



Alliance Pipeline Ltd.
800, 605 – 5 Avenue SW
Calgary, AB, Canada
T2P 3H5

Telephone (403) 266-4464
Toll-free 1-800-717-9017
Fax (403) 266-4495

July 28, 2015

Service via Email

Part VI Export and Import Consultations
Attention: Suchaet Bhardwaj
National Energy Board
517 Tenth Avenue S.W.
Calgary, Alberta
T2R 0A8

**Re: Changes to Natural Gas Export Licence Term under Part VI of the *National Energy Board Act*
Consultation on Proposed Regulatory Amendments
NEB File: Ad-GA-ActsLeg-Fed-NEBA-Amend 0101**

Dear Mr. Bhardwaj:

On June 29, 2015, the National Energy Board issued a letter seeking input on proposed amendments to the *National Energy Board Part VI (Oil and Gas) Regulations* (Part VI Regulations) related to a new category of licences that would permit the export of natural gas for a term not exceeding 40 years. The amendments include the following proposed definition of "natural gas":

"natural gas" means a mixture of gas that is composed of at least 85 % methane and that may contain any hydrocarbon or mixture of hydrocarbons in a gaseous state and minor amounts of non-hydrocarbon gasses and impurities.

In its letter, the Board indicated its intent that these proposed amendments would not impact existing regulations governing licences for the exportation of gas for a term not exceeding 25 years, nor existing regulations governing orders for the exportation of gas for a term not exceeding 2 years. Alliance understands that the above definition would be inserted in the "Interpretation" section of the Part VI Regulations, and would thus apply to all natural gas exports, but not gas exports. Alliance is concerned that the proposed definition of natural gas could adversely impact natural gas exports, or at a minimum, cause confusion within the natural gas industry.

The Alliance Pipeline system is a high-pressure, dense phase, natural gas transmission pipeline operating in Canada and the U.S. that was designed to transport liquids-rich natural



gas from the Western Canadian Sedimentary Basin (WCSB) to the Chicago market hub. Natural gas liquids (principally ethane, propane, butane, and to a lesser degree, pentanes plus) are entrained in the natural gas tendered to Alliance by its shippers and are transported to market in a gaseous phase. Extraction and fractionation facilities, owned and operated by Aux Sable Liquid Products LP are located at Alliance's delivery header near Chicago.

In addition, effective December 1, 2015, Alliance will be implementing its New Services Offering, recently approved by the Board in its RH-2-2014 Reasons for Decision. The New Services Offering includes a change to the Hydrocarbon Dewpoint specification from -10°C to -5°C, and the introduction of a new Firm Rich Gas Service, along with Shipper Pairing Arrangements. Together, these new service attributes will further enhance shippers' access to Alliance's liquids-rich natural gas carrying capability.

With an increase in the amount of natural gas liquids entrained in the natural gas transported by Alliance, the methane content of Alliance's commingled natural gas stream at the international border could fall below this 85% threshold, and under certain circumstances could fall below an 80% threshold.

Accordingly, the Board's adoption of a proposed 85% methane threshold in the definition of "natural gas" would in effect prohibit Canadian natural gas producers and marketers using transportation service on Alliance from accessing this new category of natural gas export licences. Alliance does not believe this outcome is in the public interest. While it is Alliance's understanding that its shippers presently rely on short term orders for export authority, it is not clear whether circumstances could develop in the future that would result in a change to this practice and lead to its shippers deciding to seek export authority under the Board's new category of export licences.

Alliance is also concerned that creating an arbitrary distinction between classes of natural gas that would or would not be eligible for certain export authority, would create an unwelcome and inappropriate precedent. It would also be inconsistent with the current definition of "gas" in the NEB Act, which does not discriminate on the basis of natural gas constituents. Establishing such an arbitrary threshold for export purposes could also create confusion and uncertainty within the natural gas industry if the 85% threshold were mistakenly thought to apply at natural gas pipeline receipt points, or locations further upstream. To ensure fair and homogenous treatment of natural gas exports, the Board should, at the very least, revise its proposed definition to state that "natural gas" means a mixture of gas that is composed of a majority of methane.

It would be much better, however, if the Board adopted a direct approach toward these proposed amendments. To the extent that the true purpose of this proposed definition of "natural gas" is to exclude the export of ethane, propane, or butane from eligibility for the new licence category, such an exemption could instead be clearly stated in the regulations.



Alliance would like to thank the Board for the opportunity to submit comments on the proposed amendments to the Part VI Regulations. If the Board has any questions on Alliance's submission, please contact the undersigned at 403-517-6354, or brian.troicuk@alliancepipeline.com.

Sincerely,

Alliance Pipeline Ltd.

A handwritten signature in blue ink that reads "Brian Troicuk".

Brian Troicuk
Director, Regulatory Affairs
Alliance Pipeline Ltd.

