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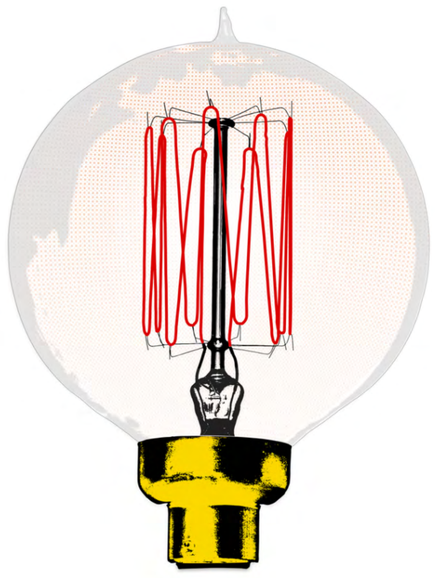


LNG and Canada's Energy Ambition

Chapter I. Introduction to the Issues

Canada's first West Coast LNG shipment marks a long-awaited milestone, but scaling the industry is hampered by regulatory and policy overlap. This five-part Now You're Thinking *miniseries draws on expert insights across the supply chain, highlighting both challenges and opportunities — from Indigenous partnership models to global competitiveness and broad economic benefits.*

Summary

- Canada's LNG sector achieves a milestone just as political momentum builds for nation-building projects. Studio.Energy explores what inhibits the building of additional West Coast LNG export capacity.
- Interviews with 11 experts point to four key challenges for greater investment and development: the complexity of Canada's policy and regulatory landscape, including climate policy; challenges in the environmental assessment and permitting process; navigating the evolving nature of Indigenous rights in BC resource development; and ensuring fiscal terms are globally competitive.
- This first in a five-part miniseries provides an introduction to these challenges and what must be resolved to advance Canada's LNG ambition.

A Milestone Event

Canada's first liquefied natural gas (LNG) tanker shipment set sail on June 30, 2025, marking the beginning of a new chapter in Canada's energy story. British Columbia Premier David Eby highlighted its significance, stating, "The first shipments of made-in-BC energy across the Pacific come at a pivotal time for our province and the country we love. Projects like LNG Canada are the reason that BC will be the economic engine of a more independent Canada."[1]

At the national level, momentum has also been building. Since taking office, Prime Minister Mark Carney has declared Canada's ambition to become an "energy superpower" and the fastest-growing G7 economy. The passage of Bill C-5: The Building Canada Act reflects this federal resolve, with Carney suggesting how this act "will remove trade barriers, expedite nation-building projects, and unleash economic growth, with Indigenous partnership at the centre of this growth. It's time to build big, build bold, and build now."[2] More recently, the prime minister announced LNG Canada Phase 2 as one of the first in a series of nation-building projects to be overseen by the new Major Projects Office, signalling federal intent to prioritize and fast-track regulatory timelines on projects that are in Canada's national interest.

As news of the first LNG cargo clears the horizon, there are six more BC LNG projects in various stages of planning, development, and construction. LNG Canada Phase 2 is awaiting a final investment decision (FID) from its project owners. But beyond Bill C-5, what comes next? And what are the impediments standing in the way of Canada attracting billions in private investment to build those in the queue and possibly more?

This five-part miniseries tackles the barriers. Drawing on research and 11 expert interviews across Canada's natural gas value chain, Studio.Energy identifies the core issues perceived to be holding back investment and maps out what must be resolved. Only by overcoming these barriers to investment can Canada move from a single export milestone to a stronger, more enduring energy ambition.[3] This starts with understanding where we are today.

[1] Premier celebrates first LNG Canada shipments to Asia; Government of British Columbia; July 30, 2025
[2] House of Commons passes One Canadian Economy Act; Prime Minister of Canada; June 20, 2025
[3] See *Now You're Thinking* Issue 001— Gauging Canada's Energy Ambition; Studio.Energy; September 8, 2025.

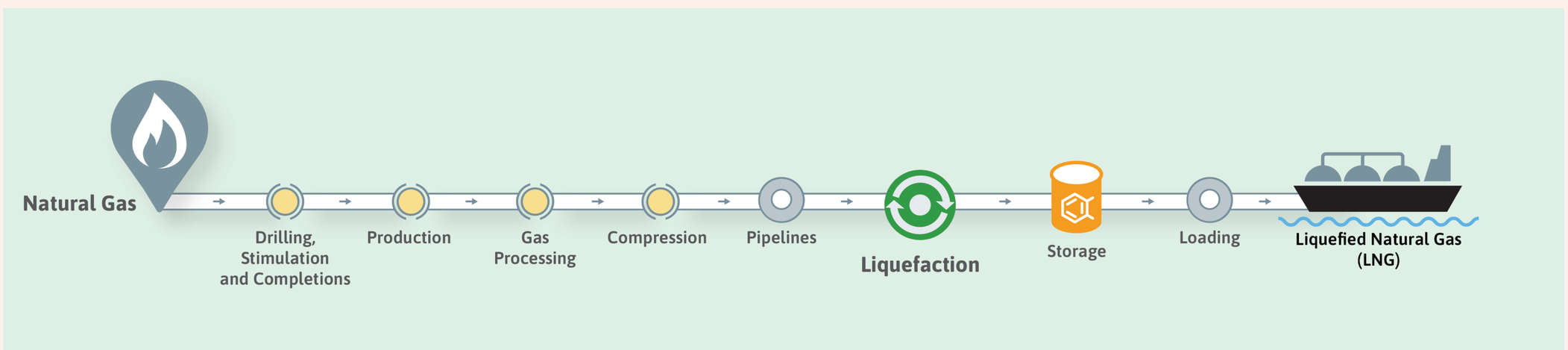
LNG Backgrounder

LNG has become an increasingly important part of the global energy market because it allows natural gas producers (like Canada, the US, and Qatar) to access distant, high-demand markets such as Asia and Europe, which natural gas pipelines cannot reach.

As the name implies, LNG is natural gas in liquid form. The LNG process at a liquefaction facility involves cooling natural gas to around -162°C, which condenses it from a gas into dense liquid form that can be loaded onto tankers. The volume compression of LNG is approximately 600:1, meaning 1 cubic metre of LNG contains the same energy as about 600 cubic metres of natural gas. In trade terms, 1 million tonnes per annum (mtpa) of LNG is roughly equivalent to 50 billion cubic feet (Bcf) per year of natural gas.

To illustrate the natural gas value chain, Studio.Energy developed the Energy RoadAtlas, which maps the journey of energy from its primary source through to end use. In the figure below, natural gas from the production fields of northeast British Columbia flows across several mountain ranges and through roughly 700 kilometres of pipeline to be liquefied at coastal facilities and export terminals on the West Coast. From there, LNG is loaded onto specialized ships that transit into the Pacific Basin market for sale to international buyers.

Natural Gas to LNG Energy RoadAtlas Linear Map



Source: Studio.Energy

Upon arrival at its destination port, the liquefied gas in the tanker is re-gasified as it warms, allowing the natural gas to be used for things such as heating, power generation, and inputs into petrochemical plants.

Escaping North America

LNG Canada Phase 1 represented the largest private sector investment in Canadian history — C$40 billion across the supply chain. Its journey from project announcement to first shipment took over 12 years. First proposed prior to 2013, LNG Canada underwent several years of environmental and regulatory reviews, and Phase 1 reached its FID in October 2018. The process involved significant Indigenous consultation and participation and resulted in about 25 benefit agreements signed between Indigenous groups and LNG Canada and Coastal GasLink, the owner and operator of the 670-kilometre pipeline that delivers gas to the LNG export terminal.[4] Construction of Phase 1 started after its FID in 2018, and the facility reached operational start-up in June 2025.[5] This first phase of LNG Canada was built with the capacity to export up to 14 mtpa, or about 1.85 Bcf/d.

To put this number in perspective, global LNG trade was over 406 mtpa in 2024[6], with Asia accounting for nearly 70% of this demand. Canada's West Coast connects directly to this approximately 172 mtpa

[4] LNG Canada Raised the Bar on Consultation Process with First Nations; LNG Canada; January 14, 2019

[5] LNG Canada; British Columbia Energy Regulator; June 26, 2025

[6] GIIGNL 2025 Annual Report, International Group of Liquified Natural Gas Importers

Pacific Basin market, where Canada is just beginning to make its mark.

In addition to LNG Canada Phase 1, two other LNG export facilities are under construction in BC: Woodfibre LNG and Cedar LNG, together representing about 0.67 Bcf/d. These facilities are expected to begin operations between 2027 and 2028, subject to additional federal, provincial, and municipal permits required for construction progress. Beyond that, four projects totalling 4.1 Bcf/d are either proposed or planned, including LNG Canada Phase 2 and the recently environmentally approved Ksi Lisims LNG project, both of which are awaiting FID.

Without this stronger LNG presence, Canada's natural gas exports would flow exclusively south of the border. Until LNG Canada Phase 1 came online, 100% of Canada's natural gas exports went to the United States, supplementing its own supply of natural gas production and being exported through LNG export terminals on the US Gulf Coast. Canadian natural gas is often significantly discounted in price compared to US natural gas. Expanding LNG capacity on the West Coast is Canada's opportunity — if not obligation to resource owners — to capture higher, fairer prices for our resources, improve our trade leverage, and strengthen our position in the Pacific Basin market.

Canadian LNG in the Global Arena

Since 1970, natural gas demand has grown steadily around the world by roughly 5 to 6 Bcf/d per year, or an average of 3% per year.[7] With rising energy needs worldwide, natural gas is expected to remain a central part of the energy mix.[8] The global LNG market has more than doubled in size over the past few decades, with some forecasts predicting LNG demand will rise by 60% by 2040[9], largely driven by economic growth in Asia, greater power demands for the electrification of legacy combustion appliances, and data centres.

Several countries have been positioning themselves to meet this rising demand. The US, with almost no LNG exports a decade ago, has become the world's largest LNG exporter. Qatar, already a global leader, is undergoing a major expansion. These two countries represent the strongest growth prospects in the global LNG market.

Top LNG Exporters and Canada

Comparing LNG Capacity

Country	2024 Capacity	Under Construction	Proposed / Planned	Total Proposed Capacity
United States	107.0 mtpa (~14.1 Bcf/d)	~59.0 mtpa (~7.8 Bcf/d)	111.0 mtpa (~14.3 Bcf/d)	277.0 mtpa (~36.2 Bcf/d)
Australia	~88.0 mtpa (~11.6 Bcf/d)	5.0 mtpa (0.65 Bcf/d)	-	93.0 mtpa (12.3 Bcf/d)
Qatar	~77.0 mtpa (~10.0 Bcf/d)	48.0 mtpa (~6.3 Bcf/d)	16.0 mtpa (~2 Bcf/d)	141.0 mtpa (~18.5 Bcf/d)
Russia	~33.5 mtpa (~4.4 Bcf/d)	19.8 mtpa (2.6 Bcf/d)	~49.4 mtpa (6.5 Bcf/d)	102.7 mtpa (13.5 Bcf/d)
Malaysia	~29.0 mtpa (3.8 Bcf/d)	2.0 mtpa (0.26 Bcf/d)	-	~31.0 mtpa (4.06 Bcf/d)
Canada	14.0 mtpa (1.8 Bcf/d)	5.1 mtpa (~0.7 Bcf/d)*	~31.2 mtpa (~4.1 Bcf/d)**	~50.3 mtpa (6.6 Bcf/d)

* Under construction projects include: Cedar LNG (0.39 Bcf/d) and Woodfibre LNG (0.28 Bcf/d)

** Prospective projects include: LNG Canada Phase 2 (~1.85 Bcf/d), Ksi Lisims LNG (~1.58 Bcf/d), Tilbury LNG (0.33 Bcf/d), and Summit Lake PG LNG (0.36 Bcf/d)

Sources: CAPP Data Centre, US EIA, International Group of Liquefied Natural Gas Importers, International Gas Union 2025 World LNG Report, IEA Global LNG Capacity Tracker

[7] The Case for Canadian LNG, Canadian Association of Petroleum Producers, April 2025

[8] Global Energy Outlook 2025; Resources for the Future; April 7, 2025

[9] Shell LNG Outlook 2025, Shell plc, February 2025

Canada was once expected to compete at this scale, with more than a dozen proposed LNG export facilities a decade ago. However, the picture today is more modest. The table on the previous page compares Canada's current and planned capacity to the top five largest LNG exporters.

Canada has all the right ingredients to be a major international player in natural gas, especially in the Asia-Pacific markets, with BC export outlets being uniquely located for competitive advantage in those markets. As well, the Western Canadian Sedimentary Basin has abundant natural resources, including the world-class Montney play in BC, and the nation already ranks as the fifth largest natural gas producer in the world, producing 19 Bcf/d and nearly 7 Bcf/d of LNG export potential by 2030.

The potential payoff for Canada to be a significant LNG player is substantial. While the precise value is difficult to quantify, it is reasonable to suggest that as exports expand beyond the US, the economic contributions could reach into the hundreds of billions of dollars. These benefits would flow from the construction (including expansions) and operations of both upstream and downstream facilities. Producers would benefit from higher realized prices for all Canadian natural gas through expanded market access, while governments — federal and provincial — would capture increased revenues through taxes and royalties. Beyond the economic gains, LNG exports to global markets offer Canada greater influence in an era of trade wars and geoeconomic coercion.

For another perspective on the potential gains, S&P Global estimates that US LNG contributed over US$400 billion to GDP between 2016 and 2024, and with exports expected to double over the next five years, the sector's contributions will grow significantly.[10]

A Foot in the Door with Many Questions

LNG Canada Phase 1 gives Canada a foot in the door of the global LNG market — a few small percentage points. Yet the real test lies ahead for streamlining the development processes. With billions of dollars on the line, timing is critical: the first tranche of nation-building projects has been unveiled, additional proposals are advancing, and final investment decisions are pending for LNG Canada Phase 2, Ksi Lisims, and several other planned LNG projects. For Canada to expand our LNG capacity, many questions must be addressed, including:

- Who will pay: how can Canadian industry attract billions in private capital amid intense global competition?
- How will federal and provincial governments fast-track approvals while maintaining regulatory integrity?
- How can companies along the entire supply chain ensure Canadian LNG is cost-competitive against established global suppliers that already have scale and far more market share?

About this Miniseries

Studio.Energy is examining what practical conditions are required — beyond the introduction of Bill C-5 — for Canada and its western natural gas-producing provinces to up their LNG ambition and accelerate other projects currently in the development queue.

To inform this analysis, Studio.Energy conducted interviews with leaders and experts from across Canada's natural gas value chain. The 11 participants included upstream producers, LNG project proponents, policy specialists, legal advisors, and regulators. The findings reflect the practical experience and insights of those directly engaged in Canada's natural gas and LNG sector.

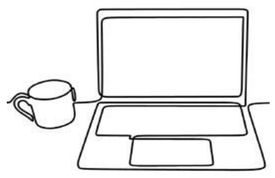
[10] Major New US Industry at a Crossroads: A US LNG Impact Study - Phase 1; S&P Global; December 17, 2024

To encourage candid feedback on the main barriers affecting investor confidence today, interviews were conducted on a confidential, unattributable basis. The scope placed emphasis on British Columbia, with a lens of examining the policy and regulatory environment from the wellhead through to LNG export facilities. This included consideration of federal, provincial, and local policies and regulations that influence the ability of projects to proceed on time and on budget.

The insights from the interviews highlight four major themes, which are explored in the subsequent issues in this miniseries:

- Chapter I — Introduction to the Issues
- Chapter II — The State of Environmental Assessments and Permitting Process
- Chapter III — The State of Climate Policies and Regulations: Signals for Future LNG Export Development
- Chapter IV — Navigating Changing Indigenous Rights in BC Resource Development
- Chapter V — A Review of Fiscal Terms in the Context of Global Competitiveness

In the next chapter, we take a deeper look at the state of the environmental assessment and regulatory permitting process in Canada, including improvements to date and the challenges that remain.



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