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PRESENTATION TO THE TRANS MOUNTAIN MINISTERIAL REVIEW PANEL

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AUTHORIZED BY THE OFFICIAL AGENT FOR TERRY BEECH

Introduction

Good afternoon.

My name is Terry Beech, and I am the Member of Parliament for the riding of Burnaby North–Seymour. I am also the Parliamentary Secretary for Science. Today, however, I am presenting this report as the local voice of the more than 100,000 citizens in Burnaby and North Vancouver, whom I have been elected to represent. This report reflects to the best of my ability the viewpoints of our community. I would also like to acknowledge that our riding includes the unceded territory of the Tsleil-Waututh, Musqueam and Squamish peoples.



Burnaby North–Seymour is arguably the most impacted riding in the country by this project.

The riding straddles both sides of the Burrard Inlet.

- It contains the site of the proposed tank storage expansion on Burnaby Mountain.
- While the project is described as a “twinning” of existing pipeline, in our riding it is mostly new pipe going through a new route.
- Not only are we the home of the Chevron Refinery, our riding also includes the existing Westridge tanker terminal and the proposed expansion.
- Tanker traffic is visible from both sides of the riding and impacts existing commercial and recreational activity.

Before I dive into the main content of my report, I would like to take this opportunity to thank the members of the Ministerial panel for their work to date, and the work that they still have to do.

They are working long hours on a short deadline, and I personally would like to thank each of them for their dedication to this important process. I attended six full days of hearings with the panel and the tone and professionalism under which they conducted these proceedings is to be commended. I note that on multiple occasions, the panel allowed speakers to go over their allotted time, resulting in meetings sometimes going late into the night until the last person had spoken.

For the sake of context, and so that you fully understand my involvement, commitment and experience on this issue, I would like to share my history with this project to date:

I began door-knocking in the community in April of 2014. In the last 28 months, my team and I have knocked on over 56,000 doors and made over 25,000 phone calls.

We’ve hosted town halls, 16 coffee meetings, and attended over 65 events in the community. Rarely do we participate in a community event without talking about the proposed Trans Mountain Pipeline expansion.

We are a data focused team and have kept a thorough digital record of our conversations and interactions with our constituents.

This project is the most discussed issue in my riding totaling thousands of touchpoints. This includes more than a thousand emails, hundreds of letters, and countless one-on-one meetings with constituents.

During the election we attended 18 all-candidates debates for which this project was the most consistent point of discussion.

I was the first candidate in British Columbia to meet with representatives of Kinder Morgan, as well as the WCMRC. I have toured the Inlet with the Tsleil-Waututh First Nation, and my wife and I have kayaked along the entire Westridge facility including a trip from Cates Park to the Chevron refinery and back.

In terms of secondary research I have not only read the NEB report twice, but I've read the majority of the initial application and the reports that are cited in these documents. In some cases I've read reports that are mentioned in the endnotes of reports cited in the endnotes. All of this is to say I've read a lot and I've tried my best to understand what I've read.

In terms of primary research, since I was elected I have discussed this issue with:

- Local municipal councillors and Mayors throughout the Lower Mainland
- Indigenous peoples, including representatives of the Tsleil-Waututh, Musqueam, and Squamish First Nations, and other bands along the pipeline route
- In addition to local constituents, I have discussed this issue with members of cabinet, caucus, opposition members, MLAs, the Premier of British Columbia and the Prime Minister.

I would also like to thank various Members of Parliament from Alberta. They have taken an exceptional amount of time and energy to speak with me and discuss our mutual concerns when it comes to the issues of:

- Getting our resources to market;
- Growing our economy;
- Protecting the environment; and
- Taking action on climate change, a defining issue of our generation.

Many of the issues of primary concern for my constituents have been thoroughly covered in others' presentations to the panel. I wish to offer my thanks to these presenters, many of whom have made significant sacrifices to both their professional and family lives in order to advocate on behalf of their community over a period of many years.

Given the plethora of topics that have already been discussed and my desire to be an additive voice to this dialogue, I have limited myself to 10 key points that I would like for the panel to consider.

I believe that the quality of a decision is determined by the quality of debate. You can be assured that when parliament returns in the fall that similar discussions will be happening at caucus and in the house.

NOTE: While I submitted a draft of this presentation to the panel, I updated it on September 19th, 2016 to reflect the results of the 44,000 surveys that we distributed in the riding, as well as three additional public forums we held since the presentation to the TMX Panel. On September 7th, I hosted members of the BC caucus for a final public forum at Simon Fraser University. The panel, other elected officials, and the general public were highly encouraged to attend and participate.

Ten Issues for Consideration

1. The first is the concept of “Social License”.

My first job as an elected official was to understand how constituents of Burnaby North–Seymour feel about the project. This is important because I promised throughout the election campaign that I would be the voice of the community in Ottawa and not Ottawa’s voice in the community.

After speaking with tens of thousands of individuals, including local, provincial and indigenous representatives, I can tell you with confidence that the people of Burnaby North–Seymour on balance stand opposed to this project, and that the community does not grant its permission for this project to proceed.

I would also like to say that the spectrum of support for this project is much broader and more nuanced than a simple yes or no answer. For example, when my constituency office sent out a householder survey, the first 74 responses included 48 individuals who were opposed, 19 who were in favour, and seven who were undecided. In addition, almost every response included reasons and conditions for their support or opposition.

I doubt this is a surprise to this panel. Levels of support surrounding projects as complex as this are hard to quantify.

I would also expect that opposition to this project has grown more strongly as you move closer to the coast and to the highly urbanized and residential neighbourhoods of greater Vancouver.

Some will argue of course that the opinion of one riding is not enough to make a decision and that the “national interest” must be considered. While one of the subjects that I wish to discuss in this document is the importance of defining the term national interest, I would like to share with you my best attempt to understand the position of other jurisdictions outside of Burnaby North–Seymour.

Within the first month of being elected, I commissioned a report on the Trans Mountain Pipeline. I requested a map of all political jurisdictions from Edmonton to Burnaby, and every other jurisdiction that a tanker would potentially pass. All in all, this amounted to 49 provincial ridings, 36 municipal boundaries, and 67 Indigenous communities.

I asked that each stakeholder’s position on Kinder Morgan be recorded on a matrix that included: A) Supportive; B) Supportive with Conditions; C) Raised Concerns; or D) Doesn’t Support.

Provincially the 19 Alberta electoral districts were supportive and the 25 BC electoral districts were not. These areas represented a population of 796,655 supportive and 1,359,260 opposed – or 36.95% supportive, based on population.

From a municipal perspective, we received data from 21 local governments representing a population of 2,867,838. Of these 1,818,717 had a position of supportive or accept with conditions. 1,049,081 had a position of either “raised concerns” or “non-supportive”.

There were a total of five municipalities that were outright supportive, with a total population of 106,535 representing 3.71% of the total population.

Since this report has been commissioned, many additional municipalities have solidified their position. I am asking for the report to be updated and will submit a revised copy once it is complete.

2. The second issue I would like to discuss is the renewed relationship that we must build with Indigenous Peoples moving forward.

It is time for us to establish a renewed, nation-to-nation relationship with Indigenous Peoples based on recognition, rights, respect, co-operation, and partnership. This is both the right thing to do, and a sure path to sustainable economic growth.

I have been humbled by the openness, ingenuity and wisdom of our local Indigenous communities. The Tsleil-Waututh in particular, have met with me on a regular basis, have taken me on a tour of the Indian Arm, have shared traditional knowledge with me, and have been a strong, reasoned and consistent voice on this issue.

As has been noted by multiple presenters and the panel itself, we must remember that in British Columbia, we stand on unceded territory, and that this will be a significant consideration when deliberating on major energy projects in British Columbia.

In this last parliamentary session, I was proud to host representatives of the Tsleil-Waututh, Squamish, and Musqueam Nations in Ottawa so that they could share their concerns on this project with other Members of Parliament.

Given that further Indigenous consultations are ongoing outside of this process, I do not wish to go into great detail on this subject, with one notable exception.

Various Indigenous groups have shared concerns with me that, while more economically advantaged communities were standing opposed to the project, more impoverished communities could not afford to miss out on the potential economic support of a Benefit Impact Agreement. Unfortunately I do not have access to these agreements and am therefore unable to provide any further analysis or point of view. I simply ask that the panel note that this is a concern that has been raised with me on more than one occasion.



3. The third issue I'd like to discuss is the National Energy Board process itself.

While resource-based projects can create jobs and spur investment, success depends on regaining public trust. Canadians must be able to trust that government will engage in appropriate regulatory oversight, including credible environmental assessments, and that it will respect the rights of those most impacted, including Indigenous communities.

Environmental assessment processes must hold the confidence of the Canadian people and introduce new processes that:

- Ensure that decisions are based on science, facts, and evidence, and that they serve the public's interest;
- Provide ways for Canadians to express their views and opportunities for experts and Canadians to meaningfully participate;
- Require project advocates to choose the best technologies available to reduce environmental impacts; and
- Modernize the National Energy Board to ensure that its composition reflects regional views and has sufficient expertise in fields like environmental science, community development, and Indigenous traditional knowledge.

While the federal government has taken action on a majority of these issues, very tight timelines surrounding this project mean that a decision will have to be made on this proposal without the benefit of having all of these new processes in place.

There are concerns that making a decision in the absence of proposed modernizations to the National Energy Board will not adequately address many concerns that have been raised. I am glad that the TMX panel has been formed to pass on these concerns to cabinet on behalf of our community.

I have been regularly humbled by the unprecedented amount of time and resources that our community has put in with regards to this project. It is an honour to be an elected representative within a community that participates so fully in the democratic process.

This brings me to my 4th topic.

4. The issue of corporate fairness.

The process changes that were brought into place by the previous government didn't just make the NEB process difficult for communities, it hindered corporate development as well.

Companies are being asked to spend many millions of dollars up front with ambiguous deadlines, definitions and requirements. This means that while some proponents will take the risk many potential proponents may not even get a chance to come to the table. Increased ambiguity and a lack of reasonable definitions or benchmarks could limit future investment.

I've had many business owners express their concerns that we may be facilitating an environment where only a small number of very large players will be able to actively participate and invest in energy projects. It is possible then that our current processes may be creating an oligopolistic market within the energy sector in Canada.

This is not an environment where the best ideas can rise to the top, and we may be preventing innovative new projects from moving forward in the first place. This is of particular importance when we consider all the various kinds of alternative energy projects that may be coming forward in the near future.

On a slightly different issue, as a city councillor I helped approve many infrastructure projects in our community, but the process was always quite different from this one.

For example, let's say that we wanted to build a road from Edmonton to Burnaby.

When a municipality undertakes such a project, we define the scope by consulting with experts and stakeholders. We decide how many people and goods we want to move along the road and that helps us decide the size of the road we want to build. We then engage with affected stakeholders. We may move the road away from the habitat of a species at risk, or from a neighbourhood that doesn't want to be impacted by noise pollution. Once we have done that work, we would then go to the private sector and say that we want you to build the best road you can for the best possible price. Once the scope is agreed to, there is a bidding process, and the best private sector partners are selected and the project moves ahead.

With a private pipeline we go through a very different process. Proponents propose their most profitable proposal, and then these are measured against other community concerns and objectives. The current process doesn't seem to foster a relationship that is conducive to mutual collaboration. For this reason, I am encouraged by the federal government's investment in modernizing the National Energy Board.

Which brings me to the fifth point I'd like to discuss: the fact that there are currently no relevant comparisons to alternative projects or routes.

5. Relevant Comparisons to Alternative Projects or Routes

In the report commissioned by Muse Stancil (2015), it is noted that any transportation capacity to the west coast will directly affect resource pricing and therefore the economic case of any and all future alternative transportation projects.

When making a 60 year decision, it seems prudent that these types of projects should be evaluated in the context of their viable alternatives.

I note that the vast majority of people who speak in favour of this project cite benefits that are not necessarily uniquely tied to this specific project. Earlier this week during the economic forum, many groups talked about a number of these benefits including:

- Increased netbacks by accessing the west coast;
- Increased private sector investment and economic growth;
- Jobs creation during the construction phase, operating phase and across several tertiary industries; and
- Taxes, royalties and other financial benefits.

At the same time, concerns about many economic risks and costs may not have been taken into account.

I believe that there might be a way forward where we can enjoy the same economic benefits but do a better job at minimizing environmental and economic risk.

However, viable alternatives must be considered, something that is specifically excluded from the scope of the current review process.

- An alternative route that excludes the Burrard Inlet
- Alternative Pipeline routes to west coast tidewater
- Alternative transportation methods
- Refining the products prior to reaching tidewater
- Alternative routes that exclude the west coast

While some of these alternatives may not be the most profitable solutions, they may perform better when evaluating them through the lens of “national interest.” At the urging of my constituents, I’ve done a lot of research on a number of viable alternatives including the refining option, and would be happy to discuss this in more detail if the panel is at all interested.

This brings me to the sixth item I would like to discuss.

6. The Importance of Defining the Term “National Interest”

While I do not wish to attempt at this time to actually define or quantify the term national interest, I think that it’s important that we work towards it. It seems that a full cost accounting approach that includes a full social economic analysis is important, as well as thinking about the analysis that falls beyond the field of economics.

The current economic arguments made in favour of this proposal are based on an economic model developed by the firm Muse Stancil (2015) that uses a proprietary linear program to optimize netbacks from Edmonton.

Basically, this means that an economic model was built in an Excel spreadsheet that determines how much more money oil producers could make if they had access to BC tidewater. Needless to say, the results of this model were very positive from a financial standpoint.

When determining whether a proposal is in the national interest, I cannot imagine that this kind of optimization is necessarily the best or most complete methodology for evaluating such projects. There are major flaws in this methodology including the fact that:

It utilizes a non-incremental method of economic analysis. While it accounts for the tax benefits that the project will produce, it neglects to account for the tax costs that will be incurred. A simple example of this would be alternative transportation methods. It is suggested that if this project were to proceed that transport by rail would be greatly reduced. While the proponent fully accounts for the taxes that they will pay to the government, they do not account for the lower taxes that rail companies will now pay. This is true across a wide variety of sectors, and I will discuss this concept more fully in my economic analysis section.

Another concern is that our lack of definition for “national interest” has created a process that incentivizes exaggerating the benefits while minimizing the costs or risks. As an example of this, documents circulated by the proponent go so far as to highlight the economic impact on increased dividend payments to the local economy by making assumptions about how many British Columbians hold shares in Kinder Morgan. This is a tertiary benefit at best, and goes a few steps further than any similar economic analysis on the cost or risk side.

I was elected on a promise to focus on long-term decision making. I know that there are a lot of pressures in politics to seek out short-term benefits while ignoring long-term costs. The fallacy and consequences of this kind of approach are well-documented.

I want to make decisions that will help make Canada strong not just four years from now, but 25, 50 and 100 years from now. This means that the long-term costs must be fully evaluated alongside the benefits. It is the only meaningful way to truly evaluate “national interest”.

This leads me to the seventh item I'd like to talk about: the consideration of the project's economic analysis.

7. Economic Analysis

As I stated previously, my constituents have voiced their concerns about the economic analysis for this report. There is an overarching concern that a greater focus has been placed on short-term economic benefits, while too little time has been spent looking at the project's costs or risk. I previously described the concern about the lack of a full incremental economic analysis, and would like to start by providing an additional example:

The proponent often cites the increased taxes that municipalities will collect, based on the approval of their project. What this analysis excludes, however, is the increased costs to the municipalities as a result of having the pipeline. While cities have already presented on this, I would suggest to the panel that there are also opportunity costs that are incurred by the city, especially in highly urbanized areas. Everyone is aware of the value of property in the lower mainland. If the proponents' project significantly limits future property development, then this puts further constraints on a municipality's economic development options.

I have further concerns about the proposed economic benefits. When this project was first initiated, high variability in prices between regional markets was often cited as a primary reason for moving forward. In a very short period, this argument has changed to being primarily about maximizing netbacks and prices themselves have changed significantly. Given that the economic analysis has no sensitivity analysis, it is difficult to understand the actual benefits that the federal government can expect to receive.

This is further complicated by the fact that the model does not take into account corporate tax strategies that will surely be optimized to reduce the government's tax revenue.

The use of a proprietary linear program is also a concern to me. This means that while we can evaluate the inputs and the outputs of the model, we really have no way of looking at how the numbers are calculated. For any CEO, CFO, investor or decision maker, this is normally a red flag, especially since this seems to be the report that all other financial reports in this proposal are based on.

Anyone who has done financial modeling knows that the devil is always in the details. For example, I would guess that many individuals reading the economic reports would not realize that the \$73.5 billion in economic benefits described in the financial model have not been discounted to present value. Utilizing a 5% discount factor reduces this number to \$36 billion, a significant decrease because many of the economic benefits are delivered in future years.

At a minimum I would suggest that it would be prudent for the model to produce a sensitivity analysis which demonstrates which independent variables cause the most variance in the final economic result.

Mayor Robertson did a good job of highlighting the importance of this point earlier this week. Reading through some of the City of Vancouver's reports demonstrates how dramatically different the results of an economic analysis can be when you change some of the report's underlying assumptions.

While I don't have a definitive solution to bridge the gap between these different reports, I would like to go on record as saying that recreational and commercial uses along the pipeline and on the coast do bear real and dramatic risks and costs and that these costs need to be considered. I would also suggest that both risk and cost increases in areas that are highly urbanized and non-industrial. This suggests that the Burrard Inlet may not be the optimal route for such a project.

In addition, it is important that the polluter pay principle be adhered to both during operations and after a project is decommissioned.

This calculation should also include the expected cost of an offshore oil spill given a number of scenarios.

It is my understanding that the liability for a significant oil tanker spill in the Burrard Inlet would fall on an individual ship, as well as a number of supplemental insurance programs. I am concerned that a catastrophic spill in the Burrard Inlet could dwarf the liability limits of these programs, and I would ask that the panel pass on this concern.*

A full analysis that includes risk and cost may demonstrate that locations other than the Burrard Inlet would be more suitable for such a project.

I want to make decisions that will help make Canada strong not just four years from now, but 25, 50 and 100 years from now. This means that the long-term costs must be fully evaluated alongside the benefits. It is the only meaningful way to truly evaluate “national interest”.

The Burnaby Mountain tanker storage facility is an excellent example of this. The expansion site is on a mountain, next to a conservation area, a park, a residential neighbourhood and the province's second largest University. This again points to the difference between assessing a project on the basis of economic profit versus national interest.

I was advised that the panel is planning on touring the expansion site. I commend them for doing this, as it is my opinion that a tour of the area is essential for any individual who is trying to determine whether or not it is advisable to expand industrial access at this location.

This is a residential neighbourhood and recreational area surrounded by parks, schools, and some of the most beautiful wilderness that the world has to offer, and it must be experienced to be understood.

The eighth subject I'd like to discuss is putting this project in the context of a broader Canadian Energy Strategy.

8. Canadian Energy Strategy

Most constituents are not necessarily opposed to the development of energy projects, as it is well understood that our natural resources have greatly benefited all Canadians. There is also broad understanding that Canada is starting to undergo a significant transition into a low carbon economy.

Our battle to balance energy and the environment can only be done successfully within the context of a broader energy strategy with achievable targets, metrics and goals.

We must ask how resource development today fits into an overall plan to build a more sustainable future. This plan must also take into account Canada's role within a globalized context which considers countries that are at various stages of development and that utilize different systems of government. This is a complex global optimization problem that deserves the full attention of government.

* I have sought certainty on the maximum liability coverage and am awaiting a final answer. At present, my best understanding is that these limits are somewhere between \$1.3 and 1.6 billion dollars

Developing such a strategy is the first item mentioned in Minister Carr's mandate letter and is currently being worked on by the federal government. It also coincides with significant investments made in the federal government's most recent budget including:

- Significant investments in green infrastructure;
- Electric vehicle charging stations;
- Lower taxes for companies that invest in energy storage infrastructure;
- \$30M to strengthen and reform Canada's environmental assessment process; and
- A significant commitment to evidence based decision making and economic diversification through innovation.

All of which leads to my ninth discussion point, which is to talk about this decision within the context of climate change.

9. Decision within the Context of Climate Change

Climate change is an immediate and significant threat to our communities and our economy. Within the first thirty days of its mandate, the Federal Government took a leadership role in Paris with regards to tackling climate change. Canada is providing national leadership on this issue and working with the provinces and territories to take collective action on climate change, put a price on carbon, and reduce carbon pollution. These targets must recognize the economic cost and catastrophic impact that a greater-than-two-degree increase in average global temperature represents. This is in addition to the government's commitments to phase out subsidies for the fossil fuel industry over the medium-term.

In June [of 2016], Canada committed with the United States and Mexico to a North American Climate, Clean Energy and Environment partnership. I believe it is our responsibility to create a legislative and market environment where individual consumers and businesses make climate friendly choices not because they are compelled to do so, but because it is the best economic decision. Carbon pricing is a means to accomplish this.

Market-wide policy changes will have a more persistent and significant impact on climate change than focusing on the economic and environmental balance of individual projects.

Properly implemented, these policies will also provide greater certainty to decision makers over the long term, eliminating some of the ambiguity that communities and the private sector currently face.

Lastly, I would like to make some comments with regards to the Ministerial Special Representative Process.

10. The Ministerial Special Representative Process

As the panel has already heard, there are many constituents who have voiced a broad variety of concerns about how this ministerial panel has been conducted.

I encourage the panel to pass on these concerns as a part of their report so that they may be considered by cabinet prior to a decision being made and so that future processes may be improved.

I also suggest that in the name of transparency and openness that the raw data that was collected from this process be made available to the public.

In Conclusion

I would like to repeat my earlier point that the quality of a decision is directly correlated to the quality of the debate. I would like to thank members of the panel for enabling a more thorough discussion of the issue at hand, and I would like to repeat my heartfelt appreciation for everyone who has participated in the process.