

To:

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety  
Federal Ministry of Economics and Energy  
Group leaders of B90 / the Greens, CDU; THE LEFT and SPD  
Energy policy speakers from B90 / the Greens, CDU; THE LEFT and SPD

August 27, 2018

## **Undertaking Financial Guarantee for Goldboro LNG Financially Risky for Germany**

### **Nova Scotians Challenge Claims of Pieridae Energy**

Dear Minister of the Environment Schulze,  
Dear Minister of Economics Altmaier,  
Dear Sir or Madam,

We urge you not to award Pieridae Energy an Undertaking Financial Guarantee (UFG) of up to US\$ 4 billion to build a liquefied natural gas terminal in Goldboro, Nova Scotia. We particularly call your attention to the request before you right now to soon award some of that UFG so that Pieridae can purchase gas fields in Western Canada. We document below our challenges to the claims made by Pieridae Energy, and the financial risk Germany takes if it supports this venture.

Nova Scotia has so far been successfully meeting its greenhouse gas reduction targets. But if built the Goldboro LNG plant will by itself increase Nova Scotia's projected 2022 greenhouse house gas emissions by at least 20%.<sup>1</sup> Germany would not achieve a comparable GHG reduction even if the LNG displaced coal burning electricity generation. And it appears that LNG from Goldboro will simply displace other natural gas from existing sources Uniper is currently using to generate electricity. That will result in a much greater increase of overall global GHG emissions.<sup>2</sup>

Nova Scotia Fracking Resource and Action Coalition (NOFRAC) is a long standing coalition of Nova Scotia citizens, and would like to draw careful attention to current and ongoing developments in Canada and Germany. Pieridae has acquired (in a non-cash stock swap a money losing and near-bankrupt Western Canada gas producer to supply the proposed Goldboro LNG plant. Without major debt financing Pieridae can do nothing with these assets, and that it has engaged KfW IPEX-Bank to lobby for the awarding of an Undertaking Financial Guarantee (UFG). No North American financial institution would invest in these assets.

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<sup>1</sup> <https://nsadvocate.org/2018/02/19/prospects-of-goldboro-lng-plant-improve-raising-concerns-about-nova-scotias-emission-reduction-targets/>

<sup>2</sup> Full LNG product life cycle analysis of GHG emissions in Nova Scotia and Germany for proposed Goldboro plant is available in: <http://thechronicleherald.ca/business/1554753-rebuttal-lng-would-toss-us-out-of-the-frying-pan-and-into-the-fire>

Considering the depressed prices of Canadian natural gas producing assets, and the chronic structural oversupply of Western Canadian gas, this is transparently a risky financial proposition for Germany. To obscure this Pieridae is currently engaged in a media campaign where seriously misleading claims are made of having crucial elements nearly in place that will allow them to achieve the long awaited Final Investment Decision (FID) on the Goldboro LNG plant.

Pieridae CEO Alfred Sorenson said on August 14 that the company expects a construction permit for the plant “by the end of the month.”<sup>3</sup> This contradicts the fact that hearings before the Nova Scotia Utility and Review Board (NSUARB) are required to run at least through October <sup>4</sup>. These regulatory hearings must be concluded before a construction permit can be issued, and there is only a limited possibility of it being issued before year end.

Exaggerations about the readiness of projects is commonplace in the oil and gas industry when there are investors to be impressed. But LNG plants are extraordinarily large projects. Unlike in the development or expansion of an oil field, excessive exaggeration is not the norm for proposed LNG terminals. Even with smaller “midstream” projects such as gas processing plants, companies are expected to give fairly realistic assessments of their progress and status. Pieridae’s track record with the Goldoro LNG plant goes well beyond exaggeration.

In January 2018 Laurentian Bank came out with a widely circulated in depth analysis of Goldoro LNG. The Bank did its own number crunching on value and risk factors, but as is the norm they had to rely on Pieridae for reporting on the extensive project particulars<sup>5</sup>.

Here are the “milestones” set out in January for the Goldboro project, relayed from Pieridae by Laurentian Bank:

- Secure a long-term gas pipeline transportation agreement, expected First Quarter 2018
- Complete a western Canada gas-resource acquisition/partnership, expected in first half of year.

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<sup>3</sup> <https://business.financialpost.com/commodities/pieridae-energy-close-to-proceeding-with-10-billion-lng-project-in-nova-scotia-next-month>

<sup>4</sup> The speed of a NSUARB hearing process depends on the applicant- Pieridae in this case- doing what it can to make sure the process moves along quickly. The Pieridae UARB process has moved in an uncharacteristically leisurely manner, with the Board apparently seeing no reason to proceed as quickly as it has with numerous other concurrent application processes- including some equally or more complex. The most recent Board action is a letter giving Sipekne'katik First Nation two months to respond about what amounts to initiating an aboriginal consultation process. The core hearing processes that Pieridae has the most control over have not moved since May. CEO Alfred Sorenson’s expectation of an imminent construction permit is baffling.

[http://halifax.mediacoop.ca/sites/mediacoop.ca/files2/mc/uarb\\_to\\_chief\\_sack\\_august\\_1\\_.pdf](http://halifax.mediacoop.ca/sites/mediacoop.ca/files2/mc/uarb_to_chief_sack_august_1_.pdf)

<sup>5</sup> [https://laurentianbank.na.bdvision.ipreo.com/NSightWeb\\_v2.00/Downloads/Files/f5c85079-8023-481e-a2be-3bf267dc1645.pdf?tics=636516872151337519](https://laurentianbank.na.bdvision.ipreo.com/NSightWeb_v2.00/Downloads/Files/f5c85079-8023-481e-a2be-3bf267dc1645.pdf?tics=636516872151337519)

- Request the Open-Book Estimate from project engineer, finalize costs, expected in second half of year
- Make Final Investment Decision (FID), expected by year-end 2018

None of these milestones have been met, and achievement dates are already well past for two out of three “building blocks” of the FID. Yet Pieridae still talks of a Final Investment Decision well before year end.

Let us look more closely at the key need for pipeline transportation agreements. Again from the Laurentian Bank analysis:

Gas from western Canada would move along TransCanada’s mainline to Quebec, then onto the Trans Quebec & Maritimes, Portland Natural Gas Transmission System, and finally onto the Maritimes & Northeast Pipeline to Goldboro. While the TransCanada mainline has sufficient spare capacity to accommodate gas supply for both LNG Trains, **the other pipeline segments would require capacity expansions** to handle the feedstock gas from western Canada, the Marcellus, or both.

Pieridae is in negotiations with TransCanada and Enbridge to secure firm transportation from western Canada to Goldboro, along with the requirement **for** additional capacity along certain segments (i.e. Trans Quebec & Maritimes), **which is expected to entail only additional compression**. Securing long-term firm transportation would be a necessary pre-condition to FID, and we would expect this to occur in the first half of 2018.

Pieridae has made sure to highlight any progress on the Goldboro project- or any *appearance* of progress. But there has not been a word about progress toward pipeline agreements. The noting above of “additional compression needs for some sections” is no small issue. Beyond the commercial agreements required to launch them, the regulatory process is extensive even when no new construction is required. Note that the Portland Natural Gas pipeline (PNGTS) is not listed as one of “certain segments” of the Goldboro supply route that will need additional compression to achieve pipeline capacity increases. But the PNGTS has less than a quarter of the capacity the Goldboro plant requires even to supply a single LNG production train.

Mere “additional compression” is wildly out of question as the solution for severely insufficient capacity on the PNGTS. Twinning with a much larger pipe will be required- hardly a financial and regulatory trifle. Yet it is not mentioned- a significant omission. The PNGTS is not even included among pipeline route sections requiring “capacity expansions”.

Pieridae has failed to mention that part of the Goldboro plant’s gas supply route will require the laying of new pipe, across the US – Canada border, no small matter. They have omitted to mention that the key pipeline transportation agreement milestone date is well past. In spite of this, Pieridae began talking up how they were working on having the fundamentals in place to have the Goldboro plant starting with **both** production trains running. Indeed, Pieridae recently signed a sales contract for LNG from the second production train- making sure that was completed and duly publicized in time for pressing the German government to award the UFK

needed by Pieridae Energy to develop their recent acquisition, and to purchase many times that in more Western Canada gas producing assets.<sup>6</sup>

Well before CEO Alfred Sorenson's recent assurance that there will very soon be a construction permit issued for the LNG plant, there was already a well established track record for doubtful reliability of information provided by Pieridae to investors and other stakeholders like the German government.

Finally, and crucially, we would like to respectfully remind the government of Germany that one of your own primary conditions for an Undertaking Financial Guarantee from the German Federal Republic is that "**compliance to internationally accepted environmental and social standards of the project needs to be guaranteed.**"<sup>7</sup>

Hydraulic fracturing is now effectively banned in four eastern Canadian provinces, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. The oil and gas industry strongly opposed the fracking ban in Nova Scotia and our neighboring provinces, and they have continued to pressure governments to lift the fracking bans. These efforts increased this year because of the promise of a LNG facility in Goldboro. If Germany provides Pieridae with a UFK for the LNG facility in Goldboro, it will be providing the oil and gas industry a far greater incentive, and argument, to pressure our governments to lift the existing bans on fracking.

If Germany approves this financially risky Undertaking Financial Guarantee, it will be encouraging the expansion in Canada of hydraulic fracturing that is banned within its own national borders.

Thank you for your attention to this matter,

Nova Scotia Fracking Resource and Action Coalition (NOFRAC)  
Guysborough Communities Coalition  
(Goldboro LNG would be located in Guysbrough County)

For more information **please contact:**

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<sup>6</sup> The acquired gas producing assets are capable of supplying less than one-sixth of one production train of the two that are planned. The sales contract for gas from the *second* train: <https://www.theglobeandmail.com/business/article-swiss-utility-in-lng-supply-talks-with-goldboro-project/>

<sup>7</sup> <https://www.agaportal.de/en/main-navigation/rohstoffe-ufk-garantien/grundlagen-ufk-garantien/grundzuege-ufk-garantien>