

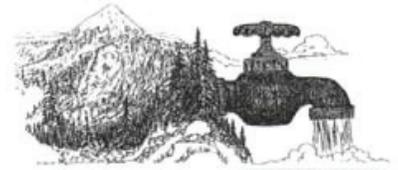
# B. C. TAP WATER ALLIANCE

Caring for, Monitoring, and Protecting  
British Columbia's Community Water Supply Sources

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September 3, 2013

## Sharing LNG Fracking Riches Means Sharing Fracking Shame: Ecological and Political Crossroads Crisis in British Columbia/Western Canada

*This is an open letter to the First Nation governments<sup>1</sup> participating in the collective economic agreement(s) authorizing and supporting the transportation infrastructure of fracked petroleum products across British Columbia destined for LNG (Liquified Natural Gas) export initiatives sourced from natural gas production sites throughout Western Canada.*

The politically organized and influential petroleum sector (i.e., Canadian Association of Petroleum Producers / CAPP)<sup>1</sup> continues to seduce Canadian and Western Provincial Governments in adopting and modifying legislation, regulations and economic partnership policy directives to embrace the controversial and experimental practice of fracking (hydraulic fracturing)<sup>2</sup> in order to mine shallow to deep “unconventional” petroleum<sup>3</sup> sources. The sector’s aggressive ambitions in Canada co-involve initiatives by organized corporate counterparts in the United States, which are executed throughout Federal and State governmental regimes, where the most recent technological experiments in unconventional fracking originated, facilitated federally through a corrupt 2005 legislative exemption, the so-called *Halliburton Loophole*.<sup>4</sup>

In Western Canada, the petroleum sector’s key global strategy (since 2009) to export fracked LNG<sup>5</sup> across the Pacific Ocean<sup>6</sup> requires that First Nation governments provide long-term transmission right-of-way and co-agreement rights. As referenced in our April 2011 report, *Follow the Ga\$: Kitimat LNG Export Terminal and Pacific Trails Pipeline Chronology*,<sup>7</sup> the original gas pipeline agreement with First Nations – to import LNG gas at Kitimat to pipeline fuel the tar sands industry in northern Alberta – was directionally re-determined in late 2008 because of the escalation of fracking investments in Northeast BC. As stated previously in our 2009 report, it was “*not known if First Nations were later cognisant of the multiple environmental footprint issues of where the new export gas from Kitimat was to be sourced from,*” when First Nations agreed to the reversed strategy to export fracked gas.

First Nations in British Columbia face enormous economic difficulties. The current \$200 million agreement signed by the First Nations Pacific Trails Pipeline Group Limited Partnership in February 2013, co-involving 15 First Nations and Bands (\$13.33 million each), is meant to provide

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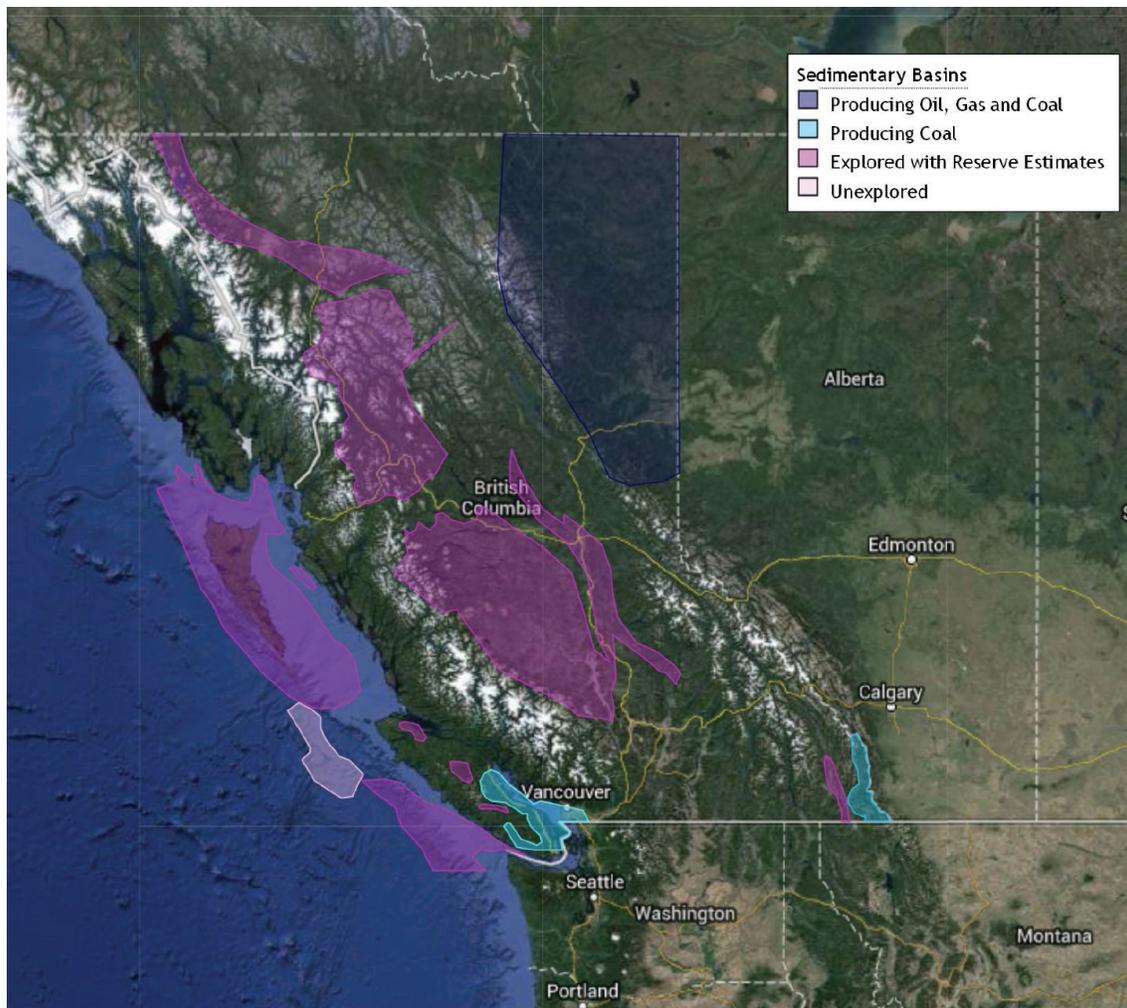
<sup>1</sup> Haisla, Kitselas, Lax Kw’alaams, Lheidli T’enneh, McLeod Lake, Metlakatla, Nadleh Whut’en, Nak’azdli, Nee Tahi Buhn, Saik’uz, Skin Tyee, Stellat’en, Ts’il Kaz Koh, West Moberly, and Wet’suwet’en.

shared revenue stimulus over a set period of time for that pipeline project. Other right-of-way pipeline route agreements are in the works, or planned, in both northern and southern BC.<sup>8</sup>

Unfortunately, the collective consent by First Nations for the Pacific Trails Pipeline proposal – and other pipeline proposals to follow – comes at significant, and unprecedented, political and ecological<sup>9</sup> costs: the endorsement by First Nations to export fracked gas is a collective endorsement of life-cycle fracking operations in Western Canada, as the proposed sources of fracked gas for export LNG originates from production sites throughout Western Canada.<sup>10</sup>

At this critical moment in history when valid, knowledge-based public opposition to fracking is mounting in many jurisdictions throughout the world, we believe that First Nations' endorsement of fracked gas pipelines running through your respective territories translates to a political and ecological crisis not only for British Columbia and Canada, but for the planet.

Sincerely, Will Koop, Coordinator



Map from the [Natural Gas promotional document](#) on the EnergyBC website, showing BC's Sedimentary Basins. Note the extensive pink and purple areas that energy companies and the BC Government have plans to frack-exploit, and the dark purple zone of northeast BC. The document states, not only is *"the Province working to have the moratorium on exploration and development of offshore resources lifted"*, but that *"the Province is actively encouraging the development of coalbed gas fields, providing a grant of \$50,000 to gas companies for every coalbed gas well drilled."*

## Notes

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<sup>1</sup> According to an account of CAPP's history from [CAPP's website](#), the name CAPP was adopted in 1992 when two Canadian petroleum association groups joined forces: the Canadian Petroleum Association, and the Independent Petroleum Association of Canada. According to CAPP's website, CAPP currently has 90 Canadian and foreign corporations under the category of *Producing Members*, and 150 companies and corporations under the category of *Associate Members*. Together, these members co-participate on 11 internal working committees, making CAPP the most influential, powerful, and well-financed lobby group in Canada. No information is available on CAPP's website of its annual financial statements and member contributions.

In 2012, Daniel Caley-Daoust and Richard Girard co-authored *Big Oil's Oily Grasp: The Making of Canada as a Petro-State and How Oil Money is Corrupting Canadian Politics*. The book states how both corporations themselves and industry associations which represent them are involved in lobbying governments. *"The financial clout of these companies and industry associations is enormous with seven of these corporations ranked in the top ten of Fortune Magazine's list of the 500 largest global companies. These leading corporate players include Royal Dutch Shell (Parent of Shell Canada, ranked #1), ExxonMobil (Parent of Imperial Oil, ranked #2), BP (ranked #4), Sinopec (ranked #5), China National Petroleum Corporation (Parent of PetroChina ranked #6), Chevron (ranked #8), and ConocoPhillips (ranked #9)."*

According to a February 7, 2013 Vancouver Sun article, *Oil and Gas Industry Seeks Billion-Dollar Tax Break to Lure LNG Plants*, CAPP unsuccessfully lobbied the federal government for up to \$2 billion in corporate tax subsidies. CAPP had political support from former BC Energy Minister Rich Coleman (now Minister of Natural Gas/LNG Operations) who lobbied for CAPP's LNG subsidies in a December 11, 2012 letter to federal Finance Minister Flaherty. On February 12, 2013, Richard Dunn, a vice-president of Encana Corporation, and a registered Provincial and Federal lobbyist, appeared [before the Federal Standing Committee on Natural Resources](#), and stated:

*The adoption of measures such as **CAPP's proposed tax reclassification for LNG facilities** will positively influence investment decisions still to be made for these west coast facilities and will ultimately help us realize the commercial potential of these new markets.*

***Our traditional customer, the United States, does not need us to the extent it once did, due to the prolific shale plays being developed south of the border as well. The U.S. market is shrinking dramatically for Canada, as is the level of U.S. investment in the Canadian natural gas sector. ...In response, industry and Encana have embarked on a number of initiatives to boost domestic consumption .... However, **increasing domestic consumption is clearly not enough**; we also need to find new markets, with the U.S. market shrinking. Through Encana's partnerships with global investors such as China National Petroleum Corporation and Mitsubishi, we know that Canadian producers' technological sophistication and commitment to responsible development, along with Canada's supportive political and regulatory climate, are major enablers in attracting foreign direct investment. This is important because we are witnessing a paradigm shift as we move from a model of U.S.-based investment and export to Asian-based investment and export.***

**Gerry Protti**, the founder of CAPP and its former long-serving president, was a former executive of the PanCanadian energy company. In 2002, PanCanadian merged with Alberta Energy Corporation

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(AEC) and became Encana Corporation during the Coalbed Methane fracking gold rush in Alberta. Mr. Protti became one of Encana's Vice Presidents. Encana, which has extensive holdings in Alberta, British Columbia, the United States, and elsewhere, and was one of the three principal companies in the first Kitimat LNG proposal, is under fire in the U.S. and Canada for alleged contamination of groundwater from fracking, and is under investigation by the US government for [anti-trust allegations on rigging bids for oil and gas leases in 2010](#). Under public protest (which included protests from First Nations), in early 2013 the Alberta government appointed Mr. Protti as head of the recently named Alberta Energy Regulator (formerly, the Energy Resources Conservation Board). See articles: [Gerry Protti, New Alberta Energy Regulator Head, Not the Right Man for the Job: Critics](#), May 3, 2013; [Gerry Protti to Head Alberta Energy Regulatory Board, Move Criticized](#), April 4, 2013; and [Groups Demand Oil Industry Fox to get out of Alberta's Henhouse](#), May 3, 2013.

<sup>2</sup> Hydraulic fracturing, or fracking, is the injection of fluids (liquids, and or gases) into the earth's subsurface under high pressure to shatter or fracture the rock in order to stimulate the flow of oil and/or gas from deep, shallow, vertical, deviated and horizontal wells. There are numerous definitions of experimental hydraulic fracturing by government agencies, private industry, academic institutions, lobby groups, non-governmental organizations, etc., and the definitions by industry and government appear to be changing to make fracking sound less harsh.

Alberta's Energy Regulator's May 21, 2013 *Directive 083, Hydraulic Fracturing – Subsurface Integrity*, states the following primary concern regarding "Well Integrity:" *"During hydraulic fracturing operations, subject wells can incur significant stresses, which may lead to a loss of well integrity. A loss of well integrity may result in subsurface impacts or result in a release of fluids to the surface, placing the public and the environment at risk."*

Noteworthy, another Alberta Energy Regulator December 19, 2012 *Directive 059, Well Drilling and Completion Data Filing Requirements*, allows the exemption of cement linings and casings in horizontal wells, called *Open Hole/Barefoot Completion*.

<sup>3</sup> "Unconventional" oil and gas resources are essentially those more difficult to technologically extract from the earth's crust because they are not found in pools as are "conventional" sources. Some have described the controversial practices to obtain unconventional petroleum with various similes, such as "scraping the bottom of the barrel."

<sup>4</sup> From information posted widely on the internet, such as [Source Watch](#), the "Halliburton Loop-hole" was passed by the U.S. Congress in 2005 "at the urging of Vice President Dick Cheney," preventing the "U.S. Environmental Protection Agency from regulating" hydraulic fracturing under the *Clean Water Act*, "despite serious concerns that were raised about the chemicals used in the process and its demonstrated spoiling and contamination of drinking water." "Halliburton, which was previously led by Cheney, reportedly earns \$1.5 billion a year from its energy operations, which rely substantially on its hydrofracking business." Later, "a congressional investigation has found that oil and gas service companies used tens of millions of gallons of diesel fuel in fracking operations between 2005 and 2009, thus violating the *Safe Drinking Water Act*."

<sup>5</sup> "Fracked LNG" is a new phrase coined here to describe the natural gas provided for proposed LNG facilities on BC's Coast, as primarily sourced from fracture stimulations in Western Canada.

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<sup>6</sup> The markets and contracts for proposed LNG terminals on BC's Coast are targeted for Asia/Southeast Asia, what LNG promoters refer to as the Asia-Pacific market. I.e., the Globe and Mail July 16, 2013 article, [\*The Race to Ship Liquefied Natural Gas to Asia\*](#).

<sup>7</sup> [A pdf document available on the Stop Fracking British Columbia website.](#)

<sup>8</sup> In Chapter 2 of B.C. Hydro's August 2013 [\*Integrated Resource Plan report\*](#), it lists eleven LNG multi-billion dollar plant and pipeline proposals along British Columbia's coastline (not including a more recent proposal by Exxon). Where is all this fracked gas supposedly going to be sourced from?

<sup>9</sup> The multiple outcomes from life-cycle fracking to the ecology have been well-documented from operations conducted by energy companies and corporations in Canada and the United States by academic institutions, non-governmental organizations, and investigators. The B.C. Tap Water Alliance published an introductory report in November 2010 examining some of these concerns from fracking operations in northeast BC, [\*Encana's Cabin Not So Homey: Cumulative Environmental Effects, An Unfolding and Emerging Crisis in Northeastern British Columbia's Shale Gas Plays – An Introductory Journey into BC's Dirty Domino Zone\*](#), which was widely read by readers in the United States and Canada. As a result, the Alliance was invited to appear before the [\*Federal Natural Resources Standing Committee\*](#) on February 3, 2011, when the following summary was read to its members:

*Northeast British Columbia's shale gas race will undoubtedly become and remain one of the most significant environmental and public planning issues facing First Nations, the Province, Regional Districts, regulators, communities and residents alike. Given the backdrop of evermore lax and non-existent legislation and regulations, these developments can be understood as distinct social and political failures.*

As the energy petroleum sector has proposed thousands of fracking well sites in northeastern BC alone (there are more undeveloped and proposed energy zones in other parts of BC), come the multiple disturbances, pollution and contamination of the environment, all of which are being conducted without cumulative environmental effects planning by the BC government! That is why the BC Tap Water Alliance initiated an emergency call to environmental-based organizations in April 2011, [\*Public Inquiry Needed to Address Human Health and Environmental Risks Posed by Shale Gas Drilling, Coalition Says\*](#), to demand the BC Government conduct a public inquiry into the life-cycle fracking operations in BC, which the government subsequently ignored!

In Alberta and Saskatchewan, fracking operations have and are causing great strife with the ecology and communities, where numerous groundwater sources are being contaminated. We reported on some of these contextualized and political concerns in Chapters 10, 12 and 14 of our January 2012 report, [\*Frack EU: Unconventional Intrigue in Poland\*](#). We are watching with great alarm as Alberta decimates Health and Social Services and Education due to billion dollar deficits. I.e., 171,000 energy wells have been fracked in Alberta. Why is the Province in a deficit, slashing the Public Interest?

We also responded to a report published in November 2012 concerning challenges in BC on the widespread use of fresh water by the petroleum sector for fracking, asking the pointed and more relevant question: [\*Should Fracking Be Allowed in British Columbia?\*](#)

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For numerous accounts of concerns and commentaries about fracking in Canada and elsewhere, refer to the [Fracking Canada](#) website, the [Ernst Versus Encana](#) website, the [Common Sense Canadian](#) website, and the bi-lingual website, [Ami\(e\)s du Richelieu](#).

<sup>10</sup> There are numerous references in the National Energy Board's transcript hearings in 2011 on the first Kitimat LNG proposal, [KM LNG Operating General Partnership Kitimat LNG Export Licence Application](#), concerning which Provinces and energy zones the fracked gas is to be pipelined from. I.e., Gordon Goodman's statement on July 13, 2011 (see reference and link below): ***"I want to be clear that our gas could come from Alberta or B.C. or other places."***

- [Hearing Transcripts, June 8, 2011](#): Section 2117 following; Section 2125 to 2135;
- [Hearing Transcripts, June 9, 2011](#): Section 3186 following; 3432 following; 3522 following; 3655 following; 3700 following; 3769 following;
- [Hearing Transcripts, July 13, 2011](#): Section 4512 following;
- [Hearing Transcripts, July 14, 2011](#): Section 5283 following; 5389 following; 6092 following: ***"KM LNG submits that any condition requiring a specified amount of export volumes to be sourced from Northeast British Columbia would be both untenable and unacceptable."***