

Calgary firms vie to gain a foothold in growing LNG market

By Amanda Morrall

Calgary

The jury may still be out on the prospects for liquefied natural gas (LNG) in Canada, but developments worldwide have the energy sector's legal leaders jockeying to secure a foothold as LNG experts.

Confident in the potential growth explosion of LNG markets around the globe, the local office of Fraser Milner Casgrain LLP last month added veteran LNG lawyer Don Bews to its international natural resource team.

"There's nobody out there that I can think of that has his level of experience," said Doug Black, the firm's vice-chairman of its latest acquisition.

Bews returned to Calgary in late April after spending close to eight years working in Doha, Qatar, the location of one of the world's largest gasfields.

In Qatar, Bews was legal manager and board secretary for RasGas Company Ltd., a joint-venture company co-owned by the state, which controls a 70 per cent stake, and Exxon Mobil.

Unlike Canada, where there is still market uncertainty in regard to LNG developments, Qatar has cultivated an international reputation as a premiere supplier of LNG.

For nations in the Far East such as India, China and Korea that lack their own indigenous fuel sources, LNG has become a mainstay because it can easily be delivered.

Once extracted from the ground, the gas is converted to a liquid state through a supercooling process known as liquefaction. In this state it can be shipped to receiving ports which have the capacity to return the fuel to its natural state; a process called regasification.

The product is then ready for conventional pipeline transportation.

Once touted as a cheap alternative to conventional oil and gas, the regulatory and other complexities around shipping LNG, and the rising costs of LNG itself appear to have slowed developments here in Canada.

Proposed construction of regasification terminals have also been met with unanticipated resistance among communities within close proximity to such facilities.

Still, individuals like Black maintain that depleting oil and gas reserves around the world will eventually push LNG to the frontlines.

At present, Calgary-based Petro-Canada is looking at building a \$660-million regasification terminal in eastern Quebec in partnership with TransCanada Pipelines Ltd.

There are also proposed receiving terminals in the works near Prince Rupert and Kitimat, B.C., but progress has been slow.

Individuals like Black however aren't discouraged. He says, regardless of what happens on home base, there is plenty of work abroad for Alberta's energy lawyers.

In fact, Black expects the bulk of his firm's LNG-related work will be coming from overseas. He says Alberta energy lawyers have a reputation second to none when it comes to oil and gas.

"When matters of energy arise in Canada, Calgary firms get the first call," he said.

Only a week into his job at Fraser Milner Casgrain, Bews confesses he'll be keeping a suitcase packed.

"I was actually supposed to be in Japan right now but things got postponed," said Bews last month, noting that his former employer in Qatar has retained him through Fraser Milner.

The legal work related to LNG is similar, he says, to conventional oil and gas work, but there are some unique differences where experience in the field is invaluable.

Unlike conventional projects, Bews said LNG projects tend to range for 25 years, which necessitates long-term sales and purchasing agreements.

The shipping of LNG also carries a heavy legal burden given cross-border issues, financial security and transportation.

"I personally think it's not an area you can get into without some experience and knowledge," said Bews. "And I would guess that some firms are going to have to develop that expertise."

Macleod Dixon LLP, a rival firm in the field of energy law, recognized that opportunity about two years ago when it formed an LNG group within its existing energy team.

Tom Valentine was instrumental in setting up that group.

He says developments with LNG are changing so quickly there will be a natural demand for lawyers specializing in the area.

"Ten years ago, an LNG project would have one to three parties at most involved in the value chain, that is from the upstream point, drilling to capturing and processing of gas, to the downstream. There would be common parties throughout the chain. Now you have a merchant market developing - there are lots of changes," he explained.

Valentine, who also worked in Qatar, says he's done work on three of the proposed LNG facilities in Canada and expects the workload to grow.

"It's inevitable," said Valentine, who will head to China this month to give talks on terminal construction for LNG.

He notes that a well-trained oil and gas lawyer won't have much difficulty picking up LNG as a specialty, but he believes those individuals who have spent time overseas on related projects will have the edge.

"They'll definitely have an advantage - the contacts and experience," he said.

In two years, Valentine says his LNG workload has exploded. He says it now takes up 80 per cent of his time.

If only a handful of the proposed LNG plants currently on the table get the green light, the work opportunities will be bountiful.

According to industry observers, there are as many as 60 proposals for LNG receiving terminals in North America alone.

The United States, facing looming energy shortages, is among those countries that have taken a strong interest in LNG.

In 2004, imports of LNG rose by 29 per cent and added three per cent to the nation's supply of critical energy, according to the Department of Energy's Office of Fossil Energy. The DOE indicates that 70 per cent of U.S. imports of LNG come from Trinidad and Tobago.

Countries such as Russia however, with huge natural gas deposits, are among those being tapped for potential exploitation.

Last year, Petro-Canada signed a memorandum of understanding with Moscow-based OAB Gazprom to jointly develop a US\$1.3-billion gas liquefaction facility near St. Petersburg.

Deals of this nature are inherently going to require a major legal investment and that's something that hasn't escaped the attention of Alberta's energy's leaders in law.

"It's very important around the world, and it's important we, as one of Canada's major energy firms, position ourselves to serve that," said Black.