

# Can we use LNG savings to develop alternative energy sources for the future?

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COMMENTARY

by Darielle Talarico

The North is now a geopolitical player in a global petroleum energy match. This was the message heard last week in Anchorage, at the Pacific Northwest Economic Region (PNWER) Conference - comprising northwest U.S., Alaska, B.C., Alberta, Saskatchewan, N.W.T. and Yukon).

Delegates were alerted to a 180-degree turn over the past four years, during which North America switched from being required to import natural gas to now becoming a potential exporter of this commodity. Industry predicts there are up to 400 years of gas reserves available on this continent, along with many competing reserves and discoveries being made in places such as Australia. In short, there is a substantial and growing natural gas reserve base both in North America and worldwide.

Notwithstanding the growth in supply, China, Japan and India are willing to pay up to four times the current Canadian natural gas prices. Given the abundant supply, it is certain that global prices will drop, but from both a demand and supply perspective it is clear that natural gas is a global commodity. Whether you are for or against oil and gas development or just concerned about elements of the industry such as hydraulic fracturing, it is clear natural gas is here to stay.

What does this mean for Yukoners? If you are fortunate enough to be connected to the electrical grid you benefit from affordable, reliable, environmentally responsible hydro generation. This economical energy supply only needs to be supplemented by backup diesel power generation during peak consumption (usually cold winter days).

Off-grid customers are mostly forced to rely on diesel as their primary source of energy. In the future this will likely change. As our territory grows and more commercial and industrial projects come on line, we will need more electrical and transportation-based energy. Renewable energy is favoured to replace diesel, gas and propane, but with the surge of natural gas available, including liquefied natural gas (LNG) for transport by truck, Yukon can not ignore this low-cost fuel.

Yukon is unique in not relying on natural gas. It is commonplace in most other areas. Fairbanks, for example, has an energy mix that includes local (Alaskan) natural gas. Natural gas supplies six per cent of their market. A small LNG plant aids storage and delivery. Another LNG plant is planned for Alaska's North Slope.

Backed by recent legislation, a 50 per cent tax credit and other incentives for both development and storage of natural gas are in place.

Surprisingly, the cost of a small LNG plant (excluding pipelines) can be as low as \$8 million, a point not missed by the N.W.T. premier who was listening intently as his Inuvik constituents have been benefiting from low-cost, locally-sourced natural gas in recent years, but their conventionally-sourced well is about to run out. Having been weaned off diesel, Inuvik is loath to go back to it. Short of seeing the Mackenzie Valley gas pipeline being built (to drive the development of more wells) ironically, N.W.T. is planning to truck LNG to the gas-rich Mackenzie basin. N.W.T. is also looking to convert some diesel-electrical generators to diesel-natural-gas hybrids and solar hybrids.

Coming away from the conference, I felt that in Yukon we need to be prepared to discuss two things: First, the unavoidable truth that natural gas is going to be a key future energy source. Second, as abundant as this commodity is in both North America and globally, it is risky business to rely on one source of energy. Yukon's energy future is better served by a mixture of sources that includes renewable energy, especially hydro.

Here is an idea I would like Yukoners to consider. If natural gas brings cost savings and if it is developed in the North (through conventional fields in the Mackenzie Delta, north Yukon or unconventional finds in southeast Yukon and northern B.C.) can we take the savings and revenues and re-invest them in renewable energy and transmission projects that will provide long-term benefits to future citizens (just as we enjoy today from our hydro facilities)?

Yukon Energy has completed its 20-year resource plan and the premier has stated the government's priority is hydro development. With that said, we need a collective territorial vision and strategy for our energy future that includes and defines our future energy mix (fossil fuels, small- and medium-size hydro projects, wind farms) and outlines how we may be connected by transmission to Alaska or B.C.

As well, we need to look at policies to ensure we encourage consumers to make their homes and businesses more energy efficient and self-sufficient. We have an opportunity to have this dialogue, from which present and future generations can benefit. I encourage our political and First Nation leaders to lead such a dialogue. In aid of this, the Yukon Chamber of Commerce's Energy Committee is engaging its business members and planning to hold a series of public meetings and think-tank forums on energy this fall.

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