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Québec Energy Policy and the Transmission Pipeline Industry

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**PREPARED BY: THE CANADIAN ENERGY PIPELINE
ASSOCIATION**

DRAFT

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1. Introduction

The Canadian Energy Pipeline Association (CEPA) would like to thank the Québec government for the opportunity to provide our input on the government's process to develop a new energy policy for the province. We appreciate participation in the round table forum on hydrocarbons on June 15, 2015 which proved to be a valuable and informative discussion. The topics addressed align with the focus of CEPA members, who operate 117,000 kilometres of transmission pipeline in Canada, including 1,100 in Québec. Our members transport 97 per cent of Canada's daily natural gas and onshore crude oil production from producing regions to markets throughout Canada and the US in a manner that emphasizes safety, pipeline integrity and social and environmental stewardship.

In developing a new energy policy, it is important that all jurisdictions, including Québec, consider the relationship between policy, regulatory oversight and energy security and how they interact with the critical infrastructure that meets their needs. This requires a "whole of government" approach, in which relevant provincial and federal ministries work with regulatory bodies to enable collective leadership and horizontal team work across government.

CEPA is fully committed to continuing our involvement throughout the review of Québec's energy policy. We respectfully submit the following comments, representative of the views and values of the Canadian transmission pipeline industry, for your consideration.

2. Pipelines are critical infrastructure

The importance of natural gas and oil to Québec is recognized in the government's background document supporting the review of the Québec energy policy. It acknowledges that the energy demands of Québec's families and businesses are growing and transportation infrastructure is required in order to meet their needs. In 2014, CEPA members collectively transported 5.4 trillion cubic feet of natural gas and 1.2 billion barrels of liquid petroleum products in a safe and reliable way. We acknowledge that energy mixes will change over time, however, currently oil and gas are relied upon by Quebecers, and therefore pipelines are also relied upon. As long as Quebecers require oil and gas products, pipelines will continue to be critical infrastructure.

The value of transmission pipelines in Québec goes beyond transporting energy from producers to consumers. They also deliver economic benefits throughout the province. For example, our member companies operate over 1,100 kilometres of transmission pipelines in the province, and paid \$8.3 million in corporate and property taxes in 2014. For those working directly in the energy sector, salaries and benefits support thousands of families, local businesses and many regional economies. In Québec alone, the pipeline industry supports welding, steel manufacturing, construction, information technology, and even local hotels and restaurants. For those working outside the energy sector, the strength of the natural resource industry has generated a reliable stream of tax revenue that supports Quebecers' quality of life.

Given the economic impact and presence of pipelines in Québec, the industry makes a significant contribution to efforts to reduce the need for energy imports in the province. Québec's refineries rely on transmission pipelines for the safe delivery of crude oil. This raw material is refined into petroleum products which are consumed and sold by the residents and businesses in the province. Our members also work with local gas distribution companies to ensure that consumers have access to affordable and diverse gas supplies and long-term certainty on transportation tolls.

As custodians of critical infrastructure, our members understand that the economic benefits of the pipeline industry cannot be fully realized without making safety their first priority. Throughout the country, we have over 117,000 kilometres of energy highways that provide safe and reliable transportation of energy products to markets. The combination of strong regulatory oversight and industry commitment toward ongoing performance improvements make the Canadian pipeline sector very safe.

3. Regulatory environment

Our members are subject to extensive federal and provincial regulations that ensure the safe and responsible operations of their pipelines. Both the National Energy Board (NEB) and provincial regulators oversee the entire lifecycle of a pipeline project. The role of the regulator is to make decisions based on what is in the public interest and to respond appropriately to government policy. Governments set the policy, which is translated into regulations, directives and guidelines by regulators, ensuring that public interests are met. In order for this system to be effective, regulators need to safeguard their independence while at the same time enabling a collaborative environment that is conducive to innovation. Leveraging the expert knowledge that exists within industry - born from extensive experience in project design, construction, operations and maintenance as well as technological and systems development - is in the best interest of Québec and our entire country.

Part of the reason Canadian pipelines are among the safest in the world is due to the regulatory environment in which they operate. Canadian regulators have historically used a combination of regulatory tools that use performance-based systems that are supported by strong standards. For example, regulations surrounding pipelines are based on rigorous standards developed by the Canadian Standards Association (CSA). In total, there are 11 key standards published by CSA, which cover the design, construction, operation and maintenance of oil and gas pipeline systems and underground storage of petroleum products and liquefied natural gas. When developing a standard, CSA forms a committee composed of volunteer members. The volunteers, including CEPA representatives and regulators, are experts selected to represent the various interest groups most likely to be affected by the standard. The CSA functions as a neutral third party, providing a structure and a forum for developing the standard.

The performance-based system and strong standards that exist in Canada can also help increase public confidence in Canada's energy industry. This is evident in the wide spread support that the federal Bill C-46, *The Pipeline Safety Act*, received from industry, environmental groups, Aboriginal communities and other stakeholders. The level of consultation that occurred in the drafting of the current legislation is evidence that the public interest is best served when governments work with stakeholders. CEPA supports the proposed legislation as an important and positive step to instill further public confidence in the transmission pipeline industry in relation to emergency prevention, preparedness and response activities. We look forward to working with Natural Resources Canada, the NEB and other stakeholders in the development of regulations born from this important legislation.

The regulatory system in Canada provides opportunities for regulators to continue to strive to be world class while also harmonizing across provincial and federal jurisdictions. The harmonization of regulatory standards is critical to ensuring companies have a clear and well informed understanding of expectations, which results in a safer and more effective operating environment. This is particularly important for transmission pipelines, which cross multiple jurisdictional boundaries. Different standards and metrics applied by provincial and federal regulators complicate the ability of our members to implement constant operating practices and standards that are in the best interest of Quebecers. The combination of strong regulatory oversight and the industry's commitment to ongoing performance improvements ensures the Canadian pipeline sector will remain both safe and reliable.

4. Safety and the Environment

As custodians of critical national infrastructure, CEPA member companies recognize their duty to safety and protection of the environment. CEPA's goal of zero incidents is taken very seriously and our members are dedicated to investing in the best safety measures available. There is no competitive advantage to cutting corners on safety. In fact, our industry spent more than \$1.5 billion on pipeline safety in 2014.

Much of that money is spent on implementing the best available technologies and industry practices from national and international jurisdictions. This has enabled the Canadian pipeline industry to be among the safest operators in the world. Over the past 10 years there have been an average of less than four significant incidents per year on our vast pipeline network, with the threshold being as low as 8 m3 (or about 1/15 of a rail car), or serious injury. We have also achieved a 99.9995 reliability rate in delivering

energy products throughout Canada. Our safety results are world leading, and we pride ourselves on striving to become even safer.

CEPA and its members are at the forefront of a number of industry leading initiatives, taking action deliberately to improve pipeline integrity, damage prevention and emergency response. Some of these initiatives are described in more detail below.

EMERGENCY RESPONSE

Transmission pipeline companies have active spill prevention programs, which are mandated by federal or provincial legislation. Transmission pipeline companies are subject to strict regulations regarding incident preparedness, response and restoration and training level requirements of employees as well as emergency exercise and testing requirements. These regulations address response timelines, equipment and personnel that are expected to be ready in the unlikely event of an emergency. Regulatory requirements are also in place for the auditing of emergency response plans specific to transportation corridors to ensure the effectiveness of proposed response tactics and strategies.

The pipeline industry has a long history of assisting one another in the event of an emergency in order to respond as quickly and effectively as possible. However, these good intentions were occasionally hampered by issues of liability, process, and lack of structure. In response, CEPA members have signed the Mutual Emergency Assistance Agreement (MEAA) that removes these obstacles and formalizes assistance support. This is an important commitment to improve collaboration among our members.

The MEAA provides CEPA members a framework which allows them to call upon each other to help in emergency response situations. Assistance can take many forms, such as personnel, equipment, tools or specialized response advice, depending on the circumstances. In the event of an emergency, all CEPA members follow Incident Command System (ICS) protocols in order to be able to collaborate efficiently and effectively. The ICS provides an approach to incident response that is scalable and uses common language. This allows for multiple organizations to be part of the incident response in an effective and coordinated way. Essentially, it outlines a clear command and control structure that permits various groups of responders to communicate with one another, which avoids wasted time as a result of miscommunication or ambiguities in command structure.

In order to ensure the reliability and effectiveness of the MEAA, CEPA conducted a joint emergency management exercise involving its members. The exercise tested the ability of participants to follow the procedure, put a call out for assistance and execute the MEAA in real-time. It also tested the ability of member companies to work together using the principles of the ICS. More information on this joint exercise and other examples of the pipeline industry's commitment to pipeline safety and emergency management can be found on our website.

WATERCOURSE CROSSINGS

When pipelines cross sensitive areas, such as rivers and streams, extra care is taken throughout the pipeline lifecycle to protect the environment. This is why CEPA and its members have developed the Pipeline Associated Watercourse Crossings (PAWC) and the Pipeline Watercourse Management Recommended Practices (PWMP). These documents support the pipeline industry's high standards regarding protection of the environment and the public.

The PAWC, is a reference manual allowing CEPA members to take a science-based, consistent approach to new pipeline and temporary vehicle crossings of watercourses in all parts of Canada. The guidance and recommended practices contained in the PAWC meet the new requirements of the Department of Fisheries and Oceans Canada (DFO) to protect fisheries.

In keeping with our commitment to keep abreast with advancements in science and engineering, and to reflect the changes in the Fisheries Act (November 2013), work is underway to update the PAWC guidelines. As part of the process, an extensive consultation with scientists, experts, conservation groups and other stakeholders is underway to ensure the validity of the information contained in the guideline. The 5th edition of this reference manual is expected to be released by the fall of 2015.

Construction of a watercourse crossing can be done by using a trenchless construction method such as horizontal directional drilling, or by a trenched (or “open cut”) method. The decision on which method to use at a specific site is made after an assessment of the watercourse flow, the presence of fish and/or fish habitat and the soil and geotechnical attributes. In many cases, horizontal directional drilling is appropriate. It is a trenchless construction method that involves drilling a tunnel underneath a river or other surface feature and pulling the pipeline through the tunnel. As the only surface disturbances that occur are at the entry and exit points of the crossing, there is no disturbance to the watercourse.

Collaboration, whether in the development or implementation of regulations or industry best practices, is critical in ensuring the continuous improvement of our industry. The variety of perspectives, and sources of expertise on transmission pipelines are valued by our members, and we strive to not only listen, but also to act on advice from stakeholders. We believe that our industry’s performance and the trust placed within that performance, is strengthened through collaborative efforts rather than in isolation. This requires engagement around a fact-based review of both our performance and the views and values attributed to the measures used to evaluate that performance.

5. Transparency and trust

Part of CEPA’s mandate is to share unbiased, credible, transparent and factual information about the pipeline industry with Quebecers and Canadians. This has never been more important than it is now, as the industry is under public scrutiny for safety and environmental impacts around existing pipelines as well as proposed projects.

The pipeline industry is committed to engaging in open and honest conversations about the industry and our performance. We recognize the need to reach out to the public directly in an effort to build trust and to address real-life concerns, which has led CEPA to form an External Advisory Panel (EAP).

This panel of volunteers includes representatives from a variety of community groups including Aboriginal peoples, academia and landowner groups, among others. Panel members bring their diverse perspectives and viewpoints to help identify and clarify the issues and concerns that matter most to Québecers as well as all Canadians. We plan to expand CEPA’s External Advisory Panel to provide a broader diversity of views that we can consult and listen to around issues and topics of concern, as we strive to achieve zero incidents.

Quebecers expect excellence and transparency. CEPA and its members are committed to working with governments, regulators and other stakeholders to meet these expectations in order to maintain public confidence. Our commitment to enhanced transparency and continuous improvement is emphasized through the CEPA Integrity First® program. Accountability, within the industry and to Canadians, is instrumental to the program’s success. Through regular public reporting, CEPA Integrity First will increase the industry’s transparency and accountability on performance and member activities.

6. CEPA Integrity First®

CEPA and its members have driven toward an Industry-wide commitment to continuous improvement through our CEPA Integrity First program. Through the program members work together and constructively challenge each other to strengthen the collective performance of our industry. This is done by defining and implementing best practices, research and technology to improve the pipeline industry’s safety performance, lessening our environmental impacts and creating lasting social and economic benefits to the communities we operate in.

With thorough assessment of safety trends, evaluation of research and feedback gathered from the External Advisory Panel and other stakeholders, the Integrity First Program has identified priority areas that require action. Critical issues such as pipeline integrity, emergency management and control room management have been addressed by completing national and industry-wide guidance documents designed to measure each member’s performance in these areas. Documents for damage prevention/public awareness and water impacts will also be completed over the next year. The documents, developed by subject matter experts, outline key areas of focus along with corresponding

maturity levels (foundation, continuously improving, proactive and leading). Member companies use these documents to assess their current system, processes and practices within each area. Based on their self-assessment, members assign a level of maturity to their performance, identify potential improvement areas and develop action plans to further drive improvements.

By putting priorities into action, CEPA Integrity First shows how our members are striving toward the highest standards of safety and protection of the environment. That being said, we realize that safety is not only about engineering and systems. Culture and human behavior also play a significant role in ensuring safe operations in any industry. CEPA and its members believe that the values, attitudes and behaviors related to safety are extremely important and this belief is embedded into everything we do.

7. Safety Culture

CEPA members recognize that we do not compete on safety. We can and must be more open with each other across the industry to deepen constructive challenge and learning. Even with technological advances, engineering and processes on paper, more is needed to ensure improvements; the mindset of safety must be infused within all levels of an organization. Safety culture is defined by this holistic approach. Both individual companies and the Canadian transmission pipeline industry as a whole are committed to safety culture.

This commitment is shared by provincial and national regulators across the country. Specifically, the NEB's efforts on safety culture have been very complementary to the actions taken in our industry. In 2014 the NEB published their framework around safety culture to which our industry has responded and supported. Through CEPA, member companies have developed an employee survey based on the framework. The survey is designed to meet the NEB's high expectations for building and sustaining a positive safety culture.

The survey supports CEPA member companies' expressed commitment to strengthen and develop the safety culture in their respective organizations. All 12 CEPA members are taking part in the survey and will participate in a collaborative review of the results. This review will help define a new standard that can guide the industry towards safer operations. It also helps to change traditional mindsets surrounding safety, encouraging companies to approach safety as a priority that influences everything they do.

8. Conclusion

In conclusion, CEPA encourages the Québec government to take a holistic approach to their review of the province's energy policy. In order to accomplish this, consideration should be given to the relationship between policy, energy security and regulatory oversight. This is especially important when considering how critical infrastructure will be required to meet the current and future energy needs of Québec's population.

Operating critical infrastructure that often crosses multiple jurisdictional boundaries, the transmission pipeline industry requires a regulatory system in which regulators are able to safeguard their independence. At the same time, a collaborative environment that is conducive to innovation is also of critical importance. This is why we support the development of a National Energy Strategy that would allow Canada's natural resources to access global markets and enable a high degree of collaboration and alignment between the provinces and the federal government. This national framework should focus on best possible outcomes, the means to advance innovation, information, and excellence in addition to the harmonization of policies and regulations across different jurisdictions.

We believe the objectives of Québec's energy policy are in line with the commitments made by CEPA and its members to high standards for safety and environmental protection that are continuously improving. We have already begun work on putting them into action through various industry initiatives designed to enhance our performance. CEPA Integrity First takes this commitment one step further by enabling constructive peer-to-peer challenges to ensure that industry standards are fully internalized within the operations of each company.

We strongly believe that trust, born from credibility, reliability and intimacy is a critical element of effective collaboration. CEPA and its members are encouraged by the level of collaboration that the Québec government has taken in their energy policy review thus far and are committed to continuing to engage with the government and other stakeholders as the process moves forward. Again, thank you for the opportunity to provide input into this important initiative. If you have any questions regarding our submission, or require any further clarification please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brenda Kenny', with a stylized flourish extending to the right.

Brenda Kenny, President and CEO