

Canadian E&P

The Government of Alberta Unveils its Natural Gas Vision and Strategy

OUR TAKE: Neutral. The Government of Alberta unveiled its updated Natural Gas Vision and Strategy ([link](#)). The strategy is focused on leveraging the Alberta natural gas industry's existing strengths to expand the value chains in 1) Petrochemicals and 2) Alberta industrial demand, and create new value chains in 3) LNG, 4) Hydrogen, 5) the Plastics Circular Economy. The Province's petrochemical, industrial demand and LNG aspirations are not new, while the focus on reducing regulatory red tape discussed in several of the goals is a longstanding priority. We view the move toward hydrogen development (from natural gas feedstock) and plastic recycling strategies (to support social license for petrochemical growth) as the most interesting parts of the document. In an increasingly emissions-conscious world, both ambitions could (if successful) help bolster the optics around investment in Alberta's natural gas sector. While we do not expect any of the near-term actions described in the document to be immediate needle movers for the western Canadian natural gas industry, we view the government's ambition to build out Alberta's industrial base in a manner that emphasizes the importance of the natural gas sector as a positive.

SUMMARY

The strategy document lays out the following objectives:

1. Petrochemicals

- **Goal:** Alberta becomes a top 10 producer of petrochemicals.
- **Select Actions:** 1) Finalize and launch the Alberta Petrochemicals Incentive Program in the fall of 2020 (near term); 2) Facilitate development of industrial clusters and regional infrastructure plans to expand the sector within Alberta (mid- / long term); 3) Initiate a national discussion on expanding and optimizing rail transportation options for finished product (mid- / long term).

2. Alberta Industry Demand

- **Goal:** Grow intra-Alberta demand for natural gas and NGLs and increase the speed at which natural gas infrastructure can be approved and added.
- **Select Actions:** 1) Work with the Canadian Energy Regulator (CER) to address regulatory challenges and delays, including improving processes for approving incremental expansions (near term); 2) Assess rural pipeline system and support reliable supply to indigenous, rural and remote communities (near term); 3) Pursue a federal agreement to remove impact assessment requirements for new gas-fired power generation that replaces coal-fired facilities (near term); incentivize the addition of midstream infrastructure that supports the planned petrochemical industry advances (mid- / long term).

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Dissemination: October 06, 2020, 20:57 ET. Production: October 06, 2020, 20:52 ET.

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3. LNG

- **Goals:** Secure global market access for Alberta's natural gas through two to three additional LNG mega-projects by 2030.
- **Select Actions:** 1) work with the federal and other provincial governments to help advance LNG projects and gain federal funding support (near term); 2) Work directly with the backers of proposed LNG projects to help accelerate investment decisions (near term); 3) Provide active support for LNG related infrastructure within the federal approval process (mid- / long term); 4) Work with the federal and other provincial governments to pursue carbon reduction benefits for Canadian LNG through bilateral agreement instruments (mid- / long term); 5) Where appropriate, directly invest in LNG projects and help facilitate investment from other governments, industry, indigenous peoples, and financial institutions.

4. Hydrogen

- **Goals:** Large scale commercial hydrogen development with carbon capture, storage and utilization by 2030; Exports of hydrogen and hydrogen-derived projects by 2040.
- **Select Actions:** 1) Map and evaluate potential Alberta hydrogen system deployment pathways, partnerships, and barriers. (near / mid-term); 2) Establish Alberta's place in a Federal hydrogen strategy to accelerate development (near term); 3) work with industry to develop pilot and demonstration projects (mid-term); 4) Partner with industry to accelerate commercial development (long term); 5) Partner with other governments to enable cross Canada hydrogen transmission (long term); 6) Attract a world-scale export project to Alberta (long term).

5. Plastics Circular Economy

- **Goals:** Establish Alberta as the key center for western North American plastics recycling and diversion; Advance renewable, chemical and low-carbon plastics recycling R&D.
- **Select Actions:** 1) Investigate local opportunities for industry-led plastics waste management solutions (near term); 2) Examine waste reduction concepts in order to support growth of Alberta petrochemical sector and achieve economies of scale sufficient to facilitate advanced recycling initiatives (near term); 3) Explore partnerships to support plastics recycling R&D (near term); 4) Help fund initial pilot projects in key industrial regions (mid-term); 5) Support R&D for emissions reduction and energy efficiency in Alberta's plastics sector (mid-term); 6) Support commercial development of advanced chemical recycling technology and industry region infrastructure build-outs (long term).

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Time of dissemination: October 06, 2020, 20:57 ET. Time of production: October 06, 2020, 20:52 ET. Note: Time of dissemination is defined as the time at which the document was disseminated to clients. Time of production is defined as the time at which the Supervisory Analyst approved the document.

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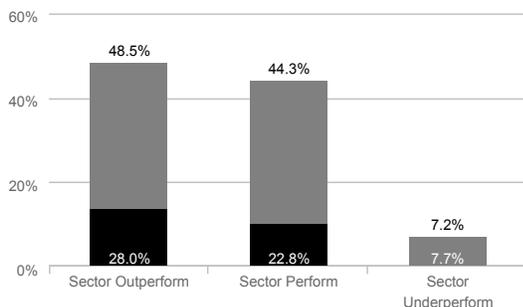
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