bakken Shipments on Canadian Pipelines

As discussed in section 4.1.1, TM used lower than actual pipeline capacity in its transportation capacity analysis, later explained in response to IRs on the grounds that downward adjustments were required to account for shipments of Bakken crude on Canadian pipelines. According to its IR responses, TM assumes 625 kbpd of Bakken shipments on Canadian pipelines comprised of 100 kbpd on Keystone XL, 300 kbpd on Energy East, and 225 kbpd on the Enbridge mainline (TM 2015c, p.2-3). No analysis is provided to support these figures and no analysis of transportation supply and demand for the Bakken region is provided.

Information on the supply and demand for oil transportation for the Bakken region is provided in Table 4. The data show that current transportation capacity is two times higher than current oil production, and by 2019 transportation capacity could be triple current oil production if all proposed projects proceed.

401 ***Table 4. Oil Transportation Supply and Demand, Bakken Region***

	2015 (kbpd)	2020 (kbpd)
Pipeline Capacity	827	1,866
Rail Capacity	1,490	1,590
Total Transportation Capacity	2,317	3,456
Production (Jan 2015)	1,195	1,400 - 1,700
Surplus Transportation Capacity	**1,122**	**1,756 - 2,056**

402 Sources: North Dakota Pipeline Authority (2015b; 2015a) and Kringstad (2015).

403 Forecasts of Bakken oil production are in the range of 1,400 to 1,700 kbpd by 2020, but
404 the forecasts remain uncertain, particularly in the face of recent declines in Bakken production due
405 to lower prices and declining well productivity (US EIA 2015b). However, even if Bakken
406 production reaches the high end of the forecast (1,700 kbpd), there will still be over 1,700 kbpd of
407 surplus transportation capacity if all planned projects proceed. Therefore, TM's assumption that
408 625 kbpd (more than half of current Bakken production) will be transported on Canadian pipelines
409 when there is significant excess transportation capacity serving Bakken is a highly optimistic
410 assumption.

411 4.2. No Assessment of Costs of Surplus Pipeline Capacity

412 The NEB's *List of Issues* for the TMEP application (NEB 2013d) requires assessment of
413 the commercial impacts of the project (Issue 3). A major commercial impact of the project that is
414 not assessed by TM is the impact of the TMEP on other oil transportation infrastructure.

415 TM has firm 'take-or-pay' contracts that may allow the construction of the TMEP from the
416 private financial perspective of TM. However, the construction of the TMEP will contribute to
417 unused pipeline capacity across the broader oil transportation sector in Canada. The timing and
418 extent of this under-utilization of pipeline capacity will depend on what oil supply forecast one
419 uses, what other projects are built, and how much rail continues to be used, but in all likelihood it
420 would seem to be significant.

421 IHS's 2013 analysis (TM 2013b, Vol. 2 App. A p. 45) estimates that there could be 1.8
422 mbpd of surplus pipeline capacity in 2019, more than three times the size of the TMEP, if all
423 planned projects are built. Based on TMEP capital costs per barrel, this represents approximately

$16 billion in unused capacity, which would constitute a large net cost to the Canadian oil and gas sector in the form of excess, unused infrastructure, as well as reductions in tax payments flowing to government. Under IHS's new updated base case forecast (TM 2015a), the surplus capacity in 2019 could increase to approximately 2.5 mbpd, and there could be surplus pipeline capacity until after 2037, with consequent effects on unused infrastructure and government tax receipts.

4.3. Deficient Assessment of Predicted Oil Price Netback

IHS (TM 2013b, Vol. 2 App. A p. 16) concludes that the TMEP would increase netbacks for Canadian crude oil producers by an estimated $45 billion over the project's 20 year operating period. These benefits would result from: (1) a reduction in oil transportation costs with TMEP as compared to rail shipping costs to the USGC ($37.4 billion); and (2) access to higher value markets ($8 billion uplift). In its April 2015 update (TM 2015a), IHS increased the estimated netback benefits to $61 billion. There are a number of serious deficiencies in the analyses underlying TM's estimates.

4.3.1. Transportation Cost Savings

A first problem with the IHS analysis is that the transportation cost comparisons between pipelines and rail do not represent the full range of rail options. IHS estimates that rail transportation to the market-clearing point in the USGC is $5 to $6 more expensive per barrel than pipeline transportation based on a comparison of the cost of shipping diluted bitumen (dilbit) by rail and pipeline. However, another option not assessed by IHS is shipping undiluted bitumen by rail.

Raw bitumen requires the addition of diluent such as natural gas condensates to reduce its viscosity to allow for transportation by pipeline. The resulting dilbit is typically composed of 70% bitumen and 30% diluent (USDS 2014, Vol. 1.4 p. 1.4-29). Rail transportation does not require diluent if insulated rail cars are equipped with steam coils to reheat the bitumen, and this type of rail car lowers costs by not having to transport the same volume of liquid as pipelines (USDS 2014, Vol. 1.4. p. 1.4-29). The majority of tank cars manufactured since 2013 are of the coiled/insulated type that carry 100% bitumen (Torq Transloading 2012 as cited in USDS 2014, Vol. 1.4 p. 1.4-82). IHS acknowledges the potential for lowering rail costs by obviating the need for diluent (TM 2013b, Vol. 2 App. A p. 44, footnote 27), but did not incorporate this scenario in its price differential analysis, making its analysis of costs comparisons between rail and pipeline transportation incomplete.

454 TM's own evidence indicates that when other viable rail shipment options such as using
455 insulated cars are assessed the cost advantage of pipelines (and the estimated benefit in higher
456 netbacks) could disappear (Table 5). TM's evidence submitted for the TMEP toll hearing (Schink
457 2013, App. A p. 18) provides a cost comparison of transportation of dilbit (70% bitumen and 30%
458 diluent) and undiluted bitumen by rail and pipeline on a per-barrel basis to several origin and
459 destination markets including Edmonton to the USGC and Fort McMurray to the USGC. Schink's
460 conclusion is that dilbit shipments by rail to the USGC are less expensive than pipeline shipments
461 when condensate is backhauled to the origin market, and that bitumen shipments by rail to the
462 USGC are considerably less than pipeline shipments regardless of whether rail cars are returned
463 empty or full of condensate. Schink concludes that "…in Western Canada, rail has become an
464 increasingly cost-effective transporter for crude oil" (2013, App. A p. 18).

465 ***Table 5. Comparison of Rail and Pipeline Shipping Costs to the USGC***

Origin-Destination	Product[1]	Returned Rail Cars	Cost per barrel		
			Rail	Pipeline	Difference
Edmonton to USGC	Dilbit	Empty	$13.4	$9.0	+$4.4
	Dilbit	Condensate	$8.5	$9.0	-$0.5
Fort McMurray to USGC	Bitumen	Empty	$13.5	$15.1	-$1.6
	Bitumen	Condensate	$7.2	$15.1	-$8.0

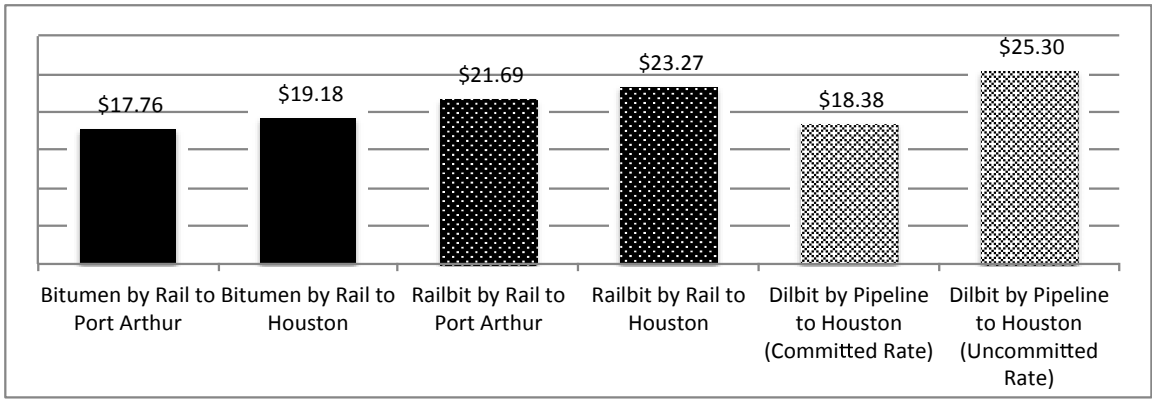
466 Source: Adapted from Schink (2013, App. A p. 18). Note. 1. Dilbit consists of 70% bitumen and 30% condensate
467 diluent; bitumen in the table represents 100% undiluted bitumen. Pipeline shipments are of dilbit.

468 Independent analysis prepared by ICF (Undated) for the *Final Supplemental*
469 *Environmental Impact Statement for the Keystone XL Project* also shows that crude-by-rail
470 shipment of Canadian heavy crude is cost-competitive with pipelines to the USGC.[5] ICF compares
471 costs of transporting crude oil from Western Canada to the USGC by estimating rail and pipeline
472 shipments on a per barrel basis and making the necessary adjustments to ensure that costs of

[5] Note that rail shipment costs from ICF (Undated) and Schink (2013) are not directly comparable since they rely on different assumptions, data, and methods.

473 shipping dilbit (30% condensate) and railbit (only 15% condensate) are comparable to bitumen.[6]
474 ICF concludes that the cost of shipping bitumen by rail to USGC refineries may be less than
475 shipping bitumen by pipeline (as dilbit containing 30% diluent) to USGC refineries at a long-term
476 committed rate. According to ICF's analysis, both bitumen and railbit shipped by rail are less
477 expensive than shipping bitumen as dilbit at an uncommitted rate by pipeline to the USGC (Figure
478 5). Furthermore, crude-by-rail estimates in Figure 5 omit the potential for back-hauling diluent on
479 the train's return journey which could create additional savings of $2 to $5 per barrel associated
480 with rail transportation (USDS 2014, Vol. 1.4 p. 1.4-87-89). Other analyses (Fielden 2013;
481 Genscape 2013) also highlight the price advantage associated with crude-by-rail shipments and
482 estimate that rail shipment of bitumen may increase a crude oil producer's netbacks by $4 to $10
483 per barrel compared to pipeline shipments of dilbit.

484 ***Figure 5. Comparison of Rail and Pipeline Shipment Costs***



485

486 Source: ICF (Undated).

487 In sum, it is not clear that pipeline deliveries would be less expensive than rail, certainly not
488 by the amount used by IHS to estimate the netback benefit of TMEP. However, even if one were

[6] ICF (Undated) estimates pipeline shipment costs from Hardisty, Alberta to Houston, Texas refineries via the Keystone and Seaway pipelines. Costs associated with pipeline shipments include pipeline tariffs on the Keystone and Seaway pipelines (committed or uncommitted), a penalty for transporting diluent south (i.e., only 70% bitumen is shipped), line fill and storage costs based on a transit time of 20 days, and costs of transporting diluent north to Alberta. ICF estimates rail shipment costs from Hardisty, Alberta to refineries in both Port Arthur, Texas and Houston, Texas for bitumen and railbit. Costs associated with rail shipments include loading and unloading the unit trains, rail freight, railcar lease, a penalty for transporting diluent south (railbit), rail fill costs based on a transit time of eight days, destination movements (i.e., by barge to local refineries in Port Arthur or to refineries in Houston), and costs from transporting diluent north to Alberta. For a complete discussion of these costs see ICF (Undated).

to accept IHS' assumption that rail is more expensive, the netback benefit calculations for the TMEP have another major flaw.

IHS's analysis is based on the assumption that transportation cost savings and increased netbacks for oil deliveries on TMEP would increase the netbacks for ***all*** oil exported from the WCSB. In other words, according to IHS, a small shipment of WCSB oil on rail will set the price for **all** Canadian oil exports. IHS's analysis assumes that the oil market is perfectly competitive and that TMEP shipments are the marginal deliveries establishing (and in this case increasing) the netbacks for all WCSB sales. This assumption is not valid. The crude oil market is not perfectly competitive because of a limited number of buyers and sellers as well as in some cases buyer-seller ownership or other ties. Also, there are long-term transportation and oil sales contracts that will prevent all netbacks adjusting to the netback on marginal deliveries. For example, shippers using long-term contracts will pay the same toll and receive the same netback regardless of whether there is any WCSB oil shipped to the USGC by rail or not.

Finally, even if one were to accept IHS's assumptions that rail transportation is more costly than pipelines and that oil transportation markets are perfectly competitive, IHS's estimate of transportation cost savings is inconsistent with their own analysis that argues that if just some of the other planned pipeline projects proceed there will be sufficient pipeline capacity without using rail. In other words, if TMEP is not built there will be sufficient capacity on these other new pipelines and the rail-pipeline cost differential would not be relevant in determining what if any transportation cost saving benefit TMEP would generate.

4.3.2. Access to Higher Priced Markets

The second component of TM's assertion of a netback benefit with the TMEP is based on accessing offshore markets where Western Canadian crude would supposedly receive a higher price compared to what it would receive from the USGC. IHS estimates a price premium that ranges from $1.76 to $7.72 per barrel in Asia in its 2013 application (TM 2013b, Vol. 2 App. A p. 14), which is reduced to $1.76 to $2.52 per barrel in its 2015 update (TM 2015a, p. 10). IHS, however, provides no evidence to support its forecast of a permanent oil price premium in Asia to 2037.

Although oil prices in Asia have historically been higher than European and US prices by up to $1.50 per barrel throughout the 1990s (Ogawa 2003), price differentials have fluctuated between premiums and discounts (Cui and Pleven 2010; Doshi and D'Souza 2011; Broadbent

2014, p.108-110) with no discernible pattern or trend line with which to forecast a permanent premium 20 years into the future. Doshi and D'Souza (2011) note a recent reversal of the Asian price premium between 2007 and 2009 and conclude that Asia received a discount on crude oil relative to Atlantic markets at this time. Cui and Pleven (2010) suggest that recent discounts on crude oil priced in Asia result from Asia's diversification of crude oil supplies beyond the Middle East and that Asia's increased bargaining power will eliminate the Asian premium.

IHS's assumption of permanent higher Asian prices assumes that the global oil market is comprised of independent regional markets, but regional oil markets are not independent. Rather, regional oil markets are integrated forming in effect a single world market linked by shippers' ability to transport oil between geographic locations according to supply and demand dynamics; if demand and prices rise in one location, producers will increase supply to that location until the oil market equilibrates and price differentials disappear (Adelman 1984; Kleit 2001; Nordhaus 2009; Fattouh 2010; Huppmann and Holz 2012). While there may be short-term impediments in oil markets that restrict adjustments in global supply, such as transportation logistics that result in temporary price differentials (e.g., the glut of oil in Cushing, Oklahoma), the global oil market will work to gradually erode these differences and reduce any short-term oil price differentials over the long-term. As Bruce March, chief executive officer for Imperial Oil, commented, oil is fungible and easily transportable, and oil prices in the Pacific and US will balance as the price of oil in the USGC rises and the price of oil in Asia falls (Vanderklippe 2012). Therefore, while oil prices are uncertain, relying on the assumption of a permanent Asian premium in project evaluation is not supported by the world oil market dynamics and would not be prudent[7].

Finally, it should be noted that a portion of any netback benefit from higher prices, as well as a portion of transportation cost savings, will accrue to non-Canadian shareholders. In terms of the Canadian public interest, any benefits accruing to non-Canadians should be ignored, consistent with the NEB definition of the public interest as inclusive solely of Canadians (NEB 2010a, p. 1) and consistent also with benefit cost analysis guidelines from the Treasury Board of Canada Secretariat (TBCS 2007, p. 12). Although it is difficult to isolate the exact proportion of profits accruing to non-Canadians as a result of TMEP, it is possible to provide an estimate based

[7] There may be some option value in having transportation facilities that allow for exploitation of short-term market disequilibria or locational rents. The benefits, however, would be shorter-term, challenging to exploit given the large number of competitive suppliers, and would have to be weighed against the costs of maintaining the transportation capacity required to exploit different market options.

548 on the proportion of foreign ownership in the Canadian oil and gas sector. According to Statistics
549 Canada (2013), the percentage of foreign ownership based on profits in the Canadian oil and gas
550 sector averaged 41% for the five years between 2008 and 2012. Consistent with Canadian
551 government guidelines, the after-Canadian-tax profits from higher crude oil prices accruing to
552 foreign shareholders should be deducted from any benefit estimate.

553 4.4. No Analysis and Consideration of Net as Opposed to Gross 554 Economic Impacts

555 TM maintains that the TMEP would generate economic "benefits" in the form of jobs,
556 economic output, and government revenues based upon an EconIA done by the Conference
557 Board of Canada (TM 2013b, Vol. 2 p. 2-41-43). It is widely recognized and accepted, however,
558 that gross economic impacts as the Conference Board of Canada estimated do not indicate net
559 effects on the economy and certainly do not in any way indicate the net benefits of the project
560 (Grady and Muller 1988).

561 To analyze net effects one must recognize how other firms and industries are affected by
562 the project due to direct diversion of expenditures and by the more general economy-wide effects
563 the project may have in terms of impacts on wages, prices, and interest and exchange rates. To
564 evaluate net benefits one must further assess the "opportunity cost" of labour and capital, defined
565 in terms of how the labour and capital would be employed in the absence of the project (Pearce et
566 al. 2006; Ward 2006; Shaffer 2010). In a well-developed economy such as Canada's, most if not
567 all the labour and capital employed on the TMEP will be employed elsewhere in the economy if
568 the TMEP does not proceed, and the net gain in economic activity generated by the TMEP will be
569 much less, potentially minimal, as compared to the gross impacts estimated by the Conference
570 Board of Canada.

571 Further to this point, labour market studies document the shortage of skilled labour in
572 Canada, indicating that labour has a high likelihood of otherwise being employed in the absence of
573 the TMEP. As the NEB concludes:

> 574 *[a] shortage of skilled workers is developing as the workforce ages and overall*
> 575 *demand for labour increases. According to the Petroleum Human Resources*
> 576 *Council of Canada (PHRCC) the oil and gas industry needs to fill 36,000 job*
> 577 *openings between 2013 and 2015, as a result of industry activity levels as well*
> 578 *as age-related attrition. In the longer term, under a scenario of higher oil and*
> 579 *gas prices, the PHRCC is predicting a requirement of 84,000 new hires by 2022.*

> *This challenge is being addressed through a number of government and industry initiatives, but a potential labour shortage may increase construction costs and slow the pace of oil development (NEB 2013a, p. 48).*

Recent labour market studies by the BC government similarly forecast tight labour markets in BC and find that in-migration of skilled workers will be required even if no liquefied natural gas (LNG) projects planned for the province are built (BC Statistics 2014). While the recent oil market downturn may take some pressure off the labour market in Western Canada, the assumption that all workers employed on the TMEP will otherwise be unemployed is not valid, and consequently the gross employment impacts of the TMEP cannot be expected to fairly represent net incremental gains to the Canadian economy.

The Conference Board of Canada's estimates of government fiscal benefits provided in TM's application (TM 2013b, Vol. 2 App. B) are also not valid. The estimated gain of $4.5 billion in government revenue from project construction and operation is based on the assumption that all the labour and capital employed by the TMEP would otherwise be unemployed and would therefore generate no tax revenue absent TMEP. Again, most if not all of this labour and capital would be otherwise employed and would generate tax revenue in alternative employment. The Conference Board of Canada's EconIA is also problematic in that it only assesses gross government revenue without considering any potential incremental burdens on government induced by the TMEP such as emergency response and regulatory oversight. As well, the EconIA ignores how tax revenues may be reduced to the extent that TMEP diverts oil and revenues from other shippers. Consequently, the estimated $4.5 billion increase in government revenue estimated by the Conference Board of Canada significantly overestimates the net revenue gain to government.

4.5. Inadequate Assessment of Economic, Environmental, and Social Costs

The NEB's assessment of the public interest value of new pipeline applications requires consideration of the potential negative impacts of projects. However, TM considers only the potential benefits of the TMEP on oil price netbacks and economic output and does not include estimates of the economic, environmental, and social costs of the project despite explicit requirements from the NEB to include these costs in the information provided on the public interest. Such costs include:

- government costs of providing infrastructure and services such as emergency response and regulatory oversight to support the pipeline;
- damages and losses to ecosystem goods and services from pipeline and terminal construction and operation;
- air pollution from construction and operation of the pipeline and marine terminal as well as tanker operations;
- GHG emissions from construction and operation of the pipeline and marine terminal as well as tanker operations;
- spill accidents or malfunctions that occur during pipeline, terminal, and tanker operations;
- damages and risks to passive use values incurred by Canadians;
- social costs related to the potential conflict associated with opposition to the project, and
- cultural impacts caused by the disruption of traditional and cultural practices resulting from regular project operations and/or spills.

TM's failure to include and quantify these costs in its assessment is a serious omission that results in an incomplete analysis of the public interest value of the TMEP and is contrary to the public interest requirements of the *NEBA*.

4.6. Incomplete Distributional Analysis of Impacts Affecting Different Stakeholders

Federal government evaluation guidelines recommend the need for analyzing the distribution of impacts of projects and policies across different stakeholder groups. As stated in Treasury Board of Canada Secretariat (TBCS 2007) guidelines:

> *[o]ne must ask, "Who are the winners and who are the losers under the policy?" and "By how much does each class of stakeholders gain or lose?" A stakeholder analysis attempts to allocate the net benefits or losses generated by the policy. The output of the stakeholder analysis contains critical information for decision makers, as it indicates which groups will be the net beneficiaries and which groups will be the net losers and by how much (p. 30).*

The Conference Board of Canada's EconIA in Appendix B of *Volume 2* of the TMEP application examines direct, indirect, and induced impacts to GDP, government revenues, and employment from the perspective of the provinces and Canada. The EconIA does not provide a comprehensive analysis of the distribution of potential impacts by stakeholder group (such as First Nations, households in BC, Alberta, and Canada, crude oil producers, and tanker owners/operators, among others) as recommended in federal government guidelines. Further, the analysis of distributional effects in *Volume 2* identifies only the gross economic benefits of the

TMEP and fails to examine the distribution of potential costs that stakeholders incur from the project. Consequently, TM is not able to identify who “wins and loses”, nor is TM able to identify appropriate mitigation measures such as adequate levels of compensation to address negative impacts borne by particular societal groups affected by the project such as First Nations.

The absence of a comprehensive evaluation of distributional impacts in the TMEP application prevents decision-makers from assessing the economic, environmental, and social costs and benefits to different societal groups in Canada and from determining the appropriate balance of these interests in order to assess the public interest of the project consistent with the *NEBA*.

4.7. Inadequate Compensation Plans

An important consideration in the assessment of public interest and analysis of who gains and who loses from projects such as the TMEP is the nature of the compensation system to mitigate economic, environmental, and social costs incurred by specific stakeholders. Here we focus on just one of the many compensation issues: compensation for damages from a potential tanker spill.

Although TM provides an overview of compensation funds in its Contingency Plan (TM 2013b, TERMPOL 3.18), TM has not provided a comprehensive compensation plan that provides details about the process for mitigating and compensating damages incurred by parties impacted by a tanker spill. The Contingency Plan does not define compensable damages, identify compensable parties, specify methods for determining damage claims, identify funding sources to fully cover all damage costs, or specify dispute resolution procedures. Instead, TM defers compensatory responsibility for tanker spills to the International Oil Pollution Compensation Funds and the domestic Ship-source Oil Pollution Fund, which provides maximum compensation of up to $1.3 billion for tanker spills (TM 2013b, TERMPOL 3.18). It is critical to note, though, that the international and domestic compensation funds only cover damages where a monetary loss can be proven (IOPCF 2011), and consequently many spill damages including environmental damages, social and psychological costs, and passive use damages may not be compensated. Recent evidence shows that compensation actually paid by the International Oil Pollution Compensation Funds represented only 5% to 62% of compensation claimed for six large tanker spills (Thébaud et al. 2005).

4.8. No Assessment of Costs and Benefits of Alternative Projects

The NEB *Filing Manual* (NEB 2013c, p. 4-3) requires proponents to describe other economically- feasible alternatives to applied-for projects and to provide a rationale for choosing the proposed project over alternatives. According to the NEB (2013c, p. 4-4), the proponent must evaluate feasible project alternatives that meet the objective of and are connected to the applied-for project. To justify the proposed project, the NEB recommends that the proponent provide an analysis of the various project alternatives with criteria to determine the most appropriate option (NEB 2013c, p. 4-4). The criteria the proponent should use to evaluate different project alternatives include construction and maintenance costs, public concern, and environmental and socio-economic effects (NEB 2013c, p. 4-3).

The TMEP application (TM 2013b) considers different pipeline corridors and alternative pump station locations in its environmental and socio-economic assessment in *Volume 5A* and *Volume 5B* and identifies some of the criteria referenced by the NEB (2013c) to evaluate alternatives. However, the TMEP application does not include an analysis of project alternatives that would meet the primary purpose of the TMEP, which is “to provide additional transportation capacity for crude oil from Alberta to markets in the Pacific Rim including BC, Washington State, California, and Asia” (TM 2013b, Vol. 1 p. 1-4) and the more general objective of transporting Alberta crude to world-priced oil markets.

As IHS’s analysis for TM indicates, there are a large number of potential transportation projects available and not all the projects or options are required or needed to meet demand. Consequently it is essential to undertake a comparative evaluation of transportation options to identify which option or combination of options is more cost-effective from an economic, environmental, and social perspective. The US government’s assessment of pipeline proposals provides a good framework for how to undertake comparative evaluation of transportation

options.[8]

4.9. No Assessment of Project Trade-offs

A final major deficiency in the TMEP application is that the regulatory application submitted by TM does not present the major trade-offs of the project in terms of its gains and its costs. The TMEP application contains several sections relevant to evaluating the public interest of the project: *Volume 2* of the TMEP application discusses the economic and commercial implications of the project and contains appendices that estimate the benefits of the project, the need for the project, and the direct, indirect, and induced economic impacts; *Volumes 5A, 5B, 5C* and *5D* contain the socio-economic and biophysical impacts of the project; and *Volumes 7* and *Volume 8C* (including the TERMPOL studies) contain important information related to spill risk. However, TM does not synthesize important information from the different volumes of the regulatory application in a centralized evaluative framework to compare costs and benefits of the project and trade-offs that decision-makers must consider in assessing the project's public interest value. Identifying trade-offs between gains from project benefits and losses from project costs is information needed by the NEB to be able to weigh the impacts of a project to determine whether the project is in the public interest (NEB 2010a, p. 1).

4.10. Summary of Major Deficiencies

The methods used by TM to assess whether the TMEP is in the public interest has a number of major weaknesses. The assessment uses gross economic impacts as the primary measure of the contribution of the project to the public interest instead of net impacts, and the

[8] A good example of evaluating alternatives is the US government's *Final Supplemental Environmental Impact Statement for the Keystone XL Project* (USDS 2014). The analysis of alternatives considers three major categories of alternatives and a large number of sub-options under each category including ten alternative scenarios for shipping WCSB oil to the USGC involving rail, a combination of rail and tanker, rail and pipeline, trucking, existing pipeline systems, other recent crude transportation proposals, and additional scenarios that consist of using alternative energy sources and implementing energy conservation measures (USDS 2014, Vol. 2.2 p. 2.2-6). The alternatives were evaluated using comprehensive economic, social and environmental criteria. According to the USDS (2014, Vol 2.2 p. 2.2-1), an evaluation of all feasible project alternatives provides decision-makers and the public with a range of reasonably different options to the proposed project to consider.

721 method incorrectly assumes that economic impacts are a measure of benefits without taking into
722 account the opportunity cost of the labour, capital and other resources it uses. TM's analysis
723 overstates the need for and value of the transportation services it provides. The TM analysis also
724 does not estimate many of the costs of the project (e.g., unused capacity, and environmental
725 costs) and does not provide a summary of costs and benefit in a format that allows for
726 identification of trade-offs and comparisons necessary for determining whether the TMEP is in the
727 public interest.

728 Table 6 provides a summary of these deficiencies. In total we identify 11 major deficiencies
729 related to project need and public interest of the TMEP. Accordingly we conclude that TM's
730 application is incomplete and deficient and the application does not provide decision-makers with
731 the information required to make an informed decision on whether the TMEP is needed and in the
732 public interest. Further, we believe that the evidence submitted by TM shows that the TMEP is not
733 needed as planned, will harm the public interest by generating significant costs in terms of surplus
734 capacity, and will not generate the alleged benefits of higher oil price netbacks.

735 ***Table 6. Weaknesses in the TMEP Regulatory Application Addressing the NEBA Decision***
736 ***Criteria***

Criterion	Description	Deficiency
Project Need	*An analysis of the supply and demand for the pipeline provides the best available information to enable a sound decision of the need for pipeline capacity*	1. Understatement of oil transportation capacity 2. Optimistic crude oil supply forecast 3. Optimistic forecast of Bakken shipments on Canadian pipelines 4. No assessment of costs of surplus pipeline capacity
Public Interest	*All relevant economic, environmental, and social costs and benefits to Canadians are estimated using the best available information and analysis to facilitate a rational assessment of public interest impacts*	5. Deficient assessment of predicted oil price netback 6. No analysis and consideration of net as opposed to gross economic impacts 7. Inadequate assessment of economic, environmental, and social costs 8. Incomplete distributional analysis of impacts

Criterion	Description	Deficiency
		affecting different stakeholders 9. Inadequate compensation plans 10. No assessment of costs and benefits of alternative projects
	Information is presented in a manner that facilitates the identification of trade-offs among the various impacts to enable a reasoned judgment of whether there is a net benefit	11. No assessment of project trade-offs

5. Benefit Cost Analysis of TMEP

A comprehensive and widely-accepted method for evaluating whether projects are in the public interest is benefit cost analysis (BCA). The objective of BCA is to identify all the positive and negative consequences of a project and to assess the relative significance of these consequences to determine whether a project generates a net gain or net loss to society. BCA is based on a well-developed theoretical foundation, its methodology and application is outlined in numerous publications, and it is required for various types of approvals in many jurisdictions including Canada and Alberta (Pearce et al. 2006; Zerbe and Bellas 2006; TBCS 2007; Shaffer 2010; Boardman et al. 2011). Consequently, we will apply BCA to the TMEP to assess whether the project is in the public interest.

The basic steps in BCA are: (1) specify the scenarios that will be assessed, (2) determine standing, (3) catalogue all types of potential impacts of the project and whether they are benefits or costs and to whom, (4) predict impacts quantitatively over the life of the project, (5) monetize impacts where possible and record impacts that cannot be monetized in other quantitative or qualitative terms (6) discount benefits and costs, (7) compute net benefits, (8) perform sensitivity analyses, and (9) make a recommendation (adapted from Boardman et al. 2011).

We acknowledge that BCA has often been criticized for ignoring the distribution of impacts, concealing value judgments, and omitting or under-valuing impacts that cannot be translated into monetary terms. To address these and other concerns we use a modified BCA approach termed *Multiple Accounts Benefit-Cost Analysis* that disaggregates costs and benefits by stakeholder and by type and explicitly includes costs and benefits that cannot be translated into monetary units (Shaffer 2010). We also conduct a range of sensitivity analyses to test how results may change under alternative assumptions. Where applicable we use Canadian benefit cost analysis guidelines published by the federal government (TBCS 2007).

5.1. CBA Overview and Assumptions

We summarize the components of the potential benefits and costs of the TMEP that we

763 consider in our BCA in Table 7. The benefits of the TMEP are revenues associated with
764 transporting WCSB oil to market, the potential gains in netbacks by accessing higher value
765 markets and reducing transportation costs, employment, and tax revenue. The costs of the project
766 are the capital and operating costs of the TMEP, the costs of unused capacity, costs to BC Hydro,
767 plus external environmental costs such as GHG emissions, potential damages from oil spills, and
768 other environmental and social costs, including costs specific to First Nations.

769 ***Table 7. Components of our Benefit Cost Analysis***

Component	Benefit	Cost
TMEP Pipeline Operations	Toll revenue	Capital and operating costs of TMEP
Unused Oil Transportation Capacity		Reduced net revenues of impacted transportation capacity
Oil Price Netback	Increased netbacks to producers	
Employment	Increased wages and employment generated by TMEP	
Tax Revenue	Net tax revenue gains to government	Net tax revenue loss to government
Electricity		Net cost of supplying electricity to TMEP
GHG Emissions		Damage costs from direct TMEP GHG emissions
Other Air Emissions		Damage costs from TMEP air emissions
Oil Spills		Expected value of TMEP oil spill costs
Passive Use Damages from Oil Spill		TMEP passive use oil spill damages
Other Environmental Costs and Benefits	Other environmental benefits[1]	Other environmental costs[1]
Other Socio-economic Costs and Benefits	Other socio-economic benefits[1]	Other socio-economic costs[1]

770 Note: 1. These components are identified but not estimated in monetary units in our BCA (see appendix A).

We evaluate and compare two options in our BCA: building the TMEP versus not building the TMEP. The 'building the TMEP' and 'no TMEP' options both assume operation of existing oil transportation facilities and completion of some new facilities (see below). Following the guidelines of the Treasury Board of Canada Secretariat (TBCS 2007), we assume all Canadians have standing and therefore evaluate the TMEP from the perspective of Canada. For the base case we use the recommended TBCS discount rate of 8%, with sensitivities of 10%, 5%, and 3%. All costs and benefits are reported in 2014 Canadian dollars and are estimated over a 30 year period.

Our oil transportation capacity assumptions are summarized and compared to IHS's assumptions in Table 8. To allow for easier comparison of our assumptions with those of IHS, we have used IHS's approach of defining capacity as available capacity to ship WCSB crude, which is estimated by deducting refined petroleum shipments and shipments of US Bakken crude on Canadian pipelines from total capacity. Our base case assumptions are the same as IHS with the following adjustments:

- We include 700 kbpd of rail capacity based on CAPP's (2014) rail forecast, while TM excludes rail unless there is a shortage of pipeline capacity. We believe our assumption of 700 kbpd is conservative because: actual rail capacity is forecast to be 1,000 kbpd by 2016 with a potential to increase to 1,400 kbpd; rail is increasingly competitive with pipelines for bitumen shipments; and some rail shipments are based on longer-term contracts.
- We exclude the 525 kbpd capacity of the ENGP because this proposed project has no long-term contracts and given the projected surplus pipeline capacity we believe that it is unlikely that the ENGP will to be built.
- We use available capacity for WCSB oil for Energy East of 900 kbpd as estimated by IHS in its evidence provided for TransCanada in the Energy East application instead of 800 kbpd (IHS 2014, p. 152).

Table 8. Comparison of Transportation Capacity Estimates Used in TM/IHS Analysis and in Our BCA

Facility	**TM/IHS (kbpd)**	**Our BCA Base Case[1] (kbpd)**
Enbridge	2005	2005
Express/Milk River/Rangeland	320	320
Trans Mountain	265	265
Keystone	590	590
Rail	0	300
Existing Subtotal	**3,180**	**3,480**
Enbridge Expansion	785	785

Facility	TM/IHS (kbpd)	Our BCA Base Case[1] (kbpd)
Keystone XL	730	730
ENGP	525	0
Kinder Morgan TMEP	590	590
Energy East	800	900
Rail	0	400
Total Existing and Proposed	**6,610**	**6,885**

Sources: IHS (2014, Table 1.2A-1). Note. 1. Our BCA capacity estimates are based on IHS estimates from IHS (2014, Table 1.2A-1) and the IHS 2015 update (TM 2015c) which added 370 kbpd incremental capacity for the Enbridge Line 3 upgrade and replacement. IHS estimates are defined as available capacity to ship WCSB crude after deducting refined product shipments and US Bakken crude shipments on Canadian pipelines. Our modifications to IHS capacity estimates include: adding existing rail of 300kbpd to existing capacity and an additional 400 kbpd of rail to new capacity based on CAPP 2014; increasing available capacity on Energy East to 900 kbpd consistent with the IHS market assessment for TransCanada (IHS 2014, p.152); and omitting capacity of the ENGP pipeline due to the low probability of the ENGP being built.

As indicated in Table 8, our assumptions of total WCSB transportation are similar to those adopted by IHS. However, to address uncertainty regarding proposed expansion of oil transportation infrastructure, we conduct the following sensitivity analyses by making the following alternative assumptions to our base case transportation capacity:

1. IHS assumptions (no rail and add ENGP);
2. rail capped at 300kbpd;
3. no Keystone XL with rail capped at 300 kbpd;
4. no Keystone XL and no Energy East with rail capped at 300 kbpd; and
5. ENGP added to our base case.

Our oil supply assumptions use estimates provided by IHS in the TM application and the updated forecast. For our base case we use the updated IHS base case forecast (TM 2015a) and for our higher production sensitivity we use the 2013 IHS base case (TM 2013b, Vol. 2 App. A; TM 2014b, Table 1.2A-1) and for our lower sensitivity we use the IHS 2013 low forecast (see Figure 2). As discussed in section 4 of our report, the updated IHS production price and production forecasts appear optimistic and therefore our base case likely underestimates the quantity and costs of unused capacity.

5.2. Costs and Benefits for Trans Mountain

The costs of the TMEP are the capital and operating costs of transporting the oil as specified by TM in its submission: capital costs of $5.5 billion in nominal dollars to be spent over a seven-year period from 2012 to 2018 (or $4.9 billion in 2012 dollars) (TM 2013b, Vol. 2 App B p. 5); incremental operating costs of $118 million per year (Vol. 5D p. i); and incremental decommissioning costs of approximately $263 million (Vol. 2 p.35).

The benefits accruing to TM are the toll revenues it receives for transporting oil to market. Tolls for the TMEP are set to cover all the operating and capital costs of the pipeline as defined in the TMEP toll hearings. We assume given TM's shipper contracts that TMEP will be fully utilized, or at least in accordance with the utilization rate used to determine the cost recovery tolls. We further assume that the cost of capital used to determine the tolls are equivalent to the BCA discount rate. Under these assumptions, the present value of the TMEP capital and operating costs equal the present value of the toll revenues, and there is no net benefit or cost for the TMEP directly.[9] However, if the TMEP costs are higher than forecast in the toll hearings there will be a net cost because toll revenues will no longer fully cover costs, and if TMEP costs are lower there will be a net benefit because toll revenues will exceed costs.

Previous pipeline projects indicate that there is a propensity for significant cost escalation, which is consistent with other research on large projects (Flyvbjerg et al. 2003; Gunton 2003).[10] Although the record indicates a high risk of cost overruns, the risk may be lower with the TMEP because much of the project uses existing corridors similar to the Enbridge Clipper expansion that was completed on budget. Nonetheless, given past experience it is important to do a sensitivity analysis testing the impact of varying costs on the TMEP's net benefits. Consequently we

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[9] Although the direct operation of the TMEP generates a net present value of zero (benefits equal costs), the operation has the potential to generate other benefits (such as improved market access) and costs which are addressed in other components of the BCA.

[10] Estimates of the capital costs of the Enbridge Northern Gateway project increased by about one-third from $5.5 billion (2009$) ($5.9 in 2012$) as stated in its application (Enbridge 2010) to $7.9 billion as stated in NEB Joint Review Panel Report (NEB 2013b, p. 4). Keystone XL cost estimates increased by approximately 45% between 2012 and 2014, from $5.5 billion to $8.0 billion (TransCanada 2013, p. 40; TransCanada 2015, p. 65). The Mackenzie Valley Pipeline costs have reported to have increased by more than 40% from 2007 to 2013 (Jones 2013). Enbridge's Clipper project is reported to have come in on budget, suggesting that costs overruns are not a certainty (Enbridge 2010, p. 50). Although there are many reasons for these increases such as change in project designs and delays, the record shows a propensity for cost escalation.

undertake two sensitivities: a 20% increase in capital costs, and a 10% reduction in capital costs. We use a higher sensitivity for the increase given the evidence of cost escalation seen with previous pipeline projects. Higher capital costs result in a net cost of $792 million while lower costs generate a net benefit of $396 million (net present value).

5.3. Costs of Unused Transportation Capacity

As illustrated in TM's transportation capacity and export supply analysis (Figure 2), construction of the TMEP will contribute to creation of surplus capacity in the oil transportation sector. This surplus capacity represents capital costs incurred by the oil transportation sector that are not offset by toll revenue. Costs of surplus capacity have been identified as a concern in previous NEB pipeline hearings. In the ENGP hearings, Enbridge (Wright Mansell 2012, p. 144) estimated potential costs of unused capacity of $857 million (2012$), and in the Keystone XL hearings, it was estimated that there would be unused capacity costs of $315-$515 million per year would result in increased tolls for shippers (NEB 2010b, p. 24).

We use two methods for estimating the unused capacity costs of the TMEP. The first method is to assume that the toll revenue received by TMEP to recover its capital costs should only be included as a benefit when the TMEP capacity is required (i.e., when the TMEP is not simply diverting shipments from other oil pipelines). If the TMEP capacity is not required, the toll revenues are not an incremental benefit to the transportation sector – they simply replace the toll revenues that would have been paid to other pipelines. In this method the present value of TMEP capital costs are deducted from the overall net benefits to the extent the capital expenditures were not required to move WCSB oil to market.

A second method to estimate unused capacity costs is to estimate more directly the lost net revenue of the unused capacity on existing pipelines resulting from the diversion of oil to the TMEP. This second approach is what was used by Enbridge in its estimates of the costs of unused capacity generated by the ENGP and Keystone XL pipelines referenced above. In this method, the cost of the unused capacity is defined as the net revenue that would have been generated on other pipelines by the 590 kbpd that is diverted to the TMEP. We estimate the net revenue loss per barrel based on Enbridge's audited financial statements for pipeline operations

872 as reported in their 2014 annual report (Enbridge 2015, p. 66-67).[11] We develop three alternative
873 estimates of net revenue loss per barrel based on different assumptions (Table 9). We use
874 Enbridge's mainline for our base case estimate of unused capacity costs because we are focusing
875 on costs in Canada. However, there will be a propensity by shippers to divert oil to the TMEP that
876 would have gone to further destinations. Therefore we include a sensitivity analysis based on
877 Cushing shipments. Also note that some shipments may be diverted from rail which has a lower
878 net revenue ratio. We address this in two ways: first, we estimate the net revenue per barrel for a
879 combined (50/50) Enbridge mainline/rail assumption; second, we have included several scenarios
880 in which rail is capped at 300 kbpd or eliminated as a shipment option so that the net revenue loss
881 will be primarily or exclusively on pipelines.

882 The quantity of unused capacity is estimated as the lower of: (1) the 590 kbpd diverted to
883 the TMEP and (2) total unused oil transportation capacity at 95% capacity utilization. As discussed
884 above in our transportation capacity and demand assumptions (section 5.1), we include a number
885 of sensitivity analyses in which we change capacity and oil supply assumptions to test the impact
886 on unused capacity costs. Also, just as increased netback benefits accruing to non-Canadians
887 should be omitted as a benefit, unused capacity costs incurred by non-Canadians should be
888 omitted as a cost. We have not omitted either of these non-Canadian benefits and costs in our
889 analysis due to data limitations. Omitting the proportion of capacity costs accruing to non-
890 Canadians would reduce the capacity cost estimate in our CBA, but as noted above our base case

[11] Enbridge data is used for the net revenue loss estimate because much of the oil shipped on TMEP is likely to be diverted from Enbridge, given that Enbridge is the largest shipper, and as oil shipped on competing pipelines and some rail is under long-term contracts while most of the oil shipped on Enbridge is not. Also, the total new contracted shipments that need to be diverted to fill new pipelines (Keystone XL, Energy East, and TMEP) in 2020 is 2,254 kbpd (TM 2013b, Vol 2 App A p. 46). Therefore, even if all shipments on rail in our base case (700 kbpd) are diverted, an additional 1,554 kbpd would need to be diverted from other shippers, primarily Enbridge. The net revenue loss estimates for Enbridge will provide a reasonable estimation of the net revenue losses incurred by other shippers. Net revenue loss is calculated from p. 66 of Enbridge's 2014 annual report (Enbridge 2015) for their Canadian mainline based on a three year average (2012-14) of revenue less power costs. Operating and administrative costs are not deducted for two scenarios (mainline and Cushing because Enbridge (2015, p. 67) states that operating and administrative costs (other than power costs) are relatively insensitive to throughput volumes. Administrative and operating costs are deducted in the Enbridge Mainline/Rail scenario to provide a lower bound estimate of net revenue loss. As there will be a propensity for shippers to divert oil that incurs higher toll charges, oil shipped to further shipment points will be the most likely to be diverted, subject to other constraints such as contracts and destination oil prices. We acknowledge that oil shipped on TMEP may be diverted from other non-Enbridge facilities that may have different cost profiles and that there is uncertainty regarding the destination of the oil diverted from the Enbridge line. We have addressed this uncertainty by using a range of net revenue loss estimates for different Enbridge shipment options.

capacity cost estimates are conservative because they exclude the net revenue losses on the US portions of Canadian pipelines. The net present value estimates of unused capacity costs are: $2.1 billion for the rail/pipeline scenario, $3.1 billion for the Enbridge mainline scenario, $8.0 billion for the Enbridge Cushing scenario, and $3.2 billion based on the TMEP cost of capital approach.

Table 9. Unused Capacity Costs

Assumption	Unused Capacity Cost (billion $ net present value)
Enbridge Mainline (base case)	3.1
Enbridge Alberta to Cushing toll	8.0
Enbridge Mainline/Rail (50/50)	2.1
TMEP Unneeded Capital Cost Method	3.2

Source: Unused capacity costs are estimated by multiplying the quantity of oil diverted by year by the net revenue per barrel. Enbridge net revenue estimates are on based on three year average net revenue ratios for 2012-2014 from Enbridge (2015, p. 66-67) . For Enbridge Mainline, the net revenue per barrel is estimated by dividing annual oil throughput by annual net revenue. For the Enbridge Alberta to Cushing option the net revenue/total revenue ratio for Enbridge is multiplied by the toll rate for heavy oil for Enbridge tolls as reported in CAPP (2014, p. 42) and converted to Canadian dollars. The Enbridge Mainline/Rail option is estimated by using a lower net revenue estimate for Enbridge based on deducting operating and administrative plus power costs as defined in Enbridge (2015, p. 66) per barrel and applying the operating cost (excluding depreciation) to revenue ratio from CN Rail 2014 to the average revenue per barrel for the Enbridge Mainline. These assumptions for the Enbridge Mainline/Rail scenario will understate net revenue loss per barrel because they include operating and administrative costs for Enbridge (which Enbridge states are relatively insensitive to throughput) and they use average operating cost to revenue ratios for CN (which will overstate short run marginal cost) and apply these to Enbridge's average revenue per barrel. Therefore the cost of unused capacity under this assumption is conservative.

5.4. Higher Netbacks to Oil Producers

TM asserts that a major benefit of the TMEP to the oil and gas sector is increased netbacks by accessing higher value markets and lowering the marginal transportation costs of WCSB oil exports. As discussed in section 4.3 of this report, TM's forecast of increased netbacks due to lower transport costs resulting from the TMEP is in our view not proven or reliable, and therefore we do not include TM's estimate of higher netbacks induced by lower transport costs in our BCA.

The other potential source of higher netbacks identified in the TM application is based on accessing higher priced oil markets such as Asia. We reviewed the merits of this Asian premium in section 4.3.2 of our report and concluded that while price premiums can exist for periods of time due to market constraints and lags in market adjustments, the existence of a permanent long-term

921 price premium is not evident from past price data and is not consistent with the operation of world
922 oil markets. Consequently, it would be unreasonable to assume a permanent price premium in the
923 evaluation of the TMEP. Nonetheless, to test the impact of a price premium we include a
924 sensitivity analysis based on IHS's forecast of an Asian price lift ranging from $1.76 to $2.52 per
925 barrel through to 2037 for TMEP oil shipped to Asia as estimated in the 2015 TM update (TM
926 2015a, p. 10). The estimated price lift benefit is $ 2.0 billion. However, consistent with federal
927 guidelines (TBCS 2007), we note that the proportion of the price uplift benefit accruing to non-
928 Canadians should be omitted from the benefits. We have not attempted to estimate this proportion
929 because we do not have detailed ownership data on the shippers on the TMEP. However, the
930 proportion of foreign ownership in the oil and gas sector (based on operating profits in the most
931 recent five year period (2008-2012) is 41% so the proportion that should be removed as a benefit
932 is significant.[12]

933 5.5. Employment Benefits

934 A potential benefit of the TMEP is providing employment to workers. As discussed in
935 section 4.4 of this report, the economy of Western Canada has been characterized by tight labour
936 markets and it is unlikely that workers employed on the TMEP would otherwise be unemployed.
937 However, given recent developments in the energy sector and the potential of TMEP training and
938 hiring employees through impact benefit agreements, it is possible that there will be an
939 employment benefit, with some hiring of persons who would otherwise be unemployed or
940 employed at a lower wage. Consequently, we include an employment benefit in our CBA.

941 The measurement of potential employment benefits depends on labour market conditions
942 and hiring policies of companies that are difficult to forecast. To illustrate the potential significance
943 of the employment benefits, a percentage is applied to the wages paid to represent the
944 incremental income that might be earned, or more specifically the income in excess of the labour's
945 opportunity cost (e.g., 5% (Wright Mansell 2012, p. 73); 10-15% (Shaffer 2010)). In the sensitivity
946 analysis we use two scenarios: 5% applied to construction employment income for the base case

[12] Statistics Canada's (2014) definition of foreign ownership is based on the country of control. Some countries classified as foreign-owned based on country of control may have Canadian shareholders and some countries classified as Canadian may have foreign shareholders. Therefore, the proportion of profits accruing to non-Canadians may be higher or lower than the Statistics Canada estimate.

947 and a sensitivity of 15% applied to construction and operating employment income to measure the
948 range of potential employment benefits. We use the direct labour income for construction and
949 operating employment incomes based on data in the TMEP application, which we note is high
950 compared to other pipeline projects and may therefore overstate the employment benefit (TM
951 2013b, Vol. 5B).[13] Total estimated employment benefits for the TMEP range from $77 to $284
952 million (net present value).

953 5.6. Benefits to Taxpayers

954 Incremental tax revenues not offset by incremental government expenditures is a benefit to
955 taxpayers. As discussed earlier in section 4.4 of this report, the net increase in tax revenue is
956 much less than the gross increase because the gross increase includes tax revenue that would
957 have been generated in the absence of the TMEP being built. TM's gross revenue estimates also
958 do not deduct any incremental costs to government such as emergency response and regulatory
959 monitoring resulting from the project.

960 In BCA it is normally assumed that most economic activity-related tax revenue (e.g.,
961 income and sales taxes) is not incremental or, for example with respect to the taxes paid by in-
962 migrants, is required to offset the incremental costs of government services and infrastructure
963 needed to accommodate the larger population (Shaffer 2010). Accordingly, tax revenue is not
964 included as a benefit unless the tax revenue is unique to the project (i.e., it would have not been
965 generated in alternative economic activity) and is not required to fund incremental government
966 expenditures due to the project.

967 In the case of the TMEP there are two streams of tax revenue that could generate net
968 benefits: royalty and income tax revenue from an oil price lift induced by the TMEP, and property
969 tax revenue from the new pipeline and related facilities. As previously discussed, although a
970 permanent oil price lift is unlikely we do include a sensitivity analysis of an oil price lift based on

[13] We use total direct construction labour income (TM 2013b, Vol. 5B p. 7-168) and total direct operating income for the upper bound scenario (p. 7-170). We note that the labour income to capital spending ratio provided in the TM application (approximately 38%) is much than double the ratio used for employment benefit estimates in other pipeline projects as the Northern Gateway (14.55%) (WM 2012, p. 73). Due to lack of detail on the how the labour income estimates were derived in TM's Conference Board report, we are unable to assess the reasons for the difference. We note that using the Enbridge labour ratio would reduce the employment benefit by more than one-half.

IHS's 2015 updated Asian price premium forecast. In this scenario, we include the incremental tax revenue generated by the higher oil prices as a benefit to government based on the government revenue estimates for the oil price uplift estimated by the Conference Board of Canada (TM 2013b, Vol 2 App B). Secondly, although some of the property tax revenue from the TMEP may be required to cover incremental government costs, we assume that most of the TMEP property tax revenue is a net revenue gain unique to the TMEP not offset by increased costs. Therefore, we include property tax revenue as a benefit to government, with the qualification that this will overstate the benefit gain to government to the extent there are offsetting incremental local government costs. TM estimates the incremental property tax revenue of the TMEP at $26.5 million per year, of which $23.1 million is paid in BC and $3.4 million in Alberta (TM 2013b, Vol. 5B p. 7-185). The net benefit of the property tax is $242 million (net present value).

5.7. Costs to BC Hydro and BC Hydro Customers

TM estimates that TMEP will consume approximately 1,046 gigawatt-hours (GWh) of electricity per year, 520 of which will be consumed in British Columbia (TM 2014a, p. 110-111). Although TM will pay for the electricity, current rates in British Columbia are significantly below the long-run incremental costs of supplying new loads. Consequently, there is a net loss to BC Hydro and its ratepayers equal to the difference between electricity rates paid by TM and the incremental cost of supplying the increased requirements due to the TMEP. BC Hydro's estimated long-run incremental cost of energy is $85-$100 per megawatt-hour (MWh) (BC Hydro 2013) while the average amount paid by TMEP is $38 per MWh (TM 2014a, p. 110-111), resulting in a net cost to BC Hydro of $52 per MWh (based on an incremental cost of $90 per MWh), or $27 million per year. The net cost to BC Hydro and BC ratepayers is $257 million (net present value).

5.8. Environmental Costs

5.8.1. Air Pollution

Installation and operation of the pipeline, construction and operation of Westridge Terminal, and incremental tanker and tug traffic associated with the project would release sulphur dioxide (SO_2), nitrogen oxides (NO_X), and particulate matter (PM_{10}; $PM_{2.5}$) that affect human health and ecosystems. Exposure to these pollutants can cause respiratory and heart health effects and increase mortality rates in humans (IMO 2009; US EPA 2009). SO_2 and NO_X are also associated

with acid precipitation that can affect forest and aquatic ecosystems (US EPA 2009), and PM deposition contributes to acidification and nutrient enrichment (IMO 2009). TMEP construction and operations would also emit carbon monoxide (CO), volatile organic compounds (VOC), and other hazardous air pollutants including benzene, toluene, ethyl benzene, and xylenes.

TM estimates that some types of air pollution will be reduced with TMEP as tank vapour activation units (TVAUs) will be installed at the Westridge terminal (TM 2013b, Vol. 5A p. 7-86-87). These reductions, however, are not necessarily a benefit of the TMEP if they could be installed or would have been required as a mitigation measure without the TMEP. To reflect this possibility we examine air emission damage costs in our BCA based on two scenarios: one showing the reductions in air pollution estimated by TM based on the assumption that the mitigation measures to reduce emissions could only be implemented if the TMEP is built, and one assuming that the mitigation measures can be implemented whether or not TMEP proceeds.

Our summary of air pollution damage costs estimates from several studies shows that there is a wide variation in air pollutant damage costs due to differing underlying methodological approaches, health and environmental impacts assessed, and physical and socio-economic characteristics of impacted areas (Table 10).

Table 10. Unit Damage Costs for Air Pollution

Pollutant	Social Damage Cost ($ per tonne)[1]			
	Matthews and Lave (2000)[2]	**Muller and Mendelsohn (2007)[3]**	**DEFRA (2011)[4]**	**Sawyer et al. (2007)[5]**
CO	2 – 2,157	n/a	n/a	n/a
SO_2	1,582 – 9,655	1,506 – 2,511	1,929 – 2,711	810 – 2,769
NO_X	452 – 19,516	502	1,087 – 1,586	2,139 – 2,638
PM_{10}	1,952 – 33,280	335 – 837	n/a	n/a
$PM_{2.5}$	n/a	1,841 – 5,523	17,138 – 24,967	5,354 – 6,824
VOC	329 – 9,039	502 – 837	n/a	114 -280

Sources: Matthews and Lave (2000), Muller and Mendelsohn (2007), DEFRA (2011), Sawyer et al. (2007). Notes: 1. All damage costs adjusted to 2014 CDN $. 2. Range for Matthews and Lave (2000) represents minimum and maximum damages. 3. Range for Muller and Mendelsohn (2007) represents average marginal damages in rural areas and urban areas. 4. Range for DEFRA (2011) represents low and high damage values. 5. Range for Sawyer et al. (2007) represents damage in Alberta and British Columbia.

1022 We estimate air pollution costs of the TMEP using the air emission data provided by TM (TM
1023 2015a, p. 21;TM 2013a, p. 200; EC 2004) and the cost damage data summarized in Table 10. We
1024 generate estimates for three cases: a base case using the midpoint average damage costs, a high
1025 estimate using the average upper end damage costs and a low estimate using the average lower
1026 end damage costs from Table 10. Based on these assumptions, air pollution from the TMEP could
1027 cause between $9 and $427 million (net present value) in social damage costs over a 30 year
1028 period. We caution that there is a wide range of uncertainty in damage costs from air pollution and
1029 that costs will vary depending on regional factors including the concentration of existing pollutants,
1030 exposure to newly emitted pollutants, the population impacted, and the physical and
1031 environmental characteristics of the impacted airshed.

1032 *5.8.2. Greenhouse Gas Emissions*

1033 TM estimates that the TMEP will emit 1,020,000 tonnes of GHG during construction and
1034 479,100 tonnes annually from pipeline, terminal, and marine operations in the TMEP defined study
1035 area from Burrard Inlet to Juan de Fuca Strait (TM 2013b, Vol. 8A, p.266; TM 2015c, p.30). Other
1036 GHG sources indirectly associated with the TMEP are emissions associated with the extraction
1037 and end-use consumption of oil transported on the TMEP and marine transportation outside the
1038 12 mile marine study area. The NEB's list of issues for the TMEP (NEB 2013d) explicitly excludes
1039 consideration of impact associated with upstream oil production and downstream consumption
1040 and marine emissions outside of the study area. Consistent with the NEB's decision we have
1041 omitted upstream and downstream GHG emissions from our analysis. However, we note that the
1042 production and consumption of oil are significant and account for approximately 99% of the GHG
1043 emissions associated with oil (IHS CERA 2010). Consequently, the emissions from production and
1044 consumption of oil transported on the TMEP should be assessed at some point in the project
1045 evaluation process.[14] Even if not incrementally caused by TMEP, GHG emissions associated with
1046 the production and consumption of oil transported on the TMEP are a concern to many
1047 Canadians.

1048 One approach to measuring GHG costs is to estimate the "offset costs" to eliminate or

[14] There is uncertainty whether the new pipeline projects such as the TMEP increase oil production or simply divert oil. Our analysis of the TMEP assumes the oil is diverted and thus TMEP does not result in increased GHG emissions. Even in this scenario it is important for public policy to assess the GHG impacts of oil shipped on the TMEP even though this is not a direct cost generated by the TMEP.

reduce emissions to avoid damage. BC, for example, has a carbon offset program based on a target cost offset of $25 per tonne CO_2e (PCT 2014). However, a recent evaluation of offset programs by the BC Auditor General concluded that offset programs provide inaccurate estimates of offset costs because many of the offsets are based on investments that would have already been made to reduce GHG emissions without the payment and therefore do not represent the costs of incremental reductions (BC OAG 2013).

A second approach is to use abatement costs. Stern (2009) estimated abatement measures to achieve GHG reductions at approximately 30 euros per tonne (approximately $45 Canadian), while Canada's National Roundtable on the Environment and Economy estimates CO_2e prices required to achieve Canada's medium- and long-term goals of reducing GHG emissions by 20% below 2006 levels by 2020 and 65% by 2050 (NRTEE 2009) to be $100 per tonne (2006 $, or $111 in 2012 $) by 2020 rising to $300 by 2050.

A third approach to estimating GHG damage costs is to estimate the social cost of GHG damage. In a recent meta-analysis of the social cost of carbon, Tol (2011) examines 311 estimates of the social cost of carbon in 61 studies from 1991 to 2010. The average mean and average mode marginal cost estimates are $177 and $49 per tonne, respectively (1995 US$). In more recent reviews, Weitzman (2013) and van den Berg and Boltzen (2015) caution that most GHG damage cost estimates – including many reviewed by Tol in his 2011 study – are too low because they do not incorporate the willingness to pay to avoid potentially catastrophic events.

Given the problems with reported offset costs in BC, and uncertainty as to whether offsets would in fact be implemented for the TMEP, we use the social damage cost approach based on damage costs recommended in US government guidelines (US GAO 2014). These US guidelines recommend using a range of damage costs to reflect the range of potential GHG emission damage costs. For our base case we use US government (US GAO 2014) recommended cost of $48 per tonne (2014 CDN $), and for our sensitivity we use the upper range US government cost of $137 per tonne (2014 CDN $). The US government GHG cost estimates escalate in real terms over time. This two tier approach is similar to the approach used by the Canadian government in its regulatory evaluations of carbon emission reduction programs (Canada 2013). Based on this approach, we estimate that net GHG damage costs from the transportation of oil on the TMEP (excluding upstream and downstream emissions) is between $289 million and $916 million (net

present value).[15]

5.8.3. Oil Spill Damages

Spills from tanker and pipeline operations associated with the TMEP have the potential to lead to significant environmental costs. We estimate spill costs based on an expected value calculated as:

*Annual expected value = p*c*q*

where:

p is the annual probability of a spill (i.e., the inverse of the return period);

c is the damage and cleanup cost per volumetric or areas unit of spill (barrels or hectares); and

q is the size of the spill (in barrels or hectares).[16]

We use oil spill probability and damage costs estimates for spills based on the findings of Gunton and Broadbent in their oil spill risk assessment report of TMEP (Gunton and Broadbent 2015).[17]

5.8.3.1. Tanker and Terminal Spills

For the base case we use tanker at sea and at port probabilities based on the US government's oil spill risk model OSRA which is the standard method used by the US government

[15] A challenge in estimating the GHG impacts of the TMEP is in estimating what the net increase in emissions would be after taking into account potential reductions in emissions from lower shipments on other pipelines. The net increase in emissions will be lower than our gross emission estimate to the extent that GHG emissions are reduced by lower shipments and consequently lower power consumption on other pipelines.

[16] This approach is consistent with BCA theory (Zerbe and Bellas 2006) and was the approach that Enbridge used to assess the costs of oil spills in its NGP application (Wright Mansell 2012).

[17] We provide only a brief summary of the spill probability and costs assumptions here. For more detailed background consult Gunton and Broadbent (2015).

to assess marine oil spill probabilities.[18] We also complete a sensitivity analysis based on TM's tanker and terminal spill probability estimates to test the impact of alternative probability assumptions. We note that the evaluation of oil spill risks by Gunton and Broadbent (2015) identify some 27 deficiencies with the TM spill probability estimates, some of which result in an underestimate of spill risk. Also, TM's higher-end (lower probability) tanker spill return period estimates are higher than estimates generated by other studies and methods. Consequently, we use one of TM's mid-range probability estimates (called New Case 1) with a return period of 90 years for any size tanker spill. Table 11 presents the parameters used in our oil spill damage costing.

Table 11. Summary of Major Marine Spill Parameters for Oil Spill Cost Estimates

	Base Case Scenario: US OSRA	**Sensitivity Analysis (based on TM's New Case 1 spill probabilities)**
Return Period[1]	14 years	90 years (Tanker) 22 years (Tanker and Terminal)[2]
Annual Probability	0.071	0.011 (Tanker) .04 (Tanker and Terminal)
Mean Size Tanker Spill	34,932 barrels	56,700 barrels [3]
Damage Cost [4]	$42,700/barrel	$42,700/barrel (Tanker) $20,649/barrel (Terminal)

Sources: Gunton and Broadbent (2015), Anderson et al. (2012), TM (2013b, TERMPOL 3.15; 2015b). Notes: 1. The return periods for the US OSRA scenario are combined port and at-sea spills, while the 90 year return period for TM Case 1 is just at-sea spills. 2. The return period of 22 years for the sensitivity analysis scenario is the combined return period terminal and at sea spills. Actual spill costs are calculated by using the return periods for terminals and tankers separately (not combined) 3. Mean size spill for TM New Case 1 is based on Wright Mansell's (2012, p. 77) estimate of the average size tanker spill. 4. Costs are based on Wright Mansell (2012, p. 77) updated to 2014 CDN $ and rounded to the nearest 100 dollars. Estimation of spill damage costs for the sensitivity scenario sums the cost of at-sea spills at $42,700 per barrel and terminal spill costs. Terminal spill costs are estimated by using a terminal probability return period of 34 years for spills <63 barrels and 234 years for spills > 63 and <629 barrels; spill damage costs for TM New Case 1 terminal spill costs based on TM's (2013b, Vol. 7 App. G p. 24) estimated cost of $20,649/barrel updated to 2014 dollars.

We use the damage cost of spills of $37,500/barrel (2012 $) as estimated by Wright

[18] The model has been peer reviewed and used in a variety of environmental impact assessment reports and the model's data have been recently updated to include impacts of mitigation measures adopted over the last few decades to reduce the probability of tanker spills (Anderson et al. 2012).

1117 Mansell in their BCA of the ENGP Project prepared for the NEB hearings updated to $42,700
1118 (2014 $) (Wright Mansell 2012, p. 77).[19] This estimate is comprised of clean-up costs
1119 ($15,000/barrel) plus damage costs ($22,500/barrel) and is based on an extensive review of the
1120 tanker spill cost literature. Wright Mansell conclude that their spill cost estimate is at the high end
1121 of the estimates in the literature but justify it on the grounds that "higher unit costs should be used
1122 in cost benefit analyses where public safety and risk concerns are being evaluated for a
1123 hypothetical event" (Wright Mansell 2012, p. 81). While we agree with Wright Mansell on the use
1124 of a conservative approach when examining the potential costs of oil spills, we caution that the
1125 Wright Mansell estimate may underestimate actual spill costs.

1126 Wright Mansell's spill cost estimate relies on studies from Kontovas et al. (2010) that
1127 estimate tanker spill cost data from the International Oil Pollution Compensation Fund (IOPCF)
1128 which itself has several weaknesses. First, the cost data from the IOPCF dataset represent only
1129 the amount of money the IOPCF agrees to compensate claimants, and this amount is often less
1130 than the amount actually claimed (Thébaud et al. 2005).[20] Second, IOPCF payments are limited
1131 by maximum pay-out limits set by the funds and therefore only compensate a portion of total spill
1132 damages if damages exceed the fund limits.[21] Third, IOPFC data excludes several types of
1133 damage costs including non-market use values and passive use values. Fourth, tanker spill cost
1134 data represent world averages that are not adjusted for geographically-specific differences in
1135 damage costs to the environment impacted by the spill. Costs of spills can vary significantly
1136 depending on the characteristics of the area impacted, the conditions at the time of the spill, the
1137 spill response, and the characteristics of the oil spilled (Vanem et al. 2008). For these reasons,
1138 Wright Mansell's $37,500 per barrel damage cost (2012 $) is not a conservative estimate.

1139 For terminal spills we use the probability and clean-up cost estimates contained in the
1140 TMEP application (TM 2013b, Vol. 7 App. G p. 24). Terminal costs are only calculated for marine
1141 spill scenario 2 (New Case 1) and not the OSRA estimates because the OSRA already

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[19] Updating dollars combines inflation and US/Canada currency exchange adjustments.

[20] Thébaud et al. (2005) determine that the percentage of compensation claimed from the IOPCF compared to compensation actually paid to claimants for six large spills (*Amoco Cadiz*, *Tanio*, *Aegean Sea*, *Braer*, *Sea Empress*, and *Erika*) ranged from 5% to 62%.

[21] For example, victims of the 38,000 tonne (278,500 barrel) *Prestige* oil tanker spill only received €172 million from the 1992 Civil Liability Convention and the 1992 International Oil Pollution Compensation Fund, which represented only 2% of the total long-term spill costs (Liu and Wirtz 2006).

incorporate port spills in the return period estimates.

5.8.3.2. Pipeline Spills

Alternative estimates for pipeline spill probabilities are summarized in Table 12. For our base case we use the probabilities and average size spills based on PHMSA data, which we consider the most comprehensive data set on pipeline spills publicly available and is used by the US government in its Keystone XL environmental impact assessment (USDS 2014). Note that PHMSA return periods are between the return periods based on Enbridge historical spill data and the return period estimated by TM.

Table 12. Comparison of Pipeline Spill Risk Estimates for TMEP Line 2 [1]

Source of Spill Rates	Size and Type of Spill	Return Period (years)
TMEP	Line 2 Rupture	2
NEB	Line 2 spill (> 9 barrels)	2
PHMSA	Line 2 spill (any size)	0.5
Enbridge	Line 2 spill (any size)	0.3

Source: Gunton and Broadbent (2015). Note. 1. Return periods are for only TMEP Line 2 which comprises 540 kbpd of the 590 kbpd of the TMEP, and therefore our estimates of pipeline spill costs may under-represent the spill costs for the TMEP because about 10% of incremental TMEP oil shipments are excluded.

Estimates of pipeline spill damage costs range from about $3,000 to $167,000 per barrel depending on the size of spill, the type of oil, and the area impacted (Table 13). We use the PHMSA average spill damage cost of $15,000/barrel (weighted average of ruptures and leaks) which is in the mid-range range of spill cost estimates because it is based on a large number of spills and is consistent with the PHMSA average spill size and probability data that we use (PHMSA 2014b; PHMSA 2014a).

1160 ***Table 13. Summary of Alternative Spill Cost Estimates per Barrel for Pipelines***

Type of Spill[1]	TMEP Application	BOSCEM	PHMSA 2010-2014	Enbridge Line 6B	ENGP Application (2012$)
Leak	$28,098 – $86,456	$12,697 – $167,244	$3,188	n/a	$9,800
Rupture	$6,484 - $16,128	$3,022 – $48,858	$30,750	$60,177	$14,000

1161 Sources: TM (2013b, Vol. 7), Etkin (2004), PHMSA (2014b) Enbridge (2015), and Wright Mansell (2012).

1162 However, we caution that the PHMSA cost data may underestimate average spill costs by
1163 excluding some relevant socio-economic and environmental costs. For example, the PHMSA
1164 dataset includes costs to non-operator private property damage although it is not clear whether
1165 these costs include compensation for individuals or businesses whose livelihoods have been
1166 disrupted and groups whose cultural activities have been disrupted. Similarly, although PHMSA
1167 data include costs to remediate the environment, it is uncertain what portion of total environmental
1168 cost is covered by the remediation expenses. For example, excluded damage costs could include
1169 compensatory damages to the public for loss of use of the environment and lost ecological
1170 services while the spill site is recovering. Third, spill costs do not include passive use values that
1171 reflect the value that individuals place on the protection or preservation of resources or
1172 psychological costs associated with factors such as stress and dislocation of impacted parties. We
1173 also acknowledge that to the extent that reduced shipments on other pipelines lower oil spill risk,
1174 the net increase in North American oil spills may be lower than our estimates for the TMEP.
1175 Reduced shipping volumes on existing pipelines may reduce the frequency of spills on those lines.
1176 The magnitude of reduction, if any, is difficult to determine and may be less than the increased risk
1177 on the new pipeline, given that spill risk is function of volume and the total length of the pipeline
1178 system, both of which would increase with new pipeline capacity.

1179 *5.8.4. Passive Use Damages*

1180 Passive use values are the values that people place on the protection or preservation of
1181 natural resources and the environment that they may not directly use (Freeman 2003; Kramer
1182 2005). Estimating passive values is challenging and for some stakeholders and First Nations
1183 monetary estimation of passive values may not be viewed as possible or appropriate.
1184 Nonetheless, passive values exist and should be taken into account in assessing the costs of
1185 project development.

1186 A common method for estimating passive use values is a contingent valuation study that

relies on surveys to ask stakeholders to place a value on specific resource and environmental assets (Carson et al. 2003). For the TMEP, First Nations and stakeholders could be asked how much they would be willing to pay to eliminate the risk of a major tanker spill in the Georgia Basin or how much compensation they would require to accept the risk posed by increased tanker traffic. This type of contingent valuation study for the TMEP has not been done by TM.

A second approach is the benefit transfer method that adopts damage cost values from a contingent valuation study conducted elsewhere. This approach is recommended when there is insufficient time and resources to complete an original valuation study (Brouwer 2000; Boardman et al. 2011). Good practice in benefit transfer includes selecting appropriate transfer studies that: have similar environmental characteristics and similar non-market commodities being valued; rely on good data; and use sound economic methods and empirical techniques (Boyle and Bergstrom 1992; Desvousges et al. 1992).

We estimate potential passive use values for marine oil spill risk for the TMEP using the benefit transfer method based on two studies estimating WTP to prevent damage from oil spills in Alaska and California. The first study completed by Carson and Hanneman (1992), and updated by Carson et al. (2003), estimates how much US residents would be willing to pay to prevent oil spill damage from another oil spill similar to the *Exxon Valdez* oil spill (EVOS) disaster.[22] Another contingent valuation study from Carson et al. (2004) estimates the amount that households in California would be willing to pay to prevent oil spill damage along the California Coast.[23] The Carson studies are among the most sophisticated contingent valuation studies for assessing

[22] The *Exxon Valdez* ran aground on Bligh Reef on March 24, 1989 releasing 258,000 barrels of crude oil that contaminated 1,900 km of shoreline and spread over 750 km from the point of impact. The EVOS caused short- and long-term impacts to marine vegetation, marine invertebrates, fish and fish habitat, marine birds, marine mammals, the regional economy, and subsistence activities of Alaska natives (EVOSTC 2010). As of 2010, 19 of the 32 environmental and human resources injured by the spill have yet to recover (EVOSTC 2010).

[23] Carson et al. (2004) do not define the volume of oil spilled in the California oil spill study in order to focus on the damage that the spill would cause. Instead, the authors provide a description to survey respondents of the spill effects resulting from the harm that is expected to occur from moderately large spills along the California Coast. Carson et al. (2004) avoid mentioning the EVOS in the survey to prevent respondents from answering questions with the belief that they were valuing spill prevention from a spill the size of the EVOS, not comparatively smaller spills along the California Coast.

passive use values.[24]

The per household willingness to pay (WTP) estimated in the two Carson studies are similar despite the different oil spill scenarios and populations surveyed. The EVOS study (Carson et al. 2003) estimates a lower bound mean WTP value of $53.60 (1991 US $) per household and an upper bound value of $79.20 (1991 US $). The California oil spill study (Carson et al. 2004) estimates a lower bound of $76.45 (1995 US $), which is in the mid-range of the EVOS estimates after adjusting for inflation.[25] Carson et al. (2004) caution that the results between the two studies are not directly comparable because of the differences in the scenarios and populations tested (Table 14).

Table 14. Comparison of EVOS and California oil spill Studies

Study Feature	EVOS Study	California Oil Spill Study
Spill location	South Central Alaska Coast	Central California Coast
Spill prevention mechanism	Escort ship program that would prevent a second EVOS over the next 10 years	Escort ship program that would prevent cumulative damage from oil spills along the California Central Coast over the next 10 years
Description of injuries from a spill	1,000 miles of shoreline oiled 75,000 to 150,000 bird deaths 580 otters and 100 seals killed 2 to 5 year recover period	10 miles of shoreline oiled 12,000 bird deaths Many small plants and animals killed 10 year recovery period
Payment vehicle	One-time increase in federal income taxes	One-time increase in state income taxes
Residents sampled	United States	California

Source: Adapted from Carson et al. (2004).

While undertaking a contingent valuation study specifically for the TMEP would be the

[24] The courts and independent experts scrutinized the study's results and the study underwent the peer review process for refereed publications when it was published in *Environmental and Resource Economics* in 2003.

[25] EVOS estimates are $60 and $89 in 1995 $.

most accurate way of estimating passive use values for this project, the two contingent valuation studies by Carson et al. (2003; 2004) on oil spill prevention can provide an order of magnitude assessment of the monetary cost of oil spill risk created by the TMEP because the Carson studies used best practices methods, are assessing the WTP to prevent marine oil spill risk, and the BC study area has many similar biophysical and socio-economic characteristics to those of Alaska and the California Coast. Nonetheless there are a number of issues and qualifications that should be noted.

One issue in using the Carson studies is that they are based on the WTP to prevent oil spills. Another way to frame the question is to ask individuals what compensation they would require to accept the increased risk of an oil spill. Values derived from asking the willingness to accept (WTA) question are significantly higher than values derived from asking WTP because one's WTA for a change that is perceived as a loss tends to be valued much more highly than one's WTP to prevent the loss (Rutherford et al. 1998; Horowitz and McConnell 2002; Knetsch 2005). Horowitz and McConnell (2002), for example, evaluated 45 studies with WTA/WTP ratios and found that WTA values were on average 10.4 times higher than WTP values for public and non-market goods.

Determining which measure is appropriate depends on prior rights regarding the ownership of the resource or the reference point that individuals use to value the underlying good or service (Knetsch 2005; Zerbe and Bellas 2006; Shaffer 2010). Unlike private goods defined by legal entitlement, the marine environment along the BC coast is collectively held. There is no consensus on whether WTA or WTP is the most appropriate in cases involving collective ownership cases, with some arguing that WTP should be used (Mitchell and Carson 1989) and others concluding that WTA is more appropriate because proposed projects will alter the status quo, which stakeholders perceive they have a right to maintain (Knetsch 2005). However, in the case of increasing oil spill risk, Carson et al. (2003) state that WTA is a more appropriate measure because oil spills result in a loss of values relative to the status quo. We agree with Carson et al. (2003) that WTA is the most appropriate measure for oil spill risk but we provide both WTP and WTA estimates with the qualification stated by Carson et al. (2003) that the WTP is a conservative estimate of passive value damages.

Another issue with applying the Carson et al. (2003) WTP estimates is whether to adjust the potential passive use damage estimate by the probability of a spill to give expected values, or to assume that the survey respondents are already providing an estimate of the expected value because they are being asked what they would be willing to pay to reduce the likelihood of tanker

spill damage from its current probability to zero. Both the EVOS and California contingent valuation studies by Carson et al. (2003) are structured in a way that asks what people would be willing to pay to reduce the oil spill damages from the current likelihood to zero risk of damage. Therefore, respondents are providing a WTP that does not need to be adjusted for likelihood of occurrence of a spill. However, although respondents were provided with some information of the likelihood of spills, it is unclear how respondents perceive probabilities of spill damage with and without the spill damage prevention measures they are being asked to pay for. Therefore we conduct a sensitivity analysis scenario in which we test the impact of adjusting the passive value damage estimates by the probability of a large spill occurring to generate an expected value.

Carson et al. (2004) found that the WTP varies with a number of factors including the distance that respondents lived from the impacted site. We expect that this same relationship would hold in Canada, with those closer and those more familiar with the Georgia Basin having higher WTP and WTA values than those further away or less familiar. Although the WTP we are using should already incorporate this because they are based on a national survey, we develop a scenario in which we only apply the WTA only to BC households in addition to scenarios that include all Canadian households, with the qualification that the national survey results likely underestimate the WTP of BC residents to avoid marine oil spill risks.

To estimate passive use values for the TMEP tanker spill risk we use the upper and lower bound of Carson et al. (2003) EVOS study estimates of US household WTP. Given that these estimates are based on a national survey of Americans, we also use a national approach and multiply WTP (adjusted to 2014 Canadian $) by the total number of households in Canada.[26] To provide an order of magnitude estimate of potential WTA values we adjust WTP estimates with the WTA/WTP ratio of 10.4 for public and non-market goods from Horowitz and McConnell (2002). We also provide an estimate of the WTA applied to just BC households and an estimate based on adjusting the WTA for Canadian households for large oil spill probabilities. We use the upper bound WTP for Canadian households for our base case ($ 2.0 billion) because this scenario is the most consistent with the national parameters of Carson et al.'s (2003) study and the upper bound better reflects the increase in the WTP that is likely to have occurred since the study (1991) due to the increase in real incomes.

[26] We adjust lower and upper bound WTP values from the Carson et al. (2003) study for inflation, convert US $ to Canadian $, and aggregate the results to reflect the number of households in Canada in 2011 from Statistics Canada data.

The alternative estimates of the risk of marine spills to passive use value range from a low of $1.4 billion based on WTP for Canadian households to a high of $21.1 billion based on WTA for Canadian households (Table 15). Our base case of $2.0 billion (upper bound of WTP for Canadian households) is at the low end of the range and represents a conservative estimate because it is based on WTP. For our sensitivity analysis we use the mid-point of the WTA range for Canadian households ($17.7 billion).

Table 15. Estimate of Passive Use Values for Preventing Oil Spill Damages

Scenario	Total Passive Value Estimate to Prevent Marine Oil Spill Damage (million $)
WTP Canadian households	1,371 – 2,026
WTA BC households	2,340
WTA Canadian households (mid-point WTA adjusted for spill probability)[1]	3,947
WTA Canadian households	14,261 - 21,073

Note. 1. Expected value estimate is based on US OSRA probability for spills >10,000 barrels applied to the mid-point between the upper and lower bound WTA.

There are several qualifications with respect to our estimates of passive value damages of the TMEP that should be noted. First, the calculations of passive use reflect the values, morals, and attitudes of American society and are based on WTP values to prevent a major oil spill in Alaska, not BC. Canadians may value passive use damages impacted by a spill in BC differently than Americans value of Alaskan spill damage. Second, although we use the upper end of the Carson et al. (2003) WTP range for our base case, we do not adjust their WTP values for increases in median household incomes since the study was conducted even though Carson et al. (2003) observe a strong association between higher incomes and a higher WTP to prevent another EVOS. Third, we estimate WTA for passive use damages based on a ratio for public and non-market goods from Horowitz and McConnell (2002) that may be higher or lower than the actual WTA for TMEP tanker oil spill risk. Fourth, Carson et al. (2003) characterize oil spill damages as short-term in their survey, with the environment recovering within five years (Carson et al. 2004, p. 194) yet the research on recovery of the Alaska coastline from EVOS shows that environmental recovery from oil spills tends to be much longer, with only 10 of the 32 environmental and human resource categories monitored having recovered 20 years after the oil spill (EVOSTC 2010). Given that potential damages from a TMEP oil tanker spill could persist longer than stated in the EVOS study survey, passive use damages could be higher than Carson

et al.'s (2003) estimates. The Carson et al. study was also done following a major oil spill and the WTP *ex post* a major spill may be higher than the *ex ante* WTP to prevent a future spill. However, the similarity in *ex ante* WTP estimates in Carson et al.'s (2004) California study suggests the differences between *ex ante* and *ex post* may not be significant. Finally, we again caution that relying on estimates from a benefit transfer method is inferior to undertaking a contingent valuation study applied to the TMEP case, which may produce higher or lower results than the benefit transfer method. We also caution that for some individuals, stakeholders, and First Nations there may be no amount of monetary payment that could compensate for oil spill damages.

Another issue raised by some is that the Carson et al. (2003; 2004) studies may not be relevant to assessing passive use damages from oil spills in BC because the mitigation measures (i.e., escort ships and double-hull tankers) that respondents were asked their WTP for in the survey will be provided by projects such as ENGP and TMEP (Wright Mansell 2012). This critique is based on a misunderstanding of the methodology. The mitigation measures used in the Carson studies asked respondents how much they would be willing to pay to implement mitigation measures to *prevent* oil spill damages, not reduce the likelihood of spill damage. Thus while mitigation measures such as escort tugs and double-hull tankers are used in the survey to make the survey realistic, the underlying good that respondents are willing to pay for is prevention of spill damage, not the reduction in likelihood of spill damage. The fact that the TMEP may adopt similar mitigation measures may affect respondents' perception of the risk and their WTP to reduce it, but it does not eliminate the risk, which is what respondents were asked their WTP for. Consequently, Carson et al.'s (2003) estimates are not invalidated just because the TMEP may adopt similar mitigation measures similar to those used in the survey. Another issue is the potential double counting of use values and passive values. A contingent valuation survey of British Columbians WTP to reduce oil spill risk, for example, will capture both passive values and use values, the latter of which are already included in the spill cost estimates. However, given that Carson et al. (2003) surveyed non-Alaskans, the WTP estimates are unlikely to have included much in the way of use value.

5.8.5. Damages to Other Ecosystem Goods and Services

The TMEP would cause damages to a variety of other ecosystem goods and services (EGS) not already covered in previous subsections of section 5.8 of our report. Construction, installation, operation, and maintenance of project facilities would result in habitat destruction, fragmentation of terrestrial species, loss of flora and fauna, changes in quality and supply of groundwater, and releases of sequestered carbon while marine operations could have negative

impacts on marine ecosystems and species (TM 2013b, Vol. 5). A BCA (Broadbent 2014) for the ENGP estimated terrestrial ecosystem goods and services losses to be in the range of $8 to $707 million net present value (2012 $), indicating that EGS losses from pipeline construction alone can be significant. We do not provide an estimate of EGS damage costs for the TMEP due to data limitations and thus our environmental damage cost estimates may underestimate the total costs of the TMEP.

5.9. Other Costs

In Appendix A we list 162 negative impacts associated with the TMEP only a few of which are monetized into our CBA results. We did not attempt to “monetize” most of these impacts into dollar amounts due to data limitations and methodological challenges in estimating the costs. Many of these impacts result from construction activities that can create social and economic problems such as increased prices for necessities (e.g., housing), increased social problems such as drug use and crime, and other problems caused by the influx of large transitory construction work forces into smaller communities. There are also many biophysical impacts, only several of which we have been able to estimate monetary damages for to include in our CBA (air pollution and GHG emissions).

It is important to emphasize that these non-monetized costs need to be taken into consideration in the TMEP evaluation even though they are not directly incorporated into the BCA. Our monetary estimates therefore underestimate the costs of the TMEP due to omission of these other adverse impacts. We discuss several important impacts of this nature below.

5.9.1. Impacts on First Nations from Oil Spills

The importance of environmental valuation for First Nations was recently demonstrated by the decision of the Lax Kw'alaams First Nation in the Prince Rupert area of the North Coast who rejected an offer of over $1.1 billion in cash payments and land by the terminal and pipeline proponents of the Pacific Northwest LNG project and the BC government for the Nation’s agreement to develop the project (Lax Kw'alaams Band 2014). This amounts to an undiscounted

$308,000 per member of the First Nation.[27] The Nation rejected the offer on the grounds that the project would unacceptably affect salmon habitat with environmental and cultural implications. As the Lax Kw'alaams First Nation stated:

> *[h]opefully, the public will recognize the unanimous consensus in communities (and where unanimity is the exception) against a project where those communities are offered in excess of a billion dollars, sends an unequivocal message this is not a money issue: this is environmental and cultural (Lax Kw'alaams Band 2015, 2)*

No assessment has been made of the monetary value of the risk posed by TMEP to First Nations, but the decision by the Lax Kw'alaams First Nation to reject an offer of $1.1 billion for an LNG project that has no oil tanker spill risk illustrates that the valuation of potential environmental costs for a project that has a risk of oil spills such as the TMEP would be very high.

Oil spills can be particularly devastating to First Nations. Oil spills can result in reductions in subsistence harvest that can have potentially significant socio-cultural impact on Aboriginal people. The traditional lifestyle and culture of First Nations depends on food resources within the project area of the proposed TMEP. Marine resources harvested from traditional territories provide food, medicine, fuels, building materials, and resources for ceremonial and spiritual purposes. Fishing for food, social, and ceremonial purposes is a defining cultural practice of the traditional lifestyle of First Nations that has preserved close relationships throughout their territories and sustained the social structure of their communities.

It is difficult to monetize costs associated with losses from reduced subsistence harvest. However, research on the impacts of the EVOS spill on Aboriginals shows that the costs can be significant. The EVOS caused long-term adverse impacts to the economic, cultural, and social infrastructure provided by traditional subsistence harvests (Fall et al. 2001). Subsistence harvests were negatively impacted by real and perceived contamination of resources and concerns over current and future scarcities of wild foods (Fall et al. 2001), and the influx of people following the spill (Miraglia 2002). These disruptions coincide with an average 50% reduction in the production of wild food volumes in spill-affected communities (Fall et al. 2001). When subsistence harvests

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[27] According to the federal government, the Lax Kw'alaams First Nation has a total registered population of 3,733 (AANDC Undated). The undiscounted total benefits package amounts to $1,149,983,183 (Lax Kw'alaams Band 2014). If the benefits package is discounted at 8%, the total package amounts to a net present value of approximately $374 million, or $100,206 per member.

eventually returned to near pre-spill levels 14 years after the EVOS, there was a change in the composition of harvests with a reduction in the proportion of marine mammals relative to fish due to the reduced number of marine mammals and the perception that mammals were contaminated and unsafe to eat (Fall et al. 2001).

Another cost of the EVOS was psychological stress caused by the disruption of traditional and cultural practices. Palinkas et al. (1993) found that exposure to the EVOS was significantly associated with the post-spill prevalence of generalized anxiety disorder, and an increase in drinking, drug abuse, and domestic violence. Further, Alaska Natives perceive long-term cultural effects including impairment of intergenerational knowledge transfer (Fall 2006). The EVOS disrupted opportunities for young people to learn about cultural practices and techniques, and almost three-quarters (72%) of Alaskan Natives stated that their traditional way of life had not recovered from the effects of the oil spill (Fall 2006).

The resolution of compensation issues from spill damage also imposed large costs on impacted parties. Difficulties and uncertainties in resolving compensation issues are exemplified by the drawn out, 20-year court case seeking punitive damages against Exxon in the aftermath of the EVOS. Alaska Natives impacted by the EVOS were particularly exposed to the uncertainties and stressors of ongoing litigation (Fall et al. 2001). As Picou et al. (2009) conclude:

> *[t]hese findings reveal that litigation resulting from the EVOS has perpetuated negative community and individual impacts for over a decade. As such, litigation functions as a "secondary disaster" that denies community recovery by fostering a necessary adversarial discourse that divides and fragments communities long after the original technological catastrophe. This legal discourse results in repeated reminders of the original event and victims continue to be economically impacted, disrupted and stressed by court procedures and appeals that appear unfair and irrelevant to the original damage claims (p. 306-07).*

5.9.2. Conflict and Opposition

Another potential social cost that is difficult to value monetarily is the cost of major conflict over the building of the TMEP as a result of opposition to the project. Polls show strong opposition to major pipeline projects in BC (e.g., Justason Market Intelligence 2013). Many interveners including the City of Vancouver and City of Burnaby and some First Nations are opposed to the TMEP and there have already been some demonstrations against the TMEP. The ongoing legal and political conflict over the ENGP is indicative of the types of legal and other costs associated with attempting to develop projects that may lack "social license". Trying to build a major project in such a conflicted environment may result in significant costs in the form of both direct costs

associated with resolving disputes and indirect costs resulting from impairment of Canada's international reputation and business environment. For example, in its most recent annual report, Enbridge (2015, p.113) identifies opposition to its projects as a significant business risk affecting Enbridge's reputation. Although none of these potential costs are included as monetary values in our BCA, the costs could be significant.

5.10. Benefit Cost Analysis Results

Our multiple account BCA results are summarized in Table 16 and Table 17. The results of the BCA for the base case (Table 16) show that the TMEP will result in a **net cost to Canada of $6.5 billion** (net present value). A large component of the cost is the cost of unused capacity costs of $3.1 billion, which will be borne by the oil transportation sector, oil producers, and the Canadian public in the form of reduced tax and royalty revenue.[28] The significance of unused capacity costs is not surprising given that the TMEP is forecast by TM to contribute to unused capacity in the Canadian oil transportation sector beyond the 2037 forecast period if all proposed projects are built. This estimate of unused capacity costs is also conservative because it omits potential lost revenues on the US portion of Canadian pipelines. Tax revenue benefits in the base case are minimal because most of the tax revenue to government is offset by costs to government and/or is replaced by taxes generated in alternative economic activity if TMEP is not built. Environmental costs are also significant ($3.4 billion), comprising $289 million for GHG emissions, $85 million for other air pollution, $1 billion for oil spills, and an additional $2 billion for passive use damages. These base case environmental damage estimates are conservative because they are based on WTP and not WTA for passive use damages and they exclude many adverse impacts for which we are unable to estimate monetary costs.

The results of our sensitivity analyses (Table 17) show that the TMEP has a **net cost** to Canada under all scenarios, ranging between costs of **$4.1 billion and $22.1 billion**. The highest net cost of $22.1 billion is based on assuming WTA for passive use values, which increases the net cost estimate by $15.6 billion. Fewer new projects and higher oil production reduce the net costs while more projects, lower oil production and higher environmental impacts increase the net

[28] The precise distribution of unused capacity costs is difficult to determine because it depends on many factors including the degree to which the costs result in higher transportation tolls that reduce netbacks to oil producers and reduce tax and royalty payments to governments.

costs. The lowest net cost ($4.1 billion) is based on the assumption that rail is capped and Keystone XL and Energy East are not built. The price lift scenario that assumes higher netbacks to producers from the TMEP reduces the net cost by about $2 billion but it is insufficient to compensate for the costs of unused capacity and unlikely to occur. In sum, there is no scenario in which the TMEP results in a net benefit to Canada.

An obvious question is if the TMEP results in a net cost to Canada, why would it be built? The explanation would seem to be based on the existence of market failures. TM could earn a reasonable return on the TMEP because it has contracts negotiated during a period of more optimistic expectations of oil development that obligate shippers to pay tolls that could financially justify TM's investment. The costs, however, are externalized onto other parties in the form of unused capacity costs and environmental and other externalities. Therefore, it may be financially feasible for TM to build TMEP even though it imposes a net cost to Canada.

We also note that the CBA results for the TMEP are very much a function of the fact that the TMEP will contribute to excess transportation capacity and the supposition that the TMEP will have little to no impact on oil production in the WCSB. If and when the oil transportation system nears full capacity, decisions on new capacity will affect WCSB production. In this case, a benefit cost analysis of new transportation projects would have to include the full social costs and benefits of incremental oil production resulting from the availability of new transportation capacity, including factors such as resource rent benefits and environmental costs of upstream production such as GHG emissions. We have not conducted an evaluation of these upstream costs and benefits in our BCA because they are not relevant given the forecast of excess capacity.

Table 16. Benefit Cost Analysis Results for TMEP

Item	**Net Benefit (Cost), Base Case (million $)**	**Sensitivity Analysis Range (million $)[1]**
TMEP Pipeline Operations	0	(792) to 396
Unused Oil Transportation Capacity	(3,098)	(8,018) to (2,112)
Oil Price Netback Increase	0	0 to 2,008
Employment	77	77 to 284
Tax Revenue	242	242-892
Electricity	(257)	No sensitivity

Item	Net Benefit (Cost), Base Case (million $)	Sensitivity Analysis Range (million $)[1]
GHG Emissions from Construction and Operation of TMEP and marine traffic in defined study area	(289)	(916) to (289)
Other Air Emissions	(85)	(427) to (9)
Oil Spills	(1,022)	(1,022) to (310)
Passive Use Damages from Oil Spill	(2,026)	(17,667) to (2,026)
Other Socio Economic, Environmental Costs not estimated	See Appendix A	
Base Case Net Cost	**(6,458)**	**(4,070) to (22,099)**

Note. 1. Based on sensitivity scenarios

Table 17. TMEP BCA Sensitivity Analysis Results

Scenario	Description	Net Benefit/ (Cost) (million $)
Base Case		(6,458)
Higher TMEP Capital Cost	20% increase	(7,250)
Lower TMEP Capital Costs	10% decrease	(6,062)
Higher Unused Capacity Cost	Diverted shipments from Cushing	(11,378)
Lower Unused Capacity Cost	50% Rail and 50% Pipeline	(5,472)
Unused Capacity Cost based on TMEP capital cost approach		(6,567)
Higher Oil Production	TM/IHS 2013 base	(5,981)
Lower Oil Production	TM/IHS 2013 low	(6,989)
Higher Transport Capacity	Include NGP and lower Bakken shipments on Keystone XL and Energy East	(6,796)

Scenario	Description	Net Benefit/ (Cost) (million $)
Lower Rail Transport Capacity	Reduce rail capacity to current level (300 kbpd)	(6,196)
Lower Pipeline and Rail Capacity	Reduce rail capacity to current level (300 kbpd) and no Keystone	(5,443)
Lower Pipeline and Rail Capacity	Reduce rail capacity to current level (300 kbpd), no Keystone and no Energy East	(4,070)
IHS Capacity Assumptions (no rail)		(6,287)
Oil Price Uplift	IHS estimate of Asian uplift	(4,450)
Higher Employment Benefit	15% of Construction & Operating employment	(6,251)
Higher GHG Emission Damage Cost	Higher damage costs per unit	(7,084)
Higher Air Pollution costs	Higher Damage Cost per Unit	(6,800)
Lower Air Pollution Costs	Lower Damage Cost per Unit and assumed mitigation	(6,379)
Higher Passive Values	WTA for Canadian households	(22,099)
Lower Oil Spill Costs	TM probability for Tanker spills (90 year return period)	(5,747)
Higher Discount Rate (10%)		(5,592)
Lower Discount Rate (5%)		(8,360)
Lower Discount Rate (3%)		(10,268)

5.11. Risk Assessment and Uncertainty

As our sensitivity analysis illustrates, different assumptions result in different estimates of the net impacts of the TMEP. In project evaluation it is important to assess the uncertainties underlying these assumptions used in the evaluation and their implications on the net impacts of the project.

One principal variable impacting our BCA results is the cost of unused oil transportation capacity. This variable is in turn shaped by three variables – oil supply, transportation capacity, and the costs per barrel of unused capacity – and there is uncertainty in forecasting each one of these variables. As the recent downward revision of oil supply forecasts indicate, forecasting future oil production is uncertain. Higher oil supply forecasts will reduce unused capacity while lower oil supply forecasts will increase unused capacity. We have addressed this uncertainty by using a range of WCSB oil export forecasts provided by TM in our sensitivity analysis. The results show that under all the oil supply scenarios tested there is still a large unused capacity cost (Table 16). Also, given the lag in adjustment of forecasts to recent price declines, it is likely that current forecasts may be too optimistic.

The second variable impacting our estimate of unused capacity costs is the magnitude of existing and proposed transportation projects. Our assumptions regarding development of transportation projects are consistent with those provided by TM, although we assume a slightly different mix of projects with more rail and less pipeline capacity (Table 7). Both our and TM's transportation capacity forecasts assume completion of new projects including Keystone XL, Enbridge mainline expansions, and Energy East.[29] There is uncertainty whether all of these projects will be built by the anticipated completion dates and capacity may therefore be lower than forecast, resulting in lower unused capacity estimates. We have addressed this uncertainty by using lower capacity scenarios, and under all scenarios there are substantial unused capacity costs.

We acknowledge that it is possible that transportation capacity could become constrained at some point in the future if oil production is significantly higher than forecast and/or new transportation facilities are not built as planned. As illustrated in Figure 2, some new transportation

[29] TM's forecast also assumes that ENGP will go ahead.

1507 capacity will be required in the next decade even under lower oil production growth assumptions.
1508 However, if there is higher than forecast production and lower than forecast capacity additions,
1509 there should be sufficient lead time to assess and accommodate these unanticipated changes to
1510 avoid any shutting in of production.[30] If, on the other hand, unneeded expensive pipeline facilities
1511 are built, the costs of the unused capacity are fixed and will impose long-term costs on the oil and
1512 gas sector, as well as costs to government in the form of lower tax revenue. For these reasons it is
1513 more advisable to avoid expensive, irreversible investments in pipelines that cannot be justified by
1514 demand.

1515 The third variable impacting our estimate of unused oil transportation capacity costs is the
1516 per barrel cost of unused capacity. The costs of unused capacity depend on how much and where
1517 the oil is diverted from to be shipped on the TMEP. Our analysis assumes that the oil shipped on
1518 TMEP would most likely be diverted from Enbridge's pipeline system due Enbridge's lack of long-
1519 term contracts, but it is also likely that some diversions from other oil transportation systems may
1520 occur. Further, the destination point for oil diverted from Enbridge is also unknown and as our
1521 estimates show, the destination assumption has a significant impact on unused capacity cost
1522 estimates (Table 9). We have addressed uncertainty over destination points for diverted oil by
1523 using a range of unused capacity cost estimates based on different destinations and capping rail
1524 in some of the sensitivities. The sensitivity analysis shows that there are significant unused
1525 capacity costs for all of the scenarios tested. Therefore, while there is uncertainty over what
1526 transportation facilities are impacted by the diverted oil, this uncertainty does not alter the
1527 conclusion that there will be sizeable unused capacity costs.

1528 Another important cost parameter in our BCA is environmental costs including the risk of
1529 oil spill damage. We acknowledge that there is uncertainty relating to oil spill probability and oil
1530 spill damage estimates that affect the accuracy of oil spill damage cost forecasts. We have
1531 addressed this uncertainty by testing different assumptions and the results vary appreciably,
1532 especially for passive use values. However, while the impact of alternative assumptions affects
1533 the magnitude of the oil spill damage estimates, there is still a high cost from oil spills under all
1534 scenarios.

1535 We also caution that our oil spill estimates may be conservative. Oil spill costs vary with

[30] Increases in production are preceded by increased drilling activity, giving lead time to make transportation adjustments.

the unique characteristics of the type of spill and impacted environment. We would expect spill costs to be higher in the Georgia Strait due to its high value environment than spills in many other areas (WSP 2014). Our estimates of environmental costs and oil spill costs also omit many environmental impacts (see Appendix A). We also note the high values placed on environmental protection by the Lax Kw'alaams First Nation in its rejection of a $1.1 billion offer (just over $300,000 per person) to approve a LNG project. While there are many factors affecting this decision, the decision by the Lax Kw'alaams First Nation may indicate that current WTP estimates and WTA estimates commonly used in CBA studies, including ours, may significantly underestimate environmental protection values.

6. Conclusion

The NEB has two criteria that need to be satisfied for a project to be approved: that the project is clearly demonstrated to be needed, and that the project is clearly found to be in the public interest. TM's application states that the project is needed and in the public interest because it will provide pipeline capacity to transport increased oil production from the WCSB, it will increase netbacks for oil producers, and it will generate significant economic activity.

TM's assessment of the need for the TMEP and impact of the TMEP on public interest is deficient and incomplete in several important respects. TM's forecast of increased netbacks for all Canadian oil exports resulting from lower transportation costs is inconsistent with TM's own evidence, which forecasts a surplus of pipeline capacity with no transportation constraints. Second, TM's forecast of a permanent Asian price premium to 2037 is highly unlikely because it is inconsistent with the dynamics of world oil markets. Third, TM estimates gross instead of net impacts and incorrectly define gross economic impacts as benefits without taking into account the opportunity costs of the capital and labour that would be employed by the TMEP. Finally, TM does not provide any estimates of many of the potential economic, environmental and social, costs of the TMEP in its analysis, contrary to the requirements specified by the NEB.

To help assess the need and public interest impacts of the TMEP we completed a multiple account BCA which shows that the TMEP will result in a significant **net cost to Canada ranging between $4.1 and $22.1 billion net present value**. We tested a number of alternative scenarios and assumptions and found that under every likely scenario tested the TMEP results in a net cost to Canada. We also emphasize that our net cost estimates are conservative because we have not been able to monetarily value a large number of environmental and social costs.

Therefore, we conclude that the TMEP does not meet the NEB criteria for project approval, and approving and constructing the TMEP will result in a significant net cost to Canada. We further conclude that the current approach of evaluating proposed oil transportation projects on a case-by-case basis is deficient and that a better approach is to develop a comprehensive oil transportation strategy that assesses and compares all viable transportation options to identify the option or mix of options that meets the transportation needs of the Canadian oil sector in the most

1573 cost-effective social, environmental, and economic manner.

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Appendix A: Potential Impacts of the TMEP

Table 18. List of Some Potential Impacts of the TMEP Identified in Trans Mountain's Application.[31]

Type	Potential Impacts from TMEP
Heritage Resources	1. Disturbance to known and previously unidentified archaeological sites during field studies and construction 2. Disturbance to previously unidentified historic sites during field studies and construction 3. Disturbance to previously unidentified paleontological sites during construction
Traditional Land and Resource Use	4. Disruption of the use of trails and travel ways 5. Loss of habitation sites or reduced use of habitation sites 6. Alteration of plant harvesting sites 7. Disruption of subsistence hunting, fishing, and trapping activities 8. Disruption of marine subsistence activities including marine access and use patterns 9. Disturbance of gathering places and sacred areas 10. Disruption of cultural sites in the marine environment 11. Sensory disturbance during construction and operation (from noise, air emissions, lighting, visual)
Human Occupancy and Resource Use	12. Physical disturbance to protected areas and facilities, including trails and trailheads, within protected areas 13. Change to access of protected areas

[31] This list is based on TM's application (TM 2013b, Vols. 5 and 7) and is not intended to be a comprehensive list of all potential impacts of the TMEP. Impacts normally deemed as positive impacts are italicized.

Type	Potential Impacts from TMEP
	14. Sensory disturbance of land and marine resource users (from noise, air emissions, lighting, visual) 15. Physical disturbance to First Nation Reserves, Aboriginal communities, and asserted traditional territories 16. Disruption of traditional land and marine resource use activities 17. Change to access of First Nation Reserves and asserted traditional territories 18. Physical disturbance to residential areas and community use areas 19. Changes to all agricultural land uses including effects on livestock or agricultural plants due to the introduction of pests and disease 20. Disturbance of natural pasture, grazing areas, livestock movement and grazing patterns 21. Disturbance of field crop areas and organic and specialty crop areas 22. Disruption of farm facilities and risk to livestock and plant health 23. Physical disturbance of waterways used for recreational activities, outdoor recreation trails and use areas 24. Disruption to commercial recreation tenures and outfitting, trapping, hunting, and fishing activities 25. Disturbance to managed forest areas, Old Growth Management Areas, and merchantable timber areas and production 26. Decline in forest health during construction 27. Disruption of oil and gas activities and mineral and aggregate extraction activities 28. Physical disturbance to industrial and commercial use areas 29. Change to access for other land and resource users

Type	Potential Impacts from TMEP
	during construction 30. Alteration of surface water supply and quality for downstream water users 31. Alteration of well water flow and quality for water users 32. Alteration of viewsheds 33. Disruption to Rockfish Conservation Areas and marine access to protected areas 34. Physical disturbance to marine Aboriginal traditional use areas
Community Well-being	35. Change in population and demographics during construction and operations 36. Changes in income patterns 37. Effects on community way-of-life from the presence of construction activity and temporary workers 38. Physical disturbance to community assets (e.g. schools public facilities, parks) 39. Effects on Aboriginal harvesting practices and cultural sites 40. Effects on Aboriginal culture from employment opportunities and other TMEP activities
Infrastructure and Services	41. Increased traffic from transportation of workers and supplies including traffic safety effects 42. Physical disturbance to roads due to pipeline road crossings 43. Disturbance to railway lines 44. Physical disturbance to the Merritt Airport that could restrict the ability for flights to take off and land 45. Increased use of Port Metro Vancouver during construction and potential disruption to navigable water 46. Effects on linear infrastructure (e.g. sub-surface lines

Type	Potential Impacts from TMEP
	and power lines) and increased demand for power 47. Increase in water infrastructure demand including temporary increase in water demand during construction 48. Increased need for waste management during construction 49. Demand for housing during construction including upward pressure on rental price and/or short-term accommodations 50. Demand for post-secondary educational services/training 51. Demand for emergency, protective, and social services during construction 52. Use of recreational amenities by workers during construction
Employment and Economy	53. Contribution to provincial and national growth during construction and operations; 54. Employment opportunities during construction and operations 55. Reduced labour availability for other regional industries due to workers taking TMEP-related employment opportunities *56. Increased municipal tax revenue* *57. Increased personal spending by TMEP workers during construction* *58. Combined effect on municipal economies from an increase in municipal tax revenue and increased personal spending by TMEP workers during construction* *59. Increased regional contracting and procurement opportunities* *60. Training opportunities, particularly for Aboriginal communities for skill and capacity development* 61. Disruption to business or commercial establishments

Type	Potential Impacts from TMEP
	in the form of reduced income 62. Disruption to resource-based income or livelihoods
Human Health	63. Effects on mental well-being from demographic changes, changes in income, and changes to culture 64. Effects on alcohol and drug misuse 65. Increase in demand on mental health and addictions services 66. Increase in number of sexually transmitted infections 67. Increase in number of respiratory or gastrointestinal illnesses 68. Increase in stress and anxiety related to perceived contamination 69. Increase in traffic-related injury and mortality 70. Increased demand on hospitals, health care facilities, and emergency medical response services 71. Effects on diet and nutritional outcomes 72. Effects on mental well-being in Aboriginal communities
Marine Resource Use	73. Disruption to marine access and use patterns during construction and operations 74. Alteration of subsistence resources 75. Disturbance to cultural sites including sensory disturbance from noise, air emissions, lighting, and visual during construction and operations 76. Sensory disturbance for commercial, recreation, and tourism users (e.g. noise, lighting, visual, air quality) during construction and operation 77. Change in distribution and abundance of harvested species including marine fish and fish habitat 78. Displacement of commercial, recreational and tourism users around Westridge Marine Terminal during construction and operations

Type	Potential Impacts from TMEP
	79. Change in commercial, recreational and tourism vessel access routes during construction and operations 80. Disruption to subsistence hunting, fishing, and plant gathering activities 81. Disruption to use of travel ways by traditional marine resource users 82. Disturbance to gathering places including increased sensory disturbance for marine users 83. Disturbance to sacred sites 84. Disruption to commercial fishing activities 85. Sensory disturbance (e.g. noise, visual effect, air quality) for commercial fishers, recreational users, and tourism users 86. Change in distribution and abundance of target species for commercial fishers 87. Alteration of existing movement patterns of marine commercial, recreational, and tourism users 88. Increased rail bridge operations 89. Marine vessels collision with built infrastructure, marine facilities or shoreline with a commercial, recreational, or tourism use 90. Marine vessel collisions with marine commercial users, other recreational users, and marine tourism users 91. Marine vessel wake effects on small fishing vessels, recreational vessels and tourism operator vessels 92. Negative recreational and tourism user perspectives of increased project-related marine vessel traffic
Accidents and Malfunctions (terrestrial and marine)	93. Spills of hazardous materials during construction and maintenance potentially resulting in contamination or alteration of surface or groundwater 94. Fires that may adversely affect adjacent property 95. Damage to utility lines that could interrupt services

Type	Potential Impacts from TMEP
	and lead to fires 96. Transportation accidents that could cause injury to people or result in a fire 97. Use of explosives that could cause injury from flying rock 98. Security risk including damage from criminal activity 99. Change in marine water quality from an accidental release of contaminated bilge water 100. Physical contact between a tanker's hull and marine subtidal habitat from vessel grounding 101. Interference with navigation from a vessel grounding 102. Physical injury or mortality of a marine mammal due to a vessel strike 103. Venting of tanker at anchor or in transit 104. Negative recreational and tourism user perspectives of increased project-related marine vessel traffic
Physical Environment	105. Terrain instability due to slumping at watercourse crossings and sidehill terrain 106. Alteration of topography along steep slopes, slopes of watercourse crossings, sidehill terrain, and areas of blasting 107. Acid generation or metal leaching rock
Soil and Soil Productivity	108. Decreased topsoil/root zone material productivity during topsoil/root zone material salvaging 109. Decreased topsoil/root zone material productivity through trench instability during trenching, mixing due to shallow topsoil/root zone material, mixing due to poor colour change, and mixing with gravely lower subsoils 110. Decreased soil productivity resulting from changes in evaporation and transpiration rates, use of sand as bedding material, flooding of soil as a result of release of hydrostatic test water on land, disturbance

Type	Potential Impacts from TMEP
	(e.g., maintenance dig activities) during operations, trench subsidence, and soil diseases (i.e., clubroot disease and potato cyst nematodes) 111. Degradation of soil structure due to compaction, rutting, and pulverization of soil and sod 112. Loss of topsoil/root zone material through wind and water erosion 113. Erosion of soil as a result of release of hydrostatic test water on land 114. Loss of topsoil/root zone material from disturbance (e.g., maintenance dig activities) during operations 115. Increased stoniness in surface horizons 116. Bedrock or large rocks within trench depth 117. Disturbance of previously contaminated soil 118. Contamination of soil as a result of release of hydrostatic test water on land 119. Soil contamination due to spot spills during construction
Water Quality and Quantity	120. Instability of trench at locations with high water table 121. Suspended sediment concentrations in the water column during instream activities 122. Erosion from approach slopes 123. Inadvertent instream drilling mud release 124. Alteration or contamination of aquatic environment as a result of withdrawal and release of hydrostatic test water 125. Reduction of surface water quality due to small spill during construction or site-specific maintenance activities 126. Alteration of natural surface drainage patterns 127. Disruption or alteration of streamflow 128. Shallow groundwater with existing contamination

Type	Potential Impacts from TMEP
	encountered during trench construction 129. Areas susceptible to drilling mud release during trenchless crossing construction, sedimentation in the aquifer, and blasting effects 130. Areas with potential artesian conditions 131. Aquifers (including unconfined aquifers) or wells vulnerable to possible future contamination from a spill during construction 132. Areas susceptible to changes in groundwater flow patterns 133. Disruption of shallow groundwater in high permeable materials in proximity to rivers or watercourse crossings with fluvial materials or colluvium in the substrate 134. Disruption of groundwater flow where springs and shallow groundwater are encountered 135. Areas where dewatering may be necessary during pipeline construction activities 136. Impacts to shallow wells
Air Emissions	137. Project contribution to emissions: increase in air emissions during construction and increase in air emissions during site-specific maintenance and inspection activities 138. Dust and smoke during construction
GHG Emissions	139. Increase in CO_2e emissions 140. Changes in environmental parameters (e.g., increase in global average temperature)
Acoustic Environment	141. Changes in sound level during construction and operation 142. Changes in vibrations during construction and operation
Fish and Fish Habitat	143. Riparian and instream habitat loss or alteration during construction, maintenance, and operation activities 144. Riparian and instream habitat loss or alteration from

Type	Potential Impacts from TMEP
	accidental drilling mud release 145. Contamination from spills during construction and maintenance 146. Increased access to instream habitat during operation 147. Fish mortality or injury during construction 148. Fish mortality or injury due to accidental release of hazardous materials during power line construction 149. Increased suspended sediment concentrations in the water column during instream construction or from accidental mud release 150. Increased access to fish and fish habitat during operations 151. Blockage of fish movements 152. Effects on fish species of concern 153. Loss of habitat, mortality, or injury of Burbot, Northern Pike, Walleye, Bull Trout/Dolly Varden, Chinook Salmon, Coho Salmon, Cutthroat Trout, and Rainbow Trout/Steelhead
Wetland Loss and Alteration	154. Loss or alteration of wetlands of High Functional, High-Moderate, Low-Moderate and Low Functional Condition (i.e., habitat, hydrology, biogeochemistry) 155. Contamination of wetland function (i.e., habitat, hydrology, biogeochemistry) due to a spill during construction
Vegetation	156. Loss or alteration of native vegetation, the most affected vegetation communities, grasslands in the BG BGC Zone, rare ecological communities, and rare plant and/or lichen occurrences 157. Weed introduction and spread
Wildlife and Wildlife Habitat	158. Change in habitat, movement, and increased mortality risk of the following wildlife: Grizzly Bears, Woodland Caribou, Moose, forest furbearers, coastal riparian small mammals, bats, grassland/shrub-steppe birds, mature/old forest birds, early seral forest birds, riparian and wetland birds, Wood

Type	Potential Impacts from TMEP
	Warblers, Short-eared Owls, Rusty Blackbirds, Flammulated Owls, Lewis' Woodpecker, Williamson's Sapsucker, Western Screech-owl, Great Blue Heron, Spotted Owl, Bald Eagle, Common Nighthawk, Northern Goshawk, Olive-sided flycatcher, Pond-dwelling amphibians, stream-dwelling amphibians, and arid habitat snakes
Marine Sediment and Water Quality	159. Change in sediment quality during construction 160. Change in water quality during construction or operations
Marine Fish and Fish Habitat	161. Loss of marine riparian, intertidal, and subtidal habitat 162. Decrease in productive capacity of suitable habitat, injury, or mortality of Dungeness Crab 163. Decrease in productive capacity of suitable habitat, injury, or mortality of inshore Rockfish 164. Decrease in productive capacity of suitable habitat, injury, or mortality of Pacific salmon
Marine Mammals	165. Permanent or temporary auditory injury and sensory disturbance of Harbour Seals, Southern resident Killer Whale, Humpback Whale, and Stellar Sea Lion 166. Injury or mortality due to vessel strikes
Marine Birds	167. Change in habitat quality or availability, sensory disturbance, injury, or mortality of the following marine birds: Great Blue Heron, Pelagic Cormorant, Barrow's Goldeneye, Glaucous-winged gull, and Spotted Sandpiper

Appendix B: Certificate of Expert's Duty

We, Dr. Thomas Gunton, Dr. Sean Broadbent, Dr. Marvin Shaffer, Dr, Chris Joseph and Mr. James Hoffele have been engaged on behalf of Tsawout First Nation, Upper Nicola Band and Living Oceans Society to provide evidence in relation to Trans Mountain Pipeline ULC's Trans Mountain Expansion Project application currently before the National Energy Board.

In providing evidence in relation to the above-noted proceeding, we acknowledge that it is our duty to provide evidence as follows:

1. to provide evidence that is fair, objective, and non-partisan;

2. to provide evidence that is related only to matters within our area of expertise; and

3. to provide such additional assistance as the tribunal may reasonably require to determine a matter in issue.

We acknowledge that our duty is to assist the tribunal, not act as an advocate for any particular party. This duty to the tribunal prevails over any obligation we may owe any other party, including the parties on whose behalf we are engaged.

Date: May 25, 2015 Signature: _____
Dr. Thomas Gunton

Date: May 25, 2015 Signature: _____
Dr. Sean Broadbent

Date: May 25, 2015 Signature: _____
Dr. Marvin Shaffer

Date: May 26 2015 Signature: _____
Dr. Chris Joseph

Date: May 25, 2015 Signature: _____
Mr. James Hoffele

Appendix C: Curriculum Vitaes

Resume

Dr. Thomas Gunton
Director and Professor, School of Resource and Environmental Management
Simon Fraser University
8888 University Drive
Burnaby BC
V5A 1S6

Summary

Dr. Gunton is currently Professor and Director of the Resource and Environmental Planning Program at Simon Fraser University, which is recognized as one of the leading international schools providing advanced interdisciplinary training for resource professionals. Dr. Gunton has had extensive professional experience including holding the positions of Deputy Minister of Environment, Lands and Parks, Deputy Minister of Cabinet Policy Secretariat and Deputy Minister of Finance (Treasury Board) for the Government of British Columbia. He has also held senior positions with the Government of Manitoba, including Assistant Deputy Minister of Energy and Mines where he was in charge of major natural resource project development and evaluation, Senior Economic Analyst in the Ministry of Economic Development and was visiting professor in resource and environmental economics at the University of Manitoba.

Dr. Gunton regularly provides advice to private sector and public sector clients. His work includes evaluation of resource development projects, regional development strategies and negotiation and collaborative models for resolving resource and environmental conflicts. While working for the BC government he managed a number of major initiatives including: a new Environmental Assessment Act, a new Forest Practices Code, a forest sector strategy, a new regional land use planning process, a major expansion of the provincial parks system, a redesign of the regulatory and royalty system for oil and gas development and new air pollution regulations. He was also the chief negotiator for the province on a number of major resource development projects including Kemano completion and oil and gas royalties. Dr. Gunton has been an expert witness for various regulatory agencies including the National Energy Board, the Ontario Energy Board, and the Manitoba Public Utilities Commission. He has also been an expert witness before the BC Arbitration Panel providing evidence on natural resource markets and pricing.

Dr. Gunton's works on management issues in a number of resource sectors including forestry, land use, energy, mining and fisheries. He is Chair of the Sustainable Planning Research Group and heads a research team providing advice to First Nations on impacts and risk assessment of oil and gas development and pipeline proposals including the Enbridge Northern Gateway project (NGP). He was senior supervisor of recently completed (2014) PhD research evaluating risk assessment and benefit-costs for the Enbridge Northern Gateway Pipeline. Dr. Gunton also recently prepared a draft of the *Federal Sustainable Development Act* for the Suzuki Foundation that was passed unanimously by the Parliament of Canada in 2008. Dr, Gunton has published over 80 refereed articles in scientific journals and over 100 technical reports for private and public sector clients on resource and environmental issues and project development. He

was recently awarded (2014) a large four year Mitacs research grant ($400,000) to assess social, environmental and economic impacts of natural resource development on First Nations in BC.

Current Employment

Professor and Director of the Resource and Environmental Planning Program, School of Resource and Environmental Management, Simon Fraser University. (1980-present).

Responsibilities

Teaching graduate courses in public policy analysis, regional resource development, dispute resolution. (courses include: environmental impact assessment, cost-benefit analysis, economic impact assessment, multiple accounts evaluation (social, environmental, fiscal, economic assessment techniques), conflict resolution techniques, regional development.) Senior Superviser of over 40 graduate theses on resource and environmental management

Previous Employment

1. Deputy Minister, Cabinet Policy Secretariat, Government of British Columbia, 8/96 to 8/00.
2. Deputy Minister, Ministry of Environment, Lands and Parks, Government of British Columbia, 10/93 to 7/96.
3. Deputy Minister, Treasury Board Secretariat, Ministry of Finance and Corporate Relations, and Secretary to Treasury Board. 08/92 to 10/93.
4. Director, School of Resource and Environmental Management, Simon Fraser University, 08/88 to 12/91.
5. Assistant Deputy Minister, Department of Energy and Mines, Province of Manitoba, Policy Planning and Project Development Division, 8/86 to 8/88
6. Senior Economic Analyst. Department of Energy and Mines, Province of Manitoba, Policy Planning and Project Development, 1984. (project and policy evaluation)
7. Visiting Professor, Department of Economics 1983, University of Manitoba, (teaching senior course in resource and environmental economics).
8. Senior Economic Analyst, Department of Economic Development, Province of Manitoba, 1983
9. Consultant to private and public sector clients 1980-present including. Major activities include: economic and environmental evaluation of major resource and energy projects and markets, participation as expert witness before agencies including NEB, OEB, MPUC, BC Arbitration Panel (on resource pricing and energy markets).

Refereed Publications	**over 80**
Professional Reports Prepared	**over 100**
Research Funding	**$1,668,000**

Education

University of Waterloo BA, MA (Planning). (Field: regional planning and natural resource analysis and policy including law, ecology, economics and public policy)
University of British Columbia, Ph.D., Planning (Field: Natural resource policy, regional development planning, planning theory and public policy).

Dr. Thomas Gunton: Selected Publications (may 2015)

1. Joseph, Chris, Thomas I. Gunton and Murray Rutherford. 2015. Good Practices for Environmental Assessment. *Impact Assessment and Project Appraisal. (forthcoming)*.
2. Gunton, Thomas I. 2015. Natural Resources and Economic Development. *International Encyclopedia of Geography*. D. Richardson and J. Ketchum ed.: Wiley-AAG. (forthcoming)
3. Gunton, Thomas I. 2015. Collaborative Models of Resource Development. *International Encyclopedia of Geography*. D. Richardson and J. Ketchum ed. Wiley-AAG. (forthcoming)
4. Gunton, Thomas, S. Broadbent and M. Sykes. 2015. LNG Development in BC: Issues and Policy Options: Vancouver, BC.
5. Joseph, Chris andThomas I. Gunton. 2015. Cost-benefit Analysis for Energy Project Evaluation: A Case Study of Bitumen Development in Canada. *Journal of Benefit-Cost Analysis* (in preparation).
6. Broadbent, S., Thomas Gunton and Duncan Knowler.2015. Multiple Accounts Evaluation Methodology for Evaluating Pipeline Proposals: A Case Study of the Enbridge Northern Gateway Project. *Journal of Benefit-Cost Analysis* (in preparation).
7. Calbick, K. and Thomas Gunton. 2014. Differences among OECD countries' GHG emissions: Causes and policy implications. *Energy Policy.* 67: 895-902
8. Gunton, Thomas I. and Sean Broadbent. 2013. *A Spill Risk Assessment of the Enbridge Northern Gateway Project.* Simon Fraser University: Burnaby, BC.
9. Gunton, Thomas I. and Sean Broadbent. 2012. *A Review of Potential Impacts to Coast First Nations from and Oil Tanker Spill Associated with the Northern Gateway Project*. Evidence submitted to the Enbridge Northern Gateway Joint Review Panel. Simon Fraser University: Burnaby, BC.
10. Gunton, Thomas I. and Sean Broadbent. 2012. *A Public Interest Assessment of the Enbridge Northern Gateway Project*. Evidence submitted to the Enbridge Northern Gateway Joint Review Panel. Simon Fraser University: Burnaby, BC.
11. Morton, C., Thomas I. Gunton, and J.C. Day. 2011. Engaging aboriginal populations in collaborative planning: an evaluation of a two-tiered collaborative planning model for land and resource management. *Journal of Environmental Planning and Management* .
12. Calbick, Ken and Thomas I. Gunton. 2011. Dynamics of GHG Emissions among OECD Countries: An Econometric Analysis. *Proceedings of the Sustainable Development of Energy, Water, and Environmental Systems Conference*, Dubrovnik, Croatia.

13. Gunton, Thomas I. and Chris Joseph. 2011. *Independent Economic and Environmental Evaluation of the Naikun Wind Energy Project*. Burnaby, BC.
14. Ellis, Megan, Thomas I. Gunton, and Murray Rutherford. 2010. A Methodology for Evaluating Environmental Planning Systems: A Case Study of Canada. *Journal of Environmental Management*. 30: 1-10.
15. Cullen, Andrea, Gord McGee, Thomas I. Gunton, and J.C. Day. 2010. Collaborative Planning in Complex Stakeholder Environments: An Evaluation of a Two Tier Collaborative Planning Model. *Society and Natural Resources Journal.* 23: 4: 332-350.
16. Gord McGee, Andrea Cullen, Thomas I. Gunton. 2010. A New Model for Sustainable Development: A Case Study of the Great Bear Rainforest Management Plan. *Environment, Development, and Sustainability.* 12:5: 745-762.
17. Ellis, Megan, Thomas I. Gunton, and Murray Rutherford. 2010. A Methodology for Evaluating Environmental Planning Systems: A Case Study of Canada. *Journal of Environmental Management*. 91:1268-1277.
18. Gunton, Thomas I. and Murray Rutherford. 2010. Marine Planning in Canada: Challenges and Opportunities. *Environments*. 37: 3: 1-8.
19. Gunton, Thomas I., Murray Rutherford and Megan Dickinson. 2010. Stakeholder Analysis in Marine Planning. *Environments*. 37: 3: 95-110.
20. Gunton, Thomas I. and Chris Joseph. 2010. Economic and Environmental Values in Marine Planning: a Case Study of Canada's West Coast. *Environments*. 37: 3: 111-127.
21. Dickinson, Megan, Murray Rutherford, and Thomas I. Gunton. 2010. Principles for Integrated Marine Planning: A Review of International Experience. *Environments*. 37: 3: 21-46.
22. Rutherford, Murray, Megan Dickinson and Thomas I. Gunton. 2010. An Evaluation of the National Framework for Marine Planning in Canada. *Environments*. 37: 3: 47-71.
23. Gunton, Thomas. I. and Murray Rutherford. (Guest Editors). 2010. Marine Planning: Challenges and Opportunities. *Environments*. 37: 3: 1-9.
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26. Gunton, Thomas I. and Chris Joseph. 2010. Environmental Impact Analysis of Energy Development on the BC Coast. Ottawa: Department of Fisheries and Oceans.
27. Joseph, Chris, Thomas I. Gunton, and J.C. Day. 2008. "Planning Implementation: An Evaluation of the Strategic Land Use Planning Framework in British Columbia." *Journal of Environmental Management* 88:4 594-606.
28. Paridean Margaret, Peter Williams, and Thomas I. Gunton. 2007. "Evaluating Protected Areas Selection Processes: A Case Study of Land Use Planning in British." *Environments* 34:3: 71-95.

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30. Ronmark, Tracy, Thomas I. Gunton, and Peter Williams. 2007. "Evaluating Protected Area Management Planning: A Case Study of British Columbia's BC's Protected Areas Master Planning." *Environments* 34:3: 96-111.
31. Browne, Sarah, Murray Rutherford, and Thomas I. Gunton. 2007. "Incorporating Shared Decision Making in Forest Management Planning: An Evaluation of Ontario's Resource Stewardship Agreement Process." *Environments* 34:3: 39-56.
32. Gunton, Thomas I., Thomas Peters, and J.C. Day. 2007. "Evaluating Collaborative Planning: A Case Study of a Land and Resource Management." *Environments* 34:3 19-37.
33. Gunton, Thomas I. and Chris Joseph. 2007. *Toward a National Sustainability Strategy for Canada: Putting Canada on the Path to Sustainability within a Generation*. Vancouver: David Suzuki Foundation. 40 p.
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35. Gunton, Thomas. I., Murray Rutherford, J.C. Day and P. Williams. 2007. "Evaluation in Resource and Environmental Planning." *Environments*. 34:3: 1-18.
36. Gunton, Thomas. I., Murrray Rutherford, J.C. Day and P. Williams. (Guest Eds). 2007. "Evaluating Resource and Environmental Planning." *Environments*. 34:3.
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39. Gunton, Thomas I. and Ken Calbick. 2005. *The Maple Leaf in the OECD, Comparing Canada Progress Towards Sustainability.* Vancouver, B.C.: David Suzuki Foundation. 44p.
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42. Gunton, Thomas I. 2004. "Energy Rent and Public Policy: An Analysis of the Canadian Coal Industry." *Energy Policy*. 32:2: 151-63.
43. Gunton, Thomas I. J.C. Day et al. 2004. *A Review of Offshore Oil and Gas in British Columbia.* Burnaby, B.C.: School of Resource and Environmental Management, Simon Fraser University.
44. Gunton, Thomas I. 2003a. "Natural Resources and Regional Development" *Economic Geography.* 79:1: 67-94.
45. Gunton, Thomas I. 2003b. "Natural Resource Megaprojects and Regional Development: Pathologies in Project Planning." *Regional Studies*. 37:5:505-519.

46. Gunton, Thomas I., J.C. Day and Peter Williams. (Guest Eds). 2003. "Collaborative Planning in Sustainable Resource Management: The North American Experience. *Environments*. 31:2.
47. Gunton, Thomas I., J.C. Day and Peter Williams. 2003. "The Role of Collaborative Planning in Environmental Management: The North American Experience. *Environments*. 31: 2: 1-5.
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50. Gunton, Thomas I., J.C. Day and P. Williams. (Guest Eds). 2003. "Collaborative Planning and Sustainable Resource Management: The British Columbia Experience." *Environments*. 31:3.
51. Finnigan, D, Thomas I. Gunton and P. Williams. 2003. "Planning in the Public Interest: An Evaluation of Civil Society Participation in Collaborative Land Use Planning in British Columbia." *Environments*. 31:3: 13-31.
52. Gunton, Thomas I., J.C. Day and P. Williams. 2003. "Evaluating Collaborative Planning: The British Columbia Experience." *Environments*. 31:3: 1-13.
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57. Craig-Edwards, Rebekah, P. Williams and Thomas I. Gunton.2003. "Backcountry Tourism Perspectives on Shared Decision-making in Land Use Planning." *Environments*. 31:3: 31-51.
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63. Duffy, Dorli, Mark Roseland and Thomas I. Gunton (Guest Eds). 1996. *Shared Decision-Making and Natural Resource Planning: Canadian Insights*. Special issue of *Environments*
64. Flynn, Sarah and Thomas I. Gunton. 1996. "Resolving Natural Resource Conflicts Through Alternative Dispute Resolution: A Case Study of the Timber Fish Wildlife Agreement in Washington State." *Environments.* 23:2:101-111.

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93. Weaver, C. and Thomas I. Gunton.1986. " Evolution of Canadian Regional Policy." In D.J. Savoie ed. *The Canadian Economy, A Regional Perspective*. Toronto: Methuen. 42-76
94. Gunton, Thomas I.1985. "A Theory of the Planning Cycle." *Plan Canada.* 25:2: 40-45.
95. Gunton, Thomas I.1985. "A Practitioner's Guide to Economic and Population Impact Assessment." *Operational Geographer.* 2:1: 15-19.
96. Gunton, Thomas I. 1984. "The Role of the Professional Planner." *Canadian Public Administration.* 27: 4: 399-417.
97. Gunton, Thomas I. 1983. "Recent Issues in Canadian Land Policy." *Canadian Geographer.* 27: 2: 94-206.
98. Hayter, Roger and Gunton, Thomas I. 1983. "Planning for Technological Change: The Case of Discovery Parks in British Columbia." *B. C. Geographical Series.* 40: 27-42.
99. Gunton, Thomas I. 1982. *Resources, Regional Development and Public Policy*. Canadian Centre for Policy Alternatives, Occasional Paper No. 7. Ottawa: Canadian Centre for Policy Alternatives.
100. Weaver, C. and Gunton, Thomas I. 1982. "From Drought Assistance to Mega Projects: Fifty Years of Regional Policy in Canada." *Canadian Journal of Regional Science.* 5:1:5-39.

Sean Broadbent

Curriculum Vitae
April 2015

School of Resource and Environmental Management, Simon Fraser University
TASC I - Room 8405, 8888 University Drive
Burnaby, BC V5A 1S6
Citizenship: Canadian

EDUCATION

PhD, Resource Management, Simon Fraser University, Burnaby, BC 2014
MBA, Business Economics, Oakland University, Rochester, MI 2008
BSc, Management Information Systems, Oakland University, Rochester, MI 2005

RESEARCH EXPERIENCE

Postdoctoral Fellow, Environmental Management Planning Group, Simon Fraser University, Burnaby, BC, 2014 - 2015.

Managed a team of graduate students in a multi-year research project that assesses cumulative effects to economic, environmental, social, and cultural values in First Nations traditional territory.

Doctoral Researcher, Environmental Management Planning Group, Simon Fraser University, Burnaby, BC, 2009 - 2014

Evaluated existing methods used in the regulatory review process to assess impacts from major energy projects and proposed a new methodological approach that integrates economic, environmental, and social values into a comprehensive evaluative framework.
Advisors: Dr. Thomas Gunton, Dr. Murray Rutherford, and Dr. Chad Day.

Senior Researcher, Environmental Management Planning Group, Simon Fraser University, Burnaby, BC, 2009 - 2014

Completed several studies in resource and environmental management including two studies submitted as evidence to the Joint Review Panel for the Northern Gateway Project on behalf of project intervenors.

Master Researcher, School of Business Administration, Oakland University, Rochester, MI, 2006 - 2008

PEER-REVIEWED PUBLICATIONS

Works in progress

1. **Broadbent, S**. and T.I. Gunton (Draft). Multiple Account Benefit Cost Evaluation of the Enbridge Northern Gateway Project, to be submitted to *Journal of Benefit-Cost Analysis*.

2. **Broadbent, S**. and T.I. Gunton (Draft). Evaluation of Risk Assessment in the Planning of Major Energy Projects: A Case Study Evaluation of the Northern Gateway Project, to be submitted to *Risk Analysis*.

3. **Broadbent, S**., T.I. Gunton, and M.B. Rutherford (Early Draft). Evaluation of Economic Impact Assessment Methodologies in the Regulatory Review Process for Major Energy Projects in Canada, to be submitted to *Impact Assessment and Project Appraisal*.

4. **Broadbent, S**. and T.I. Gunton (Early draft). The Cost of the Exon Valdez Oil Spill: A Summary of Economic Impacts, to be submitted to *Environmental and Resource Economics*

5. **Broadbent, S**. and T.I. Gunton (Early draft). Forecasting Spill Risk in Major Project Applications: An Application of the United States Oil Spill Risk Analysis Model to the Northern Gateway Project, to be submitted to *Risk Analysis.*

SELECTED ACADEMIC AND INDUSTRY REPORTS

Lucchetta, M., M. Steffensen, T.I. Gunton and **S. Broadbent.** (Draft) Cumulative Effects Assessment and Management: A Framework for the Metlakatla First Nation. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I., **S. Broadbent** and M. Sykes. (Draft). LNG Development in BC: Issues and Policy Options (Update). Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Broadbent, S. (2014). Major Project Appraisal: Evaluation of Impact Assessment Methodologies in the Regulatory Review Process for the Northern Gateway Project. Doctoral Thesis. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I. and **S. Broadbent.** (2014). A Preliminary Evaluation of Socioeconomic and Risk Assessment Components of the Kinder Morgan Regulatory Application for the Trans Mountain Expansion Project. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I. and **S. Broadbent**. (2013). North Coast Power Authority. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I. and **S. Broadbent**. (2013). A Spill Risk Assessment of the Enbridge Northern Gateway Project. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I. and **S. Broadbent**. (2012). A Public Interest Assessment of the Enbridge Northern Gateway Project. Report Submitted to the Joint Review Panel for the Enbridge Northern Gateway Project. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

Gunton, T.I. and **S. Broadbent**. (2012). A Review of Potential Impacts to Coastal First Nations from an Oil Tanker Spill Associated with the Northern Gateway Project. Report Submitted to the Joint Review Panel for the Enbridge Northern Gateway Project. Burnaby, BC: School of Resource and Environmental Management, Simon Fraser University.

ACADEMIC CONFERENCE PRESENTATIONS

Gunton, T.I. and **S. Broadbent**. Project Evaluation and Risk Assessment. Symposium conducted at the Aboriginal Law, Environmental Law and Resource Development Conference, Vancouver, BC, December 3, 2014.

AWARDS, FELLOWSHIPS, GRANTS, AND HONOURS

Mitacs Accelerate Postdoctoral Fellowship ($80,000), Simon Fraser University, 2014.
President's PhD Scholarship ($6,250), Simon Fraser University, 2012.
Industrial Research and Development Internship Program ($15,000), Simon Fraser University, 2011.
Social Sciences and Humanities Research Council Doctoral Award (waitlisted), Simon Fraser University, 2011.
Graduate Fellowship ($6,250), Simon Fraser University, 2009.
Beta Gamma Sigma Honor Society, Oakland University, 2008.

MSA

Marvin Shaffer & Associates Ltd.
Consulting Economists

1675 Larch Street
Vancouver, B.C. V6K 3N7
Telephone: (604) 7871620
Email: marvshaffer@gmail.com
Website:www.sfu.ca/mpp/marvinshaffer

MARVIN SHAFFER & ASSOCIATES LTD.

Marvin Shaffer & Associates Ltd. (MSA) is a British Columbia-based consulting firm which specializes in energy, transportation and natural resource economics, as well as general project and economic policy analysis. In all undertakings, the primary objective is to apply sound economic principles and theory to practical problems in a rigorous yet readily comprehensible manner.

Dr. Marvin Shaffer, the principal consultant, has a Ph.D. in Economics from the University of British Columbia. He received his B.A., Honours in Economics, from McGill University. Dr. Shaffer has managed MSA for over thirty years, undertaking consulting assignments for both public and private sector clients across Canada. He has successfully negotiated major agreements in the energy and transportation fields. He has held senior positions with the Government of British Columbia (head of the Crown Corporations Secretariat and Chief Executive Officer of the British Columbia Transportation Financing Authority). Dr. Shaffer is currently an Adjunct Professor in the Public Policy program at Simon Fraser University, lecturing on multiple account benefit-cost analysis. As well, he has lectured in economics at the University of British Columbia, and the University of Queensland and the University of Tasmania in Australia.

Dr. Shaffer's resume and a list of representative clients are attached.

MARVIN SHAFFER, Ph.D.

RÉSUMÉ

DATE OF BIRTH: May 1, 1949

PLACE OF BIRTH: Winnipeg, Manitoba

CITIZENSHIP: Canadian

EDUCATION: McGill University, Montreal, Quebec
B.A. (Honours) Economics, 1970.

University of British Columbia, Vancouver, B.C.
Ph.D. Economics, 1974.
Ph.D. Dissertation Topic: The Role of Competition in Macro Models
Areas of Specialization: Industrial Organization - Labour Economics

AWARDS: Woodrow Wilson Fellowship, 1970
U.B.C. Fellowships, 1970-1972
Canada Council Fellowships, 1972-1974

MAJOR ACCOMPLISHMENTS:

- ***Greater Vancouver Transportation Authority:***
  - Negotiated agreement and co-chaired transition team transferring responsibility for BC Transit from the Province to Greater Vancouver within a newly created multi-modal, integrated transportation authority.

- ***Columbia River Treaty:***
  - Negotiated agreements for the return of the power benefits owed to British Columbia under the ***Columbia River Treaty*** in a manner which minimizes transmission costs and maximizes market opportunities for the province.

- ***Multiple Account Benefit-Cost Analysis:***
  - Developed framework now widely used within British Columbia for the evaluation of major policies and projects, recognizing financial, customer service, environmental and economic development objectives of government.

  - Wrote a book for students and practitioners ***Multiple Account Benefit-Cost Analysis: A Practical Guide for the Systematic Evaluation of Project and Policy Alternatives***, published by University of Toronto Press in 2010.

EMPLOYMENT:

1976-1992, 1995-Present	***Consulting Economist*** - President and senior consultant for Marvin Shaffer & Associates Ltd., a consulting firm specializing in energy, transportation and environmental economics.
2004-Present	***Adjunct Professor, Public Policy Program, Simon Fraser University*** – lecture on benefit-cost analysis.
1987, 1989, 1997-2003	***Sessional Lecturer in Economics, University of British Columbia*** - macroeconomics and benefit-cost analysis.
1985,1988,1992,2000,2003	***Visiting Senior Lecturer in Economics, University of Tasmania and University of Queensland*** -Lectured in benefit-cost analysis, natural resource economics, macroeconomics, econometrics and other subjects.
June 1994-June 1995	***Chief Executive Officer, British Columbia Transportation Financing Authority***, a Crown corporation responsible for integrated transportation planning and the financing of provincial highway and other transportation infrastructure investments.
Aug. 1993-June 1995	***Secretary Responsible for the British Columbia Crown Corporations Secretariat***, a central agency responsible for reviewing strategic and business plans, and monitoring the performance of British Columbia's Crown corporations.
June 1992-Aug. 1993	***Assistant Secretary, Capital Evaluation and Economic Analysis, British Columbia Crown Corporations Secretariat*** -- Developed Multiple Account Guidelines for British Columbia's Crown corporations to ensure systematic evaluation of major investments; served as British Columbia's Chief Negotiator for the return of the Downstream Benefits owed to British Columbia under the Columbia River Treaty.
1976-present	***Freelance Writer*** - Freelance writer on economics and energy issues for major newspapers in Western Canada
1974-1976	***Senior Economist, B.C. Energy Commission*** - Researched and prepared reports on a wide range of energy topics, including future energy demand, utility rate structure, energy supply, field pricing and resource taxation.

MARVIN SHAFFER & ASSOCIATES LTD.

REPRESENTATIVE CLIENTS

Governments

Federal
Auditor General
Employment and Immigration Canada
Energy, Mines & Resources Canada
External Affairs
Finance
Fisheries & Oceans Canada
Health & Welfare Canada
Indian and Northern Affairs
Public Works Canada
Science Council of Canada
Transport Canada

Provincial
Province of British Columbia
- Crown Corporations Secretariat
- Environment & Land Use Secretariat
- Marine Resources Branch
- Ministry of Agriculture
- Ministry of Economic Development
- Ministry of Employment and Investment
- Ministry of Energy, Mines & Petroleum Resources
- Ministry of Environment
- Ministry of Forests
- Ministry of Lands, Parks & Housing
- Ministry of Social Services & Housing

Government of the Northwest Territories
Manitoba Energy Authority
Yukon Territorial Government

Other
City of Kitimat
City of Surrey
Greater Vancouver Regional District
GVTA (Translink)

Public Sector / Crown Corporations

B.C. Ferries
B.C. Hydro
B.C. Resources Investment Corp.
B.C. Transportation Financing Authority
Columbia Power Corporation
Manitoba Hydro
New Brunswick Electric Power Commission
Ontario Waste Management Corporation
Partnerships B.C.
Powerex
Saskatchewan Crown Investments Corporation
Saskatchewan Power Corporation
Vancouver Public Library

Indian Organizations

Ft. Nelson Indian Band
Gitxsan Tribal Coucil
Lake Babine Band
Lax Kw'alaams Indian Band
Musqueam Indian Band
Nisga'a Tribal Council
Katzie First Nation
Tahltan Tribal Council

Public Task Forces and Inquiries

B.C.-Environment Assessment Office
- Salmon Aquaculture Review

B.C.-Gasoline Pricing Inquiry
B.C.-Port Hardy Ferrochrominium Review Panel
B.C.-States Oil Spills Task Force
B.C. Utilities Commission
Ontario Energy Board
West Coast Oil Ports Inquiry
Western Grid Study Agreement

Private Sector Firms and Associations

Alcan Ltd.
Amoco Canada Ltd.
Arlon Tussing & Associates
Berger & Nelson, Barristers & Solicitors
BC Gas
Cassels, Brock & Blackwell, Barristers & Solicitors
Golder & Associates
Gulf Canada Ltd.
Industrial Gas Users Associaton
Inland Pacific Energy Services (B.C. Gas)
Mobil Oil Inc.
Monenco Consultants Ltd.
Montenay Inc
Natural Gas Pipeline Company of America
Niagara Mohawk Power Corporation
Petro-Canada Inc.
Progas Limited
RBC Dominion Securities
Reid Crowther & Partners Inc.
Sandwell, Swan Wooster
Shell Canada Ltd.
SNC Lavalin
Westcoast Transmission Ltd.
Western Gas Marketing Limited

Non-Profit Organizations

BC Public Interest Advocacy Centre
Canada West Foundation
Canadian Wildlife Service
Canadian Energy Research Institute
Friends of Nemaiah Valley
YWCA

ASSIGNMENTS COMPLETED SINCE 1990

Energy

AECOM:-Analyzed the economics of alternative waste management strategies in MetroVancouver, including waste-to-energy plants, 1999.

BC Gas:- Analyzed the implications and provided policy advice on alternative regulatory policies respecting the pricing of natural gas and electricity, 2000-2001.

BC Hydro:-With Alchemy Consulting and Constable Consultants, analyzed the opportunities and economic efficiency of NOx offset measures for the Burrard Thermal Power plant, 1999.

_____**:-** Prepared a report on the implications of commitments in the B.C. government's New Era document in relation to the Burrard Thermal plant, and reviewed and helped draft a response to a critique of BC Hydro's proposed Vancouver Island gas pipeline, 2001.

BC Ministry of Employment and Investment:- Provided advice on long term sales opportunities for the downstream power benefits owed to the province under the Columbia River Treaty. Also advised on the costs and benefits of long term power sales to proposed aluminum smelters in the province, 2001.

_____**:-** Analyzed the economic implications for the energy and mines sectors in a multiple account evaluation of alternative Mackenzie area land and resource management plans, 2000.

_____**:-** Reviewed analyses of the economic impacts, costs and benefits to the province and BC Hydro of a proposed aluminum smelter at Port Alberni, 2001.

BC Ministry of Energy, Mines and Petroleum Resources:- Acted as an advisor in the preparation of MEMPR's Energy Policy Paper "Our Energy Future", March, 1991.

____:- Prepared a report "Integrating Environmental and Energy Values -- An Economic Perspective on Energy Policy for the 90's", April, 1990.

____:- Prepared a report "Environmental and Economic Issues Related to Fuel Choice in Space and Water Heating in British Columbia", December, 1990.

BC Ministry of Environment, Lands & Parks:- Undertook a study entitled "Supply and Price Impact of Cleaner Gasoline Standards in British Columbia" 1995.

BC Ministry of Finance:- With Alchemy Consulting and Constable Consultants, prepared a multiple account benefit-cost evaluation of alternative strategies with respect to the operation or closure of the Burrard Thermal Power plant, 2000-2001.

BC Ministry of Small Business and Economic Development:- Prepared a report on the economic and social benefits associated with the development of a Cold Water Release Facility at or near Kenney Dam on the Nechako Reservoir, 2004.

BC Ministry of Water Lands and Air Protection:- Prepared a report on the economic implications of alternative Kyoto implementation scenarios on Tech Cominco's Trail smelter and Elkford mine, 2002.

BC Public Interest Advisory Centre:- Prepared a report and appeared as an expert witness on marginal cost pricing at the BCUC Hearing on BC Hydro's Rate Design Application, 2007.

____:- Prepared a report and testified at a BC Utilities Commission hearing on the rationale, impacts, economic efficiency and equity of BC Hydro's Power Smart program, 2004.

BC Utilities Commission:- Acted as Head of Inquiry Research in the BC Utility Commission Inquiry into Gasoline Pricing in British Columbia, 1996

Berger & Nelson, Barristers & Solicitors:- Reviewed and advised on a report by Fisher Energy Consultants entitled "Economics for the Development of Oil and Gas Resources in Lot 9 and 27 of the Former Fort St. John Indian Reserve No. 172" in preparation for a trial -- Apsassin v. The Queen, 1997.

Canadian Office and Professional Employees Union:- Prepared a series of policy papers *(Lost in Transmission)* critiquing the self-sufficiency, pricing and supply side provisions in the BC Government's Energy Plan, 2007.

_____:- Prepared evidence and testified as an expert at a BC Utilities Commission hearing on BC Hydro's 2008 Long Term Acquisition Plan, 2009.

City of Kitimat:- Analyzed the provisions in the BC Hydro-Alcan LTEPA+ and 2007 Energy Purchase Agreements and appeared as an expert witness at BCUC's hearings reviewing those contracts, 2006 and 2007.

Columbia Power Corporation:- Reviewed evidence and assisted in the preparation for Columbia Power's intervention at a BC Utility Commission hearing into BC Hydro's Integrated Electricity and Long Term Acquisition Plans, 2006.

_____**:-** Prepared a report and testified at a BC Utility Commission hearing on BC Transmission Corporation's proposed Open Access Transmission Tariff, 2005.

_____:- Analyzed the financial and environmental costs of a proposed coal-fired power plant compared to gas-fired combined cycle and hydro alternatives available in British Columbia, 1999.

_____:-Reviewed assumptions, methodology and report on a benefit-cost analysis of the Keenleyside 150 MW Power Plant project, 1998.

Electricity Table-National Climate Change Process:- Prepared a report on the environmental and health-related impacts of various options to meet target reductions in greenhouse gas emissions, 1999.

Greater Vancouver Regional District (MetroVancouver):- Reviewed existing provisions and alternatives respecting an agreement with BC Hydro to use water from the Coquitlam reservoir for domestic purposes. Prepared a report on specific alternatives for detailed discussion and negotiation with BC Hydro. Assisted in the renegotiation of the Coquitlam water purchase arrangements 2003-2006.

_____:- Provided advice on the market pricing of the electricity output from a proposed municipal waste incinerator turbogenerator project, 2001.

Inland Pacific Enterprises Corporation:- Provided strategic advice on electricity marketing, independent power project developments, public-private partnerships, and other related matters, 1995-1997

Manitoba Hydro:- Developed a multiple account framework for the analysis of alternative resource development plans, in preparation for submission to a Manitoba government Needs for and Alternative Hearing, 2011-12.

_____:- Prepared a presentation and led a workshop on Triple Bottom Line Assessment and Accounting, 2005.

_____:- Prepared a multiple account benefit-cost report on the development of a cooling tower at the Selkirk gas-fired thermal plant, 2004.

_____:- Prepared a multiple account benefit-cost comparison of developing the Wuskwatim hydro project versus a comparable amount of wind capacity, 2004.

_____:- Prepared a multiple account benefit-cost report on advancing the Wuskwatim hydro project for export, 2003

_____:- Reviewed participation and benefit agreements between energy sector companies and First Nations and advised on participation options for Manitoba Hydro's hydro projects, 2001-2006.

_____:- Prepared a contingent valuation study with the assistance of Prairie Research Associates Inc. entitled "Transmission Line Impacts on Wilderness Values – Phase III Report", March, 1992.

____:- Prepared a report "Environment and Economic Trade-Offs of Alternative Expansion Plans", March, 1990.

Mobil Oil Inc.:- With Brent Friedenberg & Associates, prepared a benefit-cost analysis and testified before an Environmental Assessment Panel on Mobil Oil's Sable Offshore Energy Project and the Maritime and Northeast Pipeline Project, 1997.

Powerex:- Chief Negotiator for the Province of British Columbia leading to agreements regarding the return of the Downstream Power Benefits under the *Columbia River Treaty*, 1995-1998.

_____**:-** Prepared report on the evolution of western North America electricity markets in support of an application for a provincial energy removal certificate, 1999.

____:- Facilitated discussions between Whatcom County, Intalco and Powerex leading to commercial negotiation of a power supply contract, 2001.

____:- Reviewed application of risk capital concepts to the evaluation of gas plant tolling opportunities, 2003.

____:- Helped organize workshops on risk management, trading strategies, and accountability framework presented to Hydro Tasmania Board and staff, 2003.

RBC Dominion Securities:- Assisted in the economic and financial evaluation of alternative natural gas pipeline proposals and other matters, including the restructuring of BC Hydro and proposed purchases of energy sector firms, 1999-2001.

SNC Lavalin:- Reviewed a multi-criteria analysis of power supply options in Central Equatorial Africa that SNC prepared for the World Bank, 2005.

Tsawwassen First Nation:-Prepared a multiple account benefit-cost assessment of a proposed waste-to-energy project on Tsawwassen lands, 2012.

Fisheries

British Columbia Environmental Assessment Office:- Prepared a report and advised the Salmon Farming Review Committee on the Social and Economic Impacts from Current Salmon Farming Activity in B.C., 1997.

Fisheries & Oceans Canada, Pacific Region:- Prepared a study identifying linkages between the ***Pacific Salmon Treaty*** and Salmon Rebuilding Efforts in the Pacific Northwest, 1997-1998.

_____- Participated in an evaluation of DFO's Response to the **Report of the Fraser River Sockeye Public Review Board**, 1996.

_____:-Prepared a report "Columbia River Salmon Rebuilding Program" that documented the objectives, nature and costs of United States efforts to rebuild salmon (and steelhead) in the Columbia River Basin, 1996.

____:- Together with LGL Limited prepared a report on the Evaluation Framework for the At-Sea Export Program, March, 1991.

____:- Prepared an update of the report "Long Term Salmon Price Forecasting Model," March, 1991.

____:- Prepared a report "Evaluation of Pacific Licensing, License Fee Policy and Their Impact on the Catching Power and Economic Performance of the Fleet", May, 1991.

Fisheries & Oceans Canada and Indian Affairs Canada:- Prepared a report "Potential Economic Benefits of SEP for Native Indians", April, 1990.

Musqueam Indian Band:- Prepared a report on the valuation of adverse fisheries-related impacts on the Musqueam due to a new Fraser River crossing for the RAV-Canada Line rapid transit project, 2006.

Nisga'a Tribal Council:- Assisted in the negotiations for a settlement of fisheries issues in the Nisga'a Land Claim.

_____:- Prepared a report "Nisga'a Long Term Economic Development Plan", April, 1990.

Transportation

BC Ferry Corporation:- Provided advice on subsidy policy issues and rate impacts related to the possible restructuring of BC Ferries Corporation, 2002.

_____- Prepared analyses of financial and regulatory requirements for achieving commercial status for BC Ferries, 1995

_____- Prepared a report on options for an explicit BC Ferry Subsidy Policy, 1992.

BC Transportation Financing Authority:- Advised on various matters including tolling policy, revenue strategy for the Vancouver Island Highway Project, 1995-1997.

Canada Ministry of Finance, Personal Income Tax Division:- Prepared a report and workshop presentation on the price elasticity of transit demand and the impacts of transit benefit tax exemptions on transit's market share, 2005.

City of Coquitlam:- Reviewed terms of access agreements in the development of the Millenium Skytrain line, 2000.

Greater Vancouver Transportation Authority:- Presented a two-day workshop on Multiple Account Benefit-Cost Analysis of major transportation projects, January, 2008.

_____:- Led technical team analyzing the feasibility, desirability, financing and implementation strategy for a new crossing of the Fraser River, 2000-2002.

_____:- Prepared paper on bus service delivery options to improve cost effectiveness and performance, 2001.

_____:- Prepared paper on the economic efficiency, potential revenues, administrative complexity and other characteristics of alternative pricing and taxation options available under the GVTA Act, 1999.

Greater Vancouver Regional District:- Co-Chaired GVTA Transition Team responsible for implementing the GVTA agreement and ***Greater Vancouver Transportation Authority Act***, 1998

_____:- Chief Negotiator for the GVRD leading to agreements creating the Greater Vancouver Transportation Authority, 1997-1998.

General Resource/ Other

BC Ministry of Agriculture and Fish:- Prepared an analysis of the principles and limitations of policy proposals to provide payments in recognition of the ecological goods and services generated by the agriculture sector, 2005.

____:- Prepared an assessment of the underlying factors and policy implications of farm income trends in British Columbia and Canada, 2005-6.

BC Ministry of Environment:- Prepared an assessment and testified at Environmental Assessment Hearings on the social and environmental impacts of a ferrochromium plant proposed by Sherwood Metallurgical British Columbia Corporation for the Port Hardy Review Panel, 1992.

____:- Prepared an evaluation of an expanded deposit/refund system and the Blue Box system for beverage container recovery, 1992.

BC Ministry of Environment, Lands & Parks:- Assisted and advised Gary Holman in his report on the methodology for estimating the economic impacts of BC Lands' Sales and Tenure Program, 1996.

BC Ministry of Forests, Old Growth Values Team of the British Columbia Old Growth Strategy Project:- Prepared a report "Socio-Economic Evaluation of Old Growth Conservation Strategies - Demonstration of a Multiple Account Approach", May, 1991.

Canadian Council of Ministers of the Environment:- With Dillon Consulting Limited prepared a study to develop and apply an evaluation methodology identifying benefits of specific environmental programs, June, 1997.

Canadian Centre for Policy Alternatives:- Prepared a multiple account benefit-cost evaluation of the Vancouver-Whistler 2010 Olympic and Paralympic Games, 2003.

City of Surrey:- Reviewed the evaluation process used in the selection of a private partner in a Water Metering Incentive Program, 2000.

CUPE:- Reviewed Partnership BC's report outlining its methodology for assessing the value for money of P3 contracts versus traditional public sector procurement of major, 2009.

Friends of Nemaiah Valley:- Prepared a report on the social benefits and costs of the proposed Prosperity mine project, 2009.

Gitxsan Tribal Council:- Prepared a report on the social benefits and costs of the proposed Kemess North Mine extension projects, 2006.

Golder Associates:- Prepared a report "Socio-Economic Assessment of Saskatchewan Wheat Pool/Cargill's Proposed Grain Terminal at Roberts Bank", 1996.

Greater Vancouver Regional District:- Provided advice on the implementation of the financial component of the comprehensive transfer station, hauling and waste disposal agreement with Wastech Services, 2003-2005.

____:- Assisted in the negotiation of a comprehensive transfer station, hauling and waste disposal agreement with Wastech Services 1997.

Greystone Properties Ltd.:- Conducted a multiple account evaluation of its proposal for a new trade and convention facility in Vancouver, 1997.

Human Early Learning Project (HELP):- Developed a multiple account framework for the evaluation of HELP's comprehensive set of proposals to reduce the number of at-risk children in British Columbia., 2010.

Indian and Northern Affairs Canada:- Provided advice on the multiple account benefit-cost analysis of alternative provisions for post-Treaty Own Source Revenues and other issues arising from Treaty negotiations, 2005- 2008.

Miramar Mining:- Reviewed a contingent valuation study to establish the value of a lake proposed to be used in a mining operation, 2004.

Montenay Inc:- Assisted in the valuation of the lifecycle unit costs of waste-to-energy management of municipal wastes and advised on related matters for Montenay's Expression of Interest to develop a new waste-to-energy facility in Greater Vancouver, 2006.

Nisga'a Tribal Council:- Developed guidelines for the assessment of the social economic and cultural impacts of major projects on Nisga'a lands, in accordance with provision 8f of the Nisga'a Treaty and assisted with the application of those guidelines to two proposed mine projects, 2010-2012.

Partnerships BC:- Prepared a report on the appropriate tipping fee for the use of Crown land for Britannia mine waste treatment sludge disposal, 2004.

____:- With Robin Hanvelt Consultants, prepared a report on the distributional implications of the relocation of St Paul's hospital and Mount St Joseph's hospital to a new centralized facility, 2004.

Tech BC:- Conducted a multiple account evaluation, including consideration of financial, university and local development impacts, of alternative facility development strategies, 1999.

YWCA:- Prepared a report on the methodology and findings in existing studies of the benefits and costs of high quality childcare, 2005.

Chris Joseph MRM, PhD

Associate, Compass Resource Management

Education and Awards

2006-2013	PhD (Resource Management) School of Resource and Environmental Management, Simon Fraser University (SFU) *Recipient of several scholarships and awards, including Canada Graduate Scholarship – Doctoral (SSHRC) 2006-2009*
2002-2004	Masters of Resource Management School of Resource and Environmental Management, SFU
1994-1998	Bachelor of Science (Honours with Distinction) in Geography University of Victoria

Professional Affiliations

International Association of Impact Assessment
International Association of Impact Assessment – Western and Northern Canada

Summary of Professional Experience

2010 - Present
Associate, Compass Resource Management, Vancouver BC

2000 - Present
Owner, Chris Joseph Photography, Squamish BC

2003 - 2013
Researcher, Sustainable Planning Research Group, SFU, Burnaby BC

2003 – 2010
Sessional Instructor and Teaching Assistant, SFU, Burnaby BC

2005 – 2009
Consultant, Independent, Vancouver BC

2005 – 2006
Research Associate, MK Jaccard & Associates, Canadian Industrial Energy End-Use Data and Analysis Centre, Vancouver BC

2004 – 2005
Assistant, Melting Mountains Awareness Program (David Suzuki Foundation / Alpine Club of Canada / Environment Canada), Vancouver BC

2000 – 2001
Project Supervisor, Outland Reforestation, Toronto / Thunder Bay ON

Selected Representative Assignments

Instream Fisheries Research, Facilitation of Gates Creek Sockeye Workshop. Advised on workshop structure and facilitated workshop. (2015).

Gitga'at First Nation, Environmental assessment advisor. Provide advice to the Gitga'at First Nation regarding EA applications and processes. Assignments have included critiquing proponent EA applications, preparing Information Request submissions to EA bodies, and working through issues in EA application content and methodology with proponent consultants. (2013-present).

Gitga'at First Nation, Impact Assessment of Prince Rupert LNG Projects. Led a two-person team and was the lead analyst in screening-level analyses of three LNG projects

(Prince Rupert LNG, Aurora LNG, Pacific Northwest LNG) and a detailed economic impact assessment of the Kitimat LNG project. These studies examined issues including: economic opportunities including jobs and contracts, access to goods and services, housing, human resources in remote communities, social cohesion, commercial fishing, tourism, carbon offsets, and economic development. Also supervised the writing of a baseline data report to help proponents fill their data gaps. (2014).

Metlakatla First Nation, Assessment of potential impacts of LNG development. Led a six-person team including subcontractor, and conducted analysis. Identified seven valued components through document review, interviews, and community workshop. Topic matter covered the economic, health, heritage, and social pillars. Developed baselines and gathered data for proponents. Developed a spreadsheet-based database and model to examine cumulative effects. Assessed the effects of projects in the context of cumulative effects of other development and stresses. Conducted a final workshop with community representatives to validate draft results. Researched mitigation opportunities. Developed a plain language summary for client in addition to detailed report. (2013-2014).

Gitga'at First Nation, Assessment of the potential economic impacts of LNG Canada project. Led a three-person team, and was the lead analyst. Identified six economic valued components through document review and interviews. Developed baselines. Developed a spreadsheet-based database and model to examine cumulative effects. Assessed the effects of projects in the context of cumulative effects of other development and stresses. Researched mitigation opportunities. Conducted a workshop with community representatives to validate draft results. Wrote final report. (2013-2014).

Canadian Oil Sands Innovation Alliance, Structuring and gathering thinking on innovations in oil sands mine reclamation. Worked with two other firms on a multiple component project that gathered knowledge across oil sands mining companies on how to reclaim watersheds and to identify research priorities. (2013).

BC Ministry of Forests, Lands, and Natural Resources Operations, Recommendations for a Provincial Trails Advisory Body. Led a two-person team researching alternative governance models across Canada for recreational trails advisory bodies. Used a structured approach to identify key desired design elements, alternative governance structures, evaluate alternative models, and make recommendations for the BC trails context. (2013).

Environment Canada, Guidance on the valuation of ecosystem services for use in environmental assessment decision-making. Reviewed literature to identify existing gaps in the practice of environmental valuation in the environmental assessment context. Advised on the design of an expert workshop used to gather guidance on key issues in environmental valuation. Facilitated major portions of the workshop. Wrote guidance for Environment Canada to improve their in-house economic valuations of environmental impacts. (2012-2013).

Port Metro Vancouver, Facilitation of Technical Advisory Group in Support of Pre-EA Work for Marine Terminal Expansion at Roberts Bank. Designed a multi-meeting, multi-month process to engage technical experts to gather advice for Port Metro Vancouver and their consultants to improve their baseline studies and environmental assessment methods for the proposed Terminal 2 project. Facilitated meetings over Fall 2012 and Winter/Spring 2013 in support of process, and worked with Port consultants to refine issues and enhance their ability to engage with the technical experts. Lead facilitator for the Coastal Geomorphology technical advisory group (one of four such groups convened as part of this contract). (2012-2013).

Gitga'at First Nation, Assessment of the potential economic impacts of the Enbridge Northern Gateway Project. Assessed the potential economic impacts of the Enbridge Northern Gateway pipeline and tanker project on the Gitga'at Nation and examined broader issues relevant to decision-making such as how to incorporate risk information into decision-making. Critiqued the proponent's application, established baseline data, conducted original impact assessment work, and wrote evidence that was submitted to the Joint Review Panel examining the project. Testified to the Panel in April 2013. (2011-2013).

BC Environmental Assessment Office, Refinement of Impact Assessment Methodology. Co-wrote discussion paper for the BC EAO making suggestions with respect to how the BC government might modify the existing environmental assessment process in order to strengthen the process, particularly with respect to cumulative effects assessment. This work involved identifying key outstanding issues, interviewing experts, and drafting policy guidance. (2012).

Cumulative Environmental Management Association, Support for a structured decision-making process to identify solutions to linear footprint management issues in the oil sands. Developed objectives and measurement criteria, and led workshop discussion on these topics, for work on the linear footprint management plan for the Stony Mountain 800 Area south of Fort McMurray. The objective of this project was to identify recommendations for government to address multiple uses of the area, including SAGD, forestry, trapping, and recreation. (2012).

City of Merritt, Water planning and conservation. Researched water conservation tools in support of recommendations to the City of Merritt for their new water plan, including interviewing of water experts in municipalities across BC and ranking of water conservation tools used across BC. Analyzed the City of Merritt's water use data. (2011).

Department of Fisheries and Oceans, Facilitation of SARA consultations for species recovery. Developed consultation strategies with DFO and facilitated two evening open-house meetings and five day workshops for stakeholder consultations required under the *Species at Risk Act* for the Salish Sucker, Nooksack Dace, Cultus Pygmy Sculpin, and Rocky Mountain Ridged Mussel. (2010-2011).

Haida First Nation, Evaluation of environmental and economic impacts of proposed NaiKun offshore wind project. Reviewed the potential impacts on the Haida of the proposed NaiKun offshore wind project and provided the Haida Nation with an independent perspective on the potential impacts and financial viability of the project. Provided a critical review of BC, federal, and consultant environmental assessments of the project in terms of gaps in data and logic, identified potential significant impacts, and advised on financial viability of the project. (2011).

Tides Foundation, Benefits of Marine Planning: An Assessment of Economic and Environmental Values. Reviewed the social and economic context for marine development on the BC coast and examined the benefits of marine planning with respect to environmental protection, economic development, and social capital. Research published in the journal Environments. (2009).

Department of Fisheries and Oceans, Review of potential impacts of renewable ocean energy development in BC. Reviewed the potential social and economic impacts of renewable ocean energy development in BC. Examined the potential for renewable ocean energy development (tidal, wave, and wind) on the BC coast, reviewed current levels of development, reviewed the socio-economic context of the BC coast, and explored how such development might affect employment, existing industries (e.g., air travel, aquaculture, forestry, and marine navigation), energy supply in rural areas, recreation, rural demographics, traditional activities, and other values. (2008).

Coastal First Nations, Review of environmental and socio-economic impacts of port development and shipping on BC North Coast. Reviewed the potential impacts of port expansion and shipping (including tankers) on the BC North Coast. Characterized the significance of potential impacts and reviewed potential mitigation measures, including Impact Benefit Agreements. (2008).

Select Publications

Joseph, C., T. Gunton, and M. Rutherford. Forthcoming. Good practices for effective environmental assessment. Impact Assessment and Project Appraisal.

Joseph, C., and T.I. Gunton. Submitted Fall 2013 for special issue. Cost-benefit Analysis for Energy Project Evaluation: A Case Study of Bitumen Development in Canada. Journal of Benefit-Cost Analysis.

Joseph, C., and A. Krishnaswamy. 2010. Factors of resiliency for forest communities in transition in British Columbia. BC Journal of Ecosystems and Management 10(3): 127-144.

Gunton, T. and C. Joseph. 2010. Economic and Environmental Values in Marine Planning: A Case Study of Canada's West Coast. Environments 37(3): 111-127.

Joseph, C., T.I. Gunton, and J.C. Day. 2008. Implementation of resource management plans: Identifying keys to success. Journal of Environmental Management 88: 594-606.

Bataille, C., N. Rivers, P. Mau, C. Joseph, and J. Tu. 2007. How malleable are the greenhouse gas emission intensities of high-intensity nations? A quantitative analysis. Energy Journal 28(1): 145-169.

Gunton, T.I., and C. Joseph. 2006. Toward a National Sustainable Development Strategy for Canada: Putting Canada on the Path to Sustainability within a Generation. Prepared for the David Suzuki Foundation. Vancouver, BC: David Suzuki Foundation. 30pp.

Nyboer, J., C. Joseph, N. Rivers, and P. Mau. 2006. A Review of Energy Consumption and Related Data Canadian Aluminium Industries 1990-2003. Prepared for Aluminium Industry Association. Canadian Industrial Energy End-use Data and Analysis Centre, Simon Fraser University. 36pp.

James Hoffele

5455 Dominion St. • Burnaby, B.C. V5G 1E1 • 778-378-6625 • jhoffele@gmail.com

EDUCATION

2012–2015 Masters of Resource Management (Planning), Simon Fraser University (SFU), Burnaby, British Columbia

2011–2012 Teacher Education B.Ed. (Junior/ Intermediate), Brock University, St. Catharines, Ontario

2007–2011 Concurrent B.A. Integrated Studies (Honours), Education, Minor in Geography, Brock University, St. Catharines, Ontario

WORK EXPERIENCE

Permitting Coordinator (Co-op) with Infrastructure Sustainability at Port Metro Vancouver, Vancouver
December 2014 – Present

- Coordinating all associated permits and approvals for habitat enhancement projects in accordance with the Port's habitat banking agreement with Fisheries and Oceans Canada.
- Assisting in Environmental Impact Statement development, contract procurement and management, and progress reporting for Roberts Bank Terminal 2 Project.

Junior Project Scientist (Internship) with Air Quality and Climate Change Group at SNC-Lavalin, Vancouver
May 2014 – September 2014

- Conducted analysis and research for projects related to regional air quality, pollutant dispersal, policy analysis, and noise monitoring.
- Learned and applied in-house Port Emission Inventory Tool to analyze greenhouse gas and air contaminant emissions for Prince Rupert Port Authority's 12 terminals.

Environmental Consultant with Dr. Mark Jaccard for City of Vancouver
April 2014 – June 2014, October 2014 – January 2015

- Assessed and estimated the lifecycle greenhouse gas emissions of proposed Trans Mountain pipeline expansion. The report is being used to inform City of Vancouver's motion filed with the National Energy Board to include the economic effects of climate change in its federal review of the project.
- Led and completed a second report for City of Vancouver analyzing the economic impact on the proposed Trans Mountain pipeline expansion if governments enact policy to fulfill their stated climate targets.

Teaching Assistant for Sustainable Energy and Materials Management undergraduate course, SFU, Burnaby
January 2014 – May 2014

- Facilitated three undergraduate tutorials consisting of approximately 20 students each.
- Provided students with an understanding of the human-induced flows of energy and materials as well as the institutional arrangements, decision-making processes and policy mechanisms for fostering the global adoption of more sustainable technologies and behaviors.

Climate Coordinator with Sustainable SFU, Lower Mainland, BC
September 2013 – May 2014

- Promoted climate change action and energy use reduction at SFU through supporting a fossil fuel divestment campaign, assisting with a climate justice conference, and coordinating an energy reduction program in cooperation with Facilities Management and BC Hydro.

Graduate Student Researcher with Energy and Materials Research Group, SFU, Burnaby, BC
September 2012 – September 2014

- Worked with a diverse energy group that uses an energy-economy model (CIMS) to analyze the cost-effectiveness of technologies, strategies, behaviours and policies to increase energy efficiency and mitigate climate change.
- Under the supervision of Dr. Mark Jaccard and using data obtained from multiple energy-economy modeling teams, I conducted an analysis of the likely decline in production of different fossil fuel resources if global temperatures are limited to a 2° C increase.