Alberta government shares natural gas vision and strategy

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Summary

On October 6, 2020, the Government of Alberta (the Government) released its strategy for natural gas, titled Alberta's Natural Gas Vision and Strategy (the Vision). The Government highlighted the abundant natural gas resources in Alberta and the impact of depressed prices, policy uncertainty, low export capacity and delays in infrastructure development on the natural gas industry.

The Government's Vision aims to establish a policy and legal framework for a coherent, investor-friendly, revitalized, world-class natural gas sector in Alberta. The five main pillars of the Vision are: hydrogen, petrochemical manufacturing, liquefied natural gas, plastics recycling, and industrial demand. The Vision is part of the government's recovery plan, and ties in with the Government's plan for developing geothermal energy in the province. The Vision, together with other plans, is particularly important to the oil and gas industry as part of the Government's blueprint to diversify the province's energy sector, in order to encourage and attract new investment there.

Background

The Government provided highlights for each pillar of the Vision:

Hydrogen

The Vision mentions plans to export hydrogen and hydrogen products from Alberta to other parts of Canada, North America, and the world, by 2040. The Vision proposes commissioning large-scale hydrogen production, with carbon capture, utilization and storage (CCUS) and deployment in various commercial applications across the provincial economy by 2030.

It also proposes deploying hydrogen into the transportation and home-heating sectors, and its incorporation as fuel for electricity generation and other industrial processes, saying this will be critical to Canada's ability to meet its GHG reduction targets under the Paris Accord.

The Vision recognized that segments of Alberta's energy sector are already deploying or piloting hydrogen technology and forecasts that Alberta will be a leader in domestic heavy transport decarbonization (*i.e.* conversion from diesel), as well as clean hydrogen production for industrial, electricity and residential heating demands. Further, increased hydrogen production would create jobs, including for highly skilled energy workers, and support innovation across the province.

Petrochemical manufacturing

The Vision plans for Alberta to become a global top 10 producer of petrochemicals and diversify its portfolio of products manufactured.

The Vision forecasts that, under favourable conditions, the Alberta petrochemical sector could grow by more than $30 billion by 2030. The Government is supporting approximately $11 billion of new petrochemical investments from the private sector through up to $650 million in financial incentives under the first and second rounds of the Petrochemical Diversification Program.

Liquefied Natural Gas (LNG)

The Vision aspires to obtain access for Alberta's natural gas to Asian and European markets through two or three additional large-scale LNG projects by 2030.

Noting that Canadian LNG project proponents have all committed to producing low or zero-carbon, low cost LNG, the Vision forecasts that these projects will offer opportunities for Indigenous participation and provide communities with significant and meaningful economic and social benefits. The Conference Board of Canada estimates that an investment of 56 million tonnes per year in British Columbia's LNG capacity over the next 30 years could translate into Alberta's annual GDP increasing by $1.6 billion. The largest gains are expected to be in Alberta's upstream energy sector, representing $800 million in annual GDP gains.

Plastics recycling – Advancing a circular economy for plastics

By 2030, the Vision plans to establish Alberta as the centre of excellence for plastics recycling in North America.

Alberta's lower transportation costs, the development of enhanced recycling technologies and the province's proven petrochemical manufacturing industry put it in a strong position to implement a circular economy for plastics, whereby plastic waste is reused in new products through enhanced recycling techniques and technologies. The Plastics Alliance of Alberta – made up of stakeholders from industry, academia and government – has been established to support the government's actions. The Vision proposes that the move towards a circular plastics economy will capture and retain the value of plastics across their lifecycle, while supporting Canada's commitment to 100 per cent reusable, recycled plastics by 2030.

Industrial demand

The Vision plans to grow industrial demand in Alberta's natural gas sector, and to increase investment in natural gas processing infrastructure.

The Vision notes that the Alberta oil sands sector is a large consumer of natural gas. Oil sands production is forecasted to grow from approximately 3.1 million barrels per day in 2019 to 4 million barrels per day in 2029. Natural gas production supplies condensate/diluent to the oil sands and is a primary input for natural gas in-situ projects for steam generation. Further, power generation facilities will continue undergoing coal-to-gas conversions.

Implications

Canada is among the top five natural gas producers in the world, with two-thirds coming from Alberta. The Vision, together with other plans, are particularly important to the oil and gas industry as part of the Government blueprint to diversify the province's energy sector, in order to encourage and attract new investment in energy.

The Vision promises a legal and policy framework that would support a coherent, investor-friendly, world-class natural gas sector. It appears to highlight Alberta's efforts at emission reduction. The plastics recycling pillar showcases other aspects of Alberta's environmental stewardship. Nonetheless, access to market continues to be critically important, even for a diversified energy sector.

We will continue to monitor the development of the Vision's framework and provide updates as they become available.

By

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