

WORLD-CLASS PIPELINE SAFETY



JOBS, GROWTH AND LONG-TERM PROSPERITY



Canada 

CANADA'S ECONOMIC
**ACTION
PLAN** 





INTRODUCTION

Every day, pipelines in Canada safely and reliably deliver the energy Canadians need to heat their homes, drive their cars and run their businesses. Petroleum products are also used to make everything from the electronics we use to the clothes we wear.

Pipelines are also key to Canada's economic future as critical conduits of our energy to world markets. Indeed, Canada is on the threshold of a historic opportunity to take advantage of our vast energy resources to generate jobs, economic growth and prosperity for generations to come.

The fact is global energy demand is shifting, and the United States, while remaining a key customer, can no longer be our only customer. To reach new markets we must build new energy infrastructure. For many Aboriginal peoples, this is a particularly important opportunity; many are located close to future energy projects, offering the prospect of an immense benefit for their communities.

Through *Responsible Resource Development*, the Government is ensuring we can develop the energy infrastructure essential to our prosperity in a manner that is safe – safe for Canadians, safe for the environment. At the same time, we are beefing up marine shipping safety as a vital component of ensuring the responsible transportation of our energy.

Canadians rightly expect their energy safety systems to be world-class. Few countries come close to matching Canada's experience and track record in safely transporting oil and gas, and especially by pipeline. The Government appreciates that the standard for world-class safety is constantly evolving and responsible resource development requires an ongoing effort to make the system even safer and more secure.

As part of this effort, the Government is taking a major step forward with an ambitious package of measures in the areas of marine shipping and pipeline safety that will result in stronger prevention, enhanced preparedness and response, and improved liability and compensation in the very unlikely event of an incident.

The Government is building on actions implemented over the last two years that, taken together, strengthen Canada's world-class position in the safe transportation of energy. For both marine shipping and pipelines, we have mandated major increases in surveillance, inspections and safety audits to identify issues before incidents occur.

To better respond to incidents at sea, we are modernizing navigation and investing in new technologies to clean up oil spills. In the unlikely event of a major incident on either land or water, the Government will have the tools to step in, do whatever is required, and recover the costs from those responsible. This means companies are accountable for – and taxpayers protected from – bearing any potential costs.

Pipeline operators will be held responsible for incidents irrespective of fault – up to \$1 billion for major crude oil pipelines – and will be required to demonstrate their capacity to pay for the costs associated with cleanup. The National Energy Board (NEB) will also have the tools to take control of a response to an incident if a pipeline operator is unable or unwilling to do so, with the ability to recover costs from industry to ensure that taxpayers are protected against any potential costs of cleanup.

The Special Federal Representative on West Coast Energy Infrastructure made a series of recommendations on the importance of engaging Aboriginal peoples in the safety of our pipeline system and protecting our environment. The Government agrees. We are moving forward with measures to enable Aboriginal peoples to participate in the development and operation of pipeline safety systems.

With the participation of Aboriginal peoples and a commitment to leading-edge marine shipping and pipeline safety systems, Canada can harness the tremendous economic opportunities before it. At the same time, we can diversify our energy markets, ensuring sustainable prosperity and well-being for generations to come.



THE NEED TO DIVERSIFY OUR ENERGY MARKETS

While Canada's endowment of petroleum resources is immense, we have only one major customer – the United States. In fact, we export 100 percent of our natural gas and 99 percent of our oil to the United States.

This relationship has, and will continue, to serve both countries well. However, there have been significant changes to the dynamic of that relationship in recent years.



In the United States, new horizontal drilling and fracking technologies have reshaped domestic production, driving down demand for Canadian energy. Meanwhile here in Canada, production from the oil sands is forecast to continue growth – from about 1.8 million barrels per day to more than 5 million barrels per day by 2035. And new gas discoveries, particularly from shale, are also rising, further driving forecasts of growing natural gas production.

These two factors – increasing Canadian production and declining American demand – mean Canada must develop new markets and the infrastructure, including pipelines, to reach them.

WORLD-CLASS PIPELINE SAFETY

The plan has three key elements:

- first, strengthening prevention;
- second, enhancing preparedness and response; and
- third, increasing the liability of pipeline companies and improving compensation in the unlikely event of an incident.

CANADA'S PIPELINES

The oil and gas sector contributes to the strength of Canada's economy, directly employing more than 200 000 people and generating almost 7 percent of Canada's GDP in 2012. The sector also pays about \$23.5 billion in taxes, royalties and fees to government – money that helps to support public pensions, provide health care and build schools as well as hospitals, housing and highways.

Canada's pipelines are among the safest in the world. Between 2008 and 2012, for example, 99.999 percent of crude oil deliveries took place safely. In fact, the rate of spills on federally regulated pipelines in Canada was 60 percent lower than in both Europe and the United States over the past decade.

The Government believes it is crucial to keep improving the technology and updating our regulations around pipelines. Over the past few years, we have instituted a number of measures to enhance pipeline safety. Through our

plan for *Responsible Resource Development*, we introduced new compliance and enforcement mechanisms, including new monetary penalties for violations of the *National Energy Board Act*.

The Government's 2013 Speech from the Throne committed to establishing even higher standards for Canada's pipelines. *World-class Pipeline Safety* honours that commitment. Once the plan is fully implemented, no other country in the world will have strengthened pipeline safety in such a manner.



STRENGTHENING PREVENTION

Establishing *World-class Pipeline Safety* begins by doing all we can to prevent incidents from occurring. This plan does that by:

- giving the NEB the ability to provide guidance on the use of the best available technologies used in federally regulated pipeline projects. This includes materials, construction methods and emergency response techniques;
- increasing the number of annual oil and gas pipeline inspections;
- doubling the number of annual comprehensive audits, to identify issues before they occur; and
- making pipeline safety documents available to the public.



ENHANCING PREPAREDNESS AND RESPONSE

Should an incident occur, it is important that the appropriate response be made and made quickly. *World-class Pipeline Safety* does this by:

- requiring pipeline operators to hold a minimum level of accessible financial resources to respond quickly in the event of an incident;
- compelling companies to repay any cleanup costs incurred by federal, provincial, Aboriginal and municipal governments;
- enabling the NEB to take control of the response to an incident in exceptional circumstances; and
- developing a strategy with industry and Aboriginal communities to increase participation in pipeline safety operations.



INCREASING LIABILITY OF PIPELINE COMPANIES AND IMPROVING COMPENSATION

World Class Pipeline Safety ensures that pipeline companies be held accountable – and 100% liable – for taking immediate action to contain and clean up any incident. Taxpayers should not and will not be on the hook for spill response. *World Class Pipeline Safety* does this by:

- requiring companies operating major oil pipelines be liable, without proof of fault or negligence for \$1B for costs and damages resulting from a release from a pipeline. All other pipelines will be liable, without proof of fault or negligence, for an amount prescribed by regulation;
- requiring all companies to maintain sufficient financial resources to pay the amount of the limit of liability they are subject to;
- if the NEB takes control of spill response from a pipeline company, the Government of Canada will ensure that the NEB has the resources it needs for spill clean-up, and that those costs are recovered from industry to ensure that taxpayers are protected; and
- holding pipeline operators responsible for the costs and damages related to abandoned pipelines. This means landowners won't have to pay if there are damages to their property.

ENHANCING ABORIGINAL PARTICIPATION IN PIPELINE SAFETY

One of the key goals of *Responsible Resource Development* is to create new opportunities for Aboriginal peoples.

To give Aboriginal peoples a more central role in pipeline safety and monitoring, *World-class Pipeline Safety* introduces a number of initiatives, including:

- seeking an agreement with industry and Aboriginal communities on a plan to enhance the involvement of Aboriginal communities in pipeline monitoring and emergency response activities; and
- assisting Aboriginal entrepreneurs, small businesses and communities to take advantage of opportunities for jobs and business development, including through training and skills development.

Taken together, these initiatives will provide more consistent, meaningful and timely engagement with Aboriginal communities, promoting positive long-term relationships and facilitating greater participation of Aboriginal peoples in economic opportunities.

By strengthening prevention, increasing the liability of pipeline companies and improving compensation, as well as enhancing preparedness and response, *World-class Pipeline Safety* will help Canada to diversify its energy markets, capture the immense opportunities abroad, and create jobs and prosperity here at home.

Further details

This document is meant to be a concise overview of *World-class Pipeline Safety*. Further details are available at nrcan.gc.ca.

Cat. No. M134-33/2014 (Print)
ISBN 978-1-100-23627-8

Cat. No. M134-33/2014E-PDF (Online)
ISBN 978-1-100-23626-1

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Budget measures are subject to parliamentary approval.