LNG LIQUEFIED NATURAL GAS

RUNNING ON FUMES

B.C. LNG's Overhyped Promises, Risky Future and Public Costs

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RUNNING ON FUMES: B.C. LNG'S OVERHYPED PROMISES, RISKY FUTURE AND PUBLIC COSTS

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EXECUTIVE SUMMARY

Politicians have been promising a huge investment boom, windfall government revenues and economic expansion driven by development of a liquefied natural gas (LNG) export industry for nearly two decades. Today, just one project has begun ramp-up operations — LNG Canada, fed by the Coastal GasLink pipeline — and only two others, both far smaller, are under construction. This report draws on analogous research conducted in the mining industry to lay out a framework for assessing the reality of the economic projections made by proponents and used by regulators to justify continued expansion of the industry. To what extent have actual revenues, jobs and broader economic benefits matched proponents' promises so far? And what does the evidence suggest about the likelihood of those promises being fulfilled in the decades ahead?

Because of the haphazard nature of the industry's progress to date, a full audit of its economic performance is impossible, given that only a handful of LNG tankers have left B.C. Instead, we use three broad methods to assess the industry's economic performance both up to this point and in a forward-looking manner:

- Compare available data on the construction phase for projects that have moved forward with the economic projections made in their environmental applications;
- Identify regulatory changes that have undermined claimed economic benefits since projects were approved, particularly surrounding tax revenue, and estimate the cost of those changes;
- Identify and, where possible, estimate unaccounted for costs that are offsetting or undermining the economic benefits the industry claims to bring.

Overall, the industry appears plagued by many of the same issues as the mining industry, exhibiting a pattern of delay and under-delivery, and many of the prospective economic benefits have been undermined by subsequent changes in tax regimes.

OUR KEY FINDINGS ARE:

Delays. Most LNG projects have failed to move forward in a timely fashion not because of regulatory delays, but because of investor decision-making and market conditions, a circumstance likely to worsen as a global supply glut deepens and decarbonization threatens the industry's long-term outlook.

Missing tax revenues. Tax policy changes have cut projected provincial tax revenue from both pipelines and LNG terminals by 40-50 per cent or more. If additional tax incentives are offered to entice future projects like LNG Canada Phase 2 and Ksi Lisims LNG, it could wipe away most provincial revenues, particularly if they include PST exemptions. Municipal tax revenues are also showing major shortfalls: revenues during LNG Canada's construction period were just 25.8 per cent of what was estimated in the project's environmental assessment application.

Offshoring and foreign ownership. LNG Canada manufactured steel modules offshore that accounted for somewhere between 50 and 76 per cent of the direct impact it claimed it would have on Canadian GDP during construction. Woodfibre LNG also offshored manufacturing of critical components, and newer projects are proposing to build their entire floating LNG facilities offshore, undermining headline claims about investment and contributions to GDP. Additionally, nearly 90 per cent of the LNG export capacity that appears to be moving forward is majority owned by multinational conglomerates and foreign state-owned oil companies, meaning that profits will likely be exported rather than reinvested within B.C. or Canada, creating both a structural dependency on volatile foreign markets and a persistent drain of wealth.

Crowding out other domestic users. LNG development will increase gas and electricity prices in B.C. Estimated gas price increases could cost B.C.'s non-LNG industrial sector $222.76 million per year. Higher energy costs across the board will increase burdens on consumers and crowd out economic activity in other sectors, ultimately resulting in a redistribution of economic activity toward the LNG industry rather than a simple addition of new economic activity.

Unaccounted for costs. Proponents and regulators acknowledge a range of other environmental and socio-economic costs, including regional labour shortages, escalating housing unaffordability and irreversible harm to predominantly Indigenous subsistence land-use practices, but fail to understand them as economic impacts that might offset the claimed economic benefits of a given project. Incorporating these costs into decision-making may yield a much different picture of the degree to which LNG projects contribute to regional development and wellbeing.


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We propose four recommendations for the provincial and federal governments that would enable better decision-making regarding this industry's growth:

1. **Undertake an independent, comprehensive review of the LNG industry's economic impacts.**
2. **Integrate traditionally externalized socio-economic and environmental costs into project assessments.**
3. **Establish a robust system for tracking and evaluating corporate performance against forecasted benefits.**
4. **Engage in more deliberate long-term economic planning that prioritizes socially desirable goals and provincial wellbeing over headline investment numbers.**

1. INTRODUCTION

During her 2013 campaign, Premier Christy Clark claimed that LNG revenues would eliminate British Columbia's debt, contribute to a $100-billion prosperity fund and create 100,000 jobs. These claims weren't just campaign rhetoric; the regulator in charge of the would-be industry, the Environmental Assessment Office (EAO), repeated such claims in nearly every project approval that followed. In 2014, for example, when approving the Prince Rupert Gas Transmission line, the EAO explained, "LNG-related projects have the potential to bring tens of billions in investment to British Columbia between 2014 and 2022. As many as 100,000 jobs to construct and operate these plants could be created, injecting more than $1 trillion into our province."[1] The business and investment community, along with industry trade groups and lobbyists, have produced similarly eye-popping estimates. In 2020, the Conference Board of Canada claimed, "Between 2020 and 2064, total annual investment [from the growing LNG industry] would average over $11 billion, totaling in excess of $500 billion over the entire period."[2]

Proponents, too, have made big promises, though they have tended to be more measured than those of the province or trade groups. Across 10 projects — all but one of which are either near approval, approved but stalled or under construction — proponents estimated in their environmental assessment certificate applications that they would contribute a total of $3.5 billion in direct tax revenue to municipal, provincial and federal governments during their construction phases, with another $2 billion accruing on an annual basis. Most of these projects were approved between 2014 and 2016, meaning that were these numbers adjusted for inflation, they would be even higher today. Proponents themselves also made significant promises about employment, both short-term during construction, and longer term over the life of the operating project.

As the LNG industry grows with support from federal and provincial governments, it is important that we ask whether project benefits are materializing as expected and to what degree those benefits might be offset by economic costs that have not been accounted for.

A recent peer-reviewed study of B.C.'s mining industry by researchers at Simon Fraser University and the University of British Columbia sought to audit these types of claims, asking whether or not major projects lived up to the economic benefits that proponents foretold in their applications.[3] In this report, we summarize the methodology and findings of the mining study and use them to lay out a framework for analyzing the LNG industry, asking how we can critically assess whether the industry is living up to the economic promises made by proponents and the province to justify its expansion. We then apply this framework to a preliminary analysis of LNG development so far, considering:

- how the industry's employment records stack up with promised employment;
- the impact of legislative changes and new subsidy regimes on promised tax revenues and, where possible, how tax revenues so far have stacked up;
- what economic impacts might have been left out from proponent and provincial assessments;
- to what degree the industry's predominantly foreign ownership might undermine potential economic benefits.

As the SFU-UBC FACETS study found, and as is visible in many of the regulatory documents surrounding these projects, regulators often seem to take proponent claims about economic benefits at face value and explicitly tout those putative benefits to justify an array of costs, including irreversible environmental damage, greenhouse gas emissions and railroading of Indigenous rights. The public deserves a thorough accounting of the economic impacts of these projects — both positive and negative — and this report helps lay the ground for that work.

2. A CAUTIONARY LESSON FROM MINING

B.C. frequently cites the economic projections and promises put forth by project proponents as "key considerations" in its decisions to approve major projects.[4] The FACETS study involved a systematic empirical evaluation of whether these proponent-based promises materialize in the mining industry, and its methods suggest an approach useful for assessing the analogous promises of the LNG industry.

That study assessed whether mines approved through B.C.'s environmental assessment process delivered the economic benefits — predominantly in the forms of employment, tax revenue and GDP growth for B.C. and Canada — claimed in the proponents' applications. The study's results indicate a pattern of overestimation and delay that has revealed significant governance and accountability gaps. In this section, we use the lessons raised by the FACETS study of the mining industry to form questions about how similar dynamics might play out in the LNG sector.

2.1 KEY TAKEAWAYS FROM THE FACETS STUDY

Industry proponents and government regularly assert that expanding critical mineral mining in B.C. will bring significant economic returns. According to the Mining Association of B.C., 16 proposed critical mineral projects — 14 new developments and two expansions — could each generate an average of $24.9 billion in GDP over 24 years, alongside 5,590 annual jobs and $9.66 billion in tax revenues. These projections,[5] widely circulated in the media, were heralded by the MABC's CEO as a "generational opportunity"[6] — language also reflected in federal policy discourse.[7] Within the environmental assessment process, such economic projections play a central role in justifying project approvals.

The FACETS study conducted an audit of economic performance following EA approval that puts these projections into question. It found a consistent pattern of under-delivery across key economic indicators.

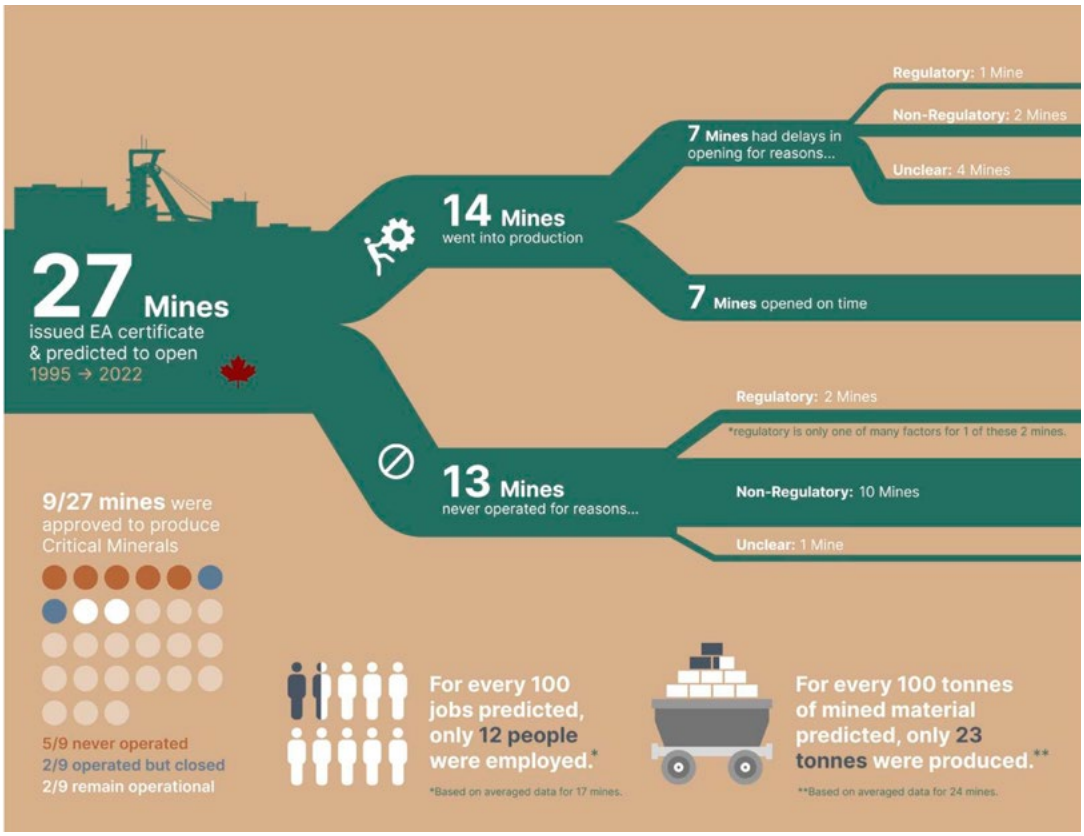

Figure 1. Graphical abstract summarizing the findings of the FACETS mining study.

Out of 27 mines approved through B.C.'s environmental assessment process between 1995 and 2022, only 14 had reached commercial operation. Of those, only half began production on schedule. The remaining half experienced delays in opening, with only one of them citing regulations as the reason behind delays. These lags undermine the assertion that large-scale extraction will yield timely economic benefits.

These findings align with a growing body of research showing that mining proponents frequently exaggerate benefits during the regulatory approval process, in Canadian jurisdictions[8] and internationally.[9] Studies focusing on coal mining in northeast B.C., for instance, demonstrate a pattern of inflated promises around employment and tax revenue, with the majority of financial benefits flowing to distant shareholders rather than local communities.[10] Such uneven benefit distribution — where local communities shoulder environmental and social burdens while distant investors reap profits — is likely to be a significant factor in LNG as well, an industry similarly dominated by global players.

The FACETS study also highlighted a lack of systematic, publicly accessible data on mine performance. This opacity undermines accountability, as companies are neither required to report on whether projected economic benefits are realized, nor held to account for failing to meet the forecasts that were used to justify their approvals. As a result, regulators, Indigenous governments, affected communities

and the broader public remain largely in the dark about the real economic contributions of active mines, hampering their ability to critically evaluate future proposals.[11]

2.2 A REGULATORY BLIND SPOT: RELEVANCE FOR LNG

The FACETS study highlights a fundamental flaw in B.C.'s project-approval system relevant to major projects across the board, even outside the mining sector: economic forecasts submitted by project proponents are treated as persuasive inputs during the EA process, explicitly cited by regulators as reasons for approving projects. But these forecasts aren't subject to any kind of critical evaluation of verification, and there is no accountability vis-à-vis economic underperformance after the project commences. Public institutions, in effect, operate on an honour system with project developers — who have obvious incentives to exaggerate these benefits — while giving little credence to concerns raised by First Nations and civil society.

This regulatory blind spot has material consequences. Not only are projects being approved on potentially false grounds, but in many instances, the province makes other decisions surrounding infrastructure and policy based on the regularly inaccurate economic projections offered by proponents. This is as much a problem for the nascent LNG industry as it is for the mining industry, and perhaps even more so. Project proponents and governments have been advancing bold claims about jobs, revenues and economic development, and using them to justify major changes to industrial taxation and, in part, to justify large-scale publicly funded infrastructure projects like Site C and the North Coast Transmission Line.[12] So far, the industry has failed to meet its own economic projections. There are compelling reasons to suspect that evolving global market conditions will continue to present challenges even as some projects begin to come online.[13]

Informed by the methodology and conclusions of the FACETS study, this report asks, what kinds of economic projections has the LNG industry made, and to what degree are regulators justifying approvals based on those promises? What questions do we need to be asking about these promises based on the nearly 20 years of stop-and-go LNG development the province has seen? And what are we seeing in terms of initial outcomes from the projects that are approaching operation — LNG Canada and Coastal GasLink?

2.3 QUESTIONS TO ASK THE LNG INDUSTRY

The findings from the FACETS study suggest several areas that deserve focus regarding the LNG industry, particularly as projects move forward (or don't) and the province continues to make decisions about whether and to what degree to support its expansion.

- **Delayed delivery:** If LNG follows mining's pattern, many projects may not become operational until long after approval or may begin construction but ultimately stall. This raises risks of environmental and socio-economic damage occurring without any of the alleged mitigatory economic impacts, compounded by the fact that, in contrast to the mining industry, the long-term market outlook for LNG is threatened by decarbonization, meaning that proponents can't simply wait for commodity prices to improve.
- **Employment claims:** Will LNG industry job projections prove overstated, reflecting the same overestimation bias observed in the mining sector? With only one project built and limited operational experience to date, only a provisional review is possible. However, preliminary analysis offers insight into the level of employment actually supported during construction and likely to be supported during operations.
- **Government revenues:** Mining projects have largely failed to generate and/or disclose the tax revenues they predict in their environmental applications. LNG projects may face the same issues. Proposed tax revenues have also been significantly undermined by subsequent changes to the tax code.

Major industrial projects also come with a variety of other economic impacts that are not typically accounted for in the calculus involved in environmental approvals, some forms of which were assessed in the FACETS study and some of which are specific to each industry. We will touch on these in Section 4.

The first project related to LNG export in B.C., Chevron's Kitimat LNG, was approved in 2006. By 2016, four major export terminals and five pipelines had been approved. None of these projects have yet come fully online, making it difficult to conduct a study that is directly analogous to the FACETS study. The next section of this report inventories the claims used to justify approval of currently active LNG projects in the province and, to the degree possible, assesses the real performance of the projects that have moved forward and the structural factors that might prevent all LNG projects from fulfilling their purported economic benefits.

3. FORECASTS VS. ACTUALS FOR LNG

3.1 DELAYED DELIVERY

In 2011, B.C. Liberal Premier Christy Clark published "Canada Starts Here: The BC Jobs Plan." The plan included a commitment to work with "LNG export proponents to bring at least one LNG pipeline and terminal online by 2015 and have three in operation by 2020."[14]

EXPORT FACILITY	APPLICATION YEAR	APPROVAL YEAR	CURRENT STATUS	EXPORT VOLUME (BILLION CUBIC FEET PER DAY)
LNG Canada Phase 1	2014	2015	Approaching operation	1.84 bcf/d
Woodfibre LNG	2015	2015	Under construction	0.28 bcf/d
Cedar LNG	2022	2023	Under construction	0.39 bcf/d
LNG Canada Phase 2	2014	2015	Awaiting FID	1.84 bcf/d
Tilbury Phase 2 LNG Expansion	2024	N/A	Awaiting approval and FID	0.33 bcf/d
Ksi Lisims LNG	2023	Pending, expected September 2025	Awaiting approval and FID	1.58 bcf/d
Kitimat LNG	2005	2006	Substantially started; abandoned	1.0 bcf/d
Pacific NorthWest LNG	2014	2014	Certificate expired	3.2 bcf/d
PIPELINE				**TERMINAL**
Coastal GasLink	2014	2014	Completed	LNG Canada + Cedar LNG
Eagle Mountain Pipeline	2015	2016	Under Construction	Woodfibre LNG
Prince Rupert Gas Transmission	2014	2014	Substantially started as of June 5, 2025	Ksi Lisims LNG (proposed)
Coastal GasLink Phase 2	2014	2014	Awaiting FID	LNG Canada Phase 2 + Cedar LNG
Pacific Trails Pipeline	2007	2008	Substantially started; in "care & maintenance"	Kitimat LNG
Westcoast Connector Gas Transmission	2014	2014	Certificate expired	Prince Rupert LNG (application withdrawn)

Table 1. Status of approved and pending large-scale LNG export projects in B.C. Many more projects have been proposed within B.C. but were abandoned before applying for environmental certificates.

Just one pair of projects is approaching operation as of mid-2025: LNG Canada and Coastal GasLink. Others remain in various stages of limbo, and many more have been initiated and then canceled. Global Energy Monitor reports that as many as 60 proposed LNG export terminals have been cancelled across Canada, cumulatively accounting for 287.2 million tonnes per year of potential export capacity.[15]

As with the mining industry, there is little evidence that regulatory barriers prevented this industry from achieving the rapid growth anticipated by the Clark government: Pacific NorthWest LNG was approved, then abandoned by the proponents. Kitimat LNG was approved and started but abandoned by its proponents six years ago. Pacific Trail Pipeline was approved and started but has been stalled since 2016. The Prince Rupert Gas Transmission pipeline, which seems to be moving forward as of late 2024 (though still without an FID) was approved in 2014. It had been effectively abandoned until a year ago when a Texas-based company proposed a new LNG terminal and, in partnership with the Nisga'a Lisims government, purchased the pipeline project.

Even LNG Canada and Coastal GasLink, the two projects now approaching operation, were approved four and five years before they began construction, respectively — long past their scheduled start dates and only after the B.C. government made significant concessions to improve project viability, including favourable electricity rates, a variety of tax advantages including exemptions from future carbon tax increases, and more.[16] The reality is that gas markets are volatile and the massive capital investments required to build these projects — and, especially, to build more than one of them — require a specific market environment that has proven unstable. As with mines, a period of high commodity prices can lead to a surge of investment, but because projects take a long time to build, new investment tends to manifest as new supply in a sudden flush that vastly exceeds existing demand. [17] Because B.C.'s gas is relatively costly to produce and export, the dropping prices that follow will undermine the profitability of new investment here, threatening further delays and cancellations.[18]

These delays challenge the premise that these projects are in the public interest in a variety of ways. First, in many instances, projects have done significant amounts of construction work before stalling. Pacific Trail Pipeline, approved in 2008, was designated "substantially started" in 2016 on the basis of construction that included building 85 per cent of the required access roads and clearing 79 per cent of the right-of-way for the western half of the project.[19] These are major — and now long-term and persistent — disturbances with impacts on wildlife and fish habitat, and with the project stalled, there is no economic benefit on the horizon that could offset them and no revenue being generated that could pay for site remediation.

Second, as evidenced by Premier Clark's "Jobs Plan," these projects represent major components of provincial plans for economic development. If, or when, they fall through, or fail to move forward in a timely manner, it can have dramatic impacts on provincial economic planning. On the extreme end, Clark's $100 billion LNG-derived Prosperity Fund never materialized. Closer to reality, B.C.'s 2025 budget expects a 28.4 per cent increase in natural resource revenue based principally on rising natural gas prices and production volumes driven by the launch of the LNG industry.[20] If that doesn't materialize, deficits will grow and the province may have to make tough decisions about provincial services.

Third — and we will expand on this further in section 3.3 — the consistent delays allow for shifts in regulatory regimes that almost exclusively benefit proponents while harming the public interest. Old projects are grandfathered in using earlier, less stringent environmental regulations, years after relevant laws have changed (i.e., DRIPA), yet they benefit from new, more lenient tax regimes. The Prince Rupert Gas Transmission pipeline, originally approved in 2014 but only commencing construction in late 2024, is an obvious example of this.

Finally, the specter of energy transition, driven by policy and economics, looms large over these projects. Serious net zero scenarios — e.g., the International Energy Agency's Net Zero Emissions by 2050 Scenario — require consumption of all fossil fuels to decline steadily over the coming decades.[21] Even without strong climate policies, a range of technological trends and economic factors are eroding the long-run market for gas. As the IEA notes, gas demand in China and Europe, the two actors with significant LNG import capacity, is "constrained by their investments in clean energy."[22]

At a national scale, even the Canada Energy Regulator's "Global Net-Zero" scenario sees Canadian LNG export capacity peaking at 2.0 Bcf/d, which is less than the combined capacity of the two projects already under construction, Woodfibre LNG and LNG Canada Phase 1.[23] Its more modest "Canada Net-Zero" and "Current Measures" scenarios have LNG export capacity peaking by the mid 2030s at levels significantly lower than that represented by pending projects. The reality is that fossil fuel importing countries, including the B.C. LNG industry's would-be customers in Asia, have every reason to invest in renewable capacity and electrification rather than deepening their dependence on foreign gas, and they are increasingly choosing this path.[24]

This declining market outlook raises fundamental questions about the net benefits of these projects and creates an environment in which investor uncertainty makes delay the norm rather than the exception, as evidenced by the slow progress of the many approved LNG projects. These delays and project abandonments cause environmental harm, threaten provincial financial planning and bypass improvements in environmental regulation. They also reduce the net economic benefit that a project might bring. Even under modest climate-mitigation scenarios, there may not be demand for Canadian LNG long before projects' estimated 30- to 50-year lifespans run out. A shorter operational lifespan means fewer employment years, less tax revenue and a lower overall contribution to economic development.

3.2 EMPLOYMENT CLAIMS

In project proposals, employment estimates are typically presented with two phases: the construction period, when these high capital-cost projects employ by far the most people, and the operations period.[25] Gas pipelines and LNG terminals diverge somewhat in this area: for terminals, the ratio of construction

period workforce to annual operating workforce (as presented in the proponents' applications) is typically around 10:1. For pipelines, it is closer to 100:1 or worse. In their assessment of the Pacific Trail Pipeline, for example, the EAO noted that "few if any permanent jobs"[26] are expected during long-term operation.

Because no LNG projects or pipelines have reached full operation yet, we are unable to conduct a complete audit of project employment claims. We do have preliminary information about long-term employment at LNG Canada, though, which began limited operations in summer 2025. In its project proposal, LNG Canada claimed it would directly employ "450-800 full time equivalent positions" during operation, a claim repeated by the province in its "Reasons for Ministers' Decision."[27] Recent reporting on the project indicates that it is unlikely to meet even the bottom end of that range: CBC, citing the B.C. government, said that the project will sustain "close to 300 ongoing jobs."[28] According to the mayor of Kitimat, if Phase 2 moves forward, it is expected to bring just 100 to 150 more, for a total of 400 to 450 — but Phase 2 remains very much up in the air.[29]

We can also look at the employment records of the construction phases for Coastal GasLink and LNG Canada, the two projects approaching operation. Coastal GasLink's proposal indicated it would involve 24,000 person years (PYs) of employment during construction. A late 2023 update when the project was nearing completion reported that 55 million worker hours had been spent on the project, which, assuming 2,080 worker hours per year, comes out to 26,442 PYs, or slightly in excess of their estimates, though we have no information on how Coastal GasLink calculated its 55 million-hour claim.

LNG Canada predicted that it would employ between 4,500 and 7,500 workers during the construction phase.[30] Based on the four annual Community-Level Infrastructure and Services Management Plan (CLISMP) reports available through the province's EPIC platform, LNG Canada employed an average annual peak employment of 5,471.5 workers on site. This appears to be in line with forecasts, though these reports only present the annual peak and more granular month-by-month data is not available; the actual count is necessarily lower and potentially significantly so.

These headline numbers are roughly in line with proponent predictions, but they obscure two important questions about the nature of the employment on these projects: first, where do workers come from? And second, particularly for Coastal GasLink, how many of these claimed worker hours are direct employment, or even directly traceable to the project?

In public communications and regulatory documents, the government often blends together proponent estimates of "direct, indirect, and induced" employment, but these are starkly different in character. Induced employment represents employment resulting from the economic activity of non-project-related spending

by employees of the project; in other words, if a worker buys lunch at a restaurant in a nearby town, that economic activity — and the tax revenue, GDP gains and employment that result from it — is an "induced" effect of the project. Indirect employment refers to economic activity that is linked to the project in question, but not directly part of it — e.g., steelworkers who are supplying materials for the project.

These numbers are typically estimated using input-output models that have been subject to a range of criticisms beyond the scope of this report. [31] For our purposes, it is important to note that these models universally overestimate project impacts. A worker who buys a sandwich while working for a specific major project would likely have bought a sandwich that day even if that project hadn't gone forward. Similarly, the markets for steel and other industrial inputs don't respond to increased demand solely by adding new production; they also redistribute demand through the price mechanism. These models tend to count the entirety of a project's economic effects as net economic effects, but these are offset by the redistribution of economic activity away from other areas.

Even the direct employment numbers succumb to this problem, failing to account for the fact that a significant portion of workers would have been employed on other projects. It is not accurate to assert that the *net* employment effect of Coastal GasLink and LNG Canada, for example, is equal to the total employment on those worksites: it is by necessity less than that number. Despite that, regulators, industry proponents and media all frame it that way.

Coastal GasLink's semi-annual Socio-economic Effects Management Plan (SEEMP) reports offer some information on the question of where workers come from, though with significant caveats: first, there are inconsistencies between numbers in some of the reports; second, some of the reports are missing information on total workforce and third, as the company notes, worker residence is self-reported and data are collected by the many contractors and subcontractors working on the project. With that said, aggregating across the 36 months for which there are data, we found that an average of just 32.9 per cent of the workforce identified as living in B.C., with substantially fewer being "local." Of the remaining workforce, little information is available.

Stronger reporting requirements could help assess whether projects are meeting their employment promises and the degree to which they are bringing in out-of-province or even out-of-country labour to fulfil their needs. More transparency from the government would also be valuable; we have obtained one issue of a Bi-Annual LNG Monitoring Report commissioned by what was at the time the Ministry of Advanced Education and Skills Training, but these reports remain accessible only via freedom of information request. We also found inconsistencies between the numbers in this report and those provided in Coastal GasLink's SEEMP reports that call the legitimacy of the data into question.

Future research should also involve delving into immigration and visa records in an effort to assess what portion of the workforces for these major projects comes from and returns to other countries.

3.3 PROVINCIAL GOVERNMENT REVENUES

A variety of factors can contribute to government revenues from industrial projects diverging from those estimated in project proposals, including input-output models' tendency to overestimate economic impacts. But for B.C.'s LNG projects, many of which were approved in the early 2010s, one factor stands out: the major changes that the B.C. government has made to the relevant tax code.

These began in earnest in 2019 with the LNG Canada Agreement, which Marc Lee, an economist at the Canadian Centre for Policy Alternatives, called, "A package of tax breaks and subsidies."[32] Lee identified "four major measures or concessions made by the BC government": "discounted electricity prices...exemptions from increases in the BC carbon tax ... a corporate income tax break ... [and] deferral of provincial sales tax on construction." These provincial subsidies[33] were accompanied by federal support, most dramatically in the form of a steel tariff exemption.

In the years since the LNG Canada Agreement, which, among other things, shielded the project from any increases in the price of carbon, the province has cut taxes for the LNG industry even further by abandoning its revenue-generating carbon tax and moving instead to an "output-based pricing system" (OBPS).[34] The OBPS exempts the majority of emissions from LNG facilities and allows new facilities to obtain complete two-year exemptions. It remains uncertain exactly how the OBPS will function in the wild, given how new it is, but it appears as though this new regime will erase most of the provincial revenues that project proponents estimated they would generate under the old regime.

The tax revenue estimates that regulators rely on in project approvals are provided by the proponent and are typically generated using input-output economic models, which, in addition to inherent inaccuracies, presume that existing tax codes will remain intact. In their applications, proponents present tax revenue estimates with widely varying levels of specificity and there are no standards across applications. Based on the data available, we have identified three revenue sources that have been impacted by changes to the provincial taxation regime since most of these projects were approved: provincial sales tax, corporate income tax (via the Natural Gas Tax Credit) and the industrial carbon tax.

In the analysis that follows, we take proponent tax revenue projections at face value — which, as we have already indicated, are methodologically prone to overestimation — and estimate the reduction in revenues caused by B.C.'s subsequent changes to its LNG taxation regime. Given that these numbers are

based on modelling conducted, in most cases, over a decade ago, we should be clear that we are not estimating the actual value of these tax breaks to proponents, but rather the degree to which the province's revenue-based justifications for approving these projects have been undermined by subsequent policy changes. A more thorough analysis of the present state of the LNG tax regime is in order, as is an audit of actual tax revenues generated by these projects as they begin to come online, but both are beyond the scope of this report.

The PST deferral Lee describes was legislated specifically for LNG Canada. Whether future projects will receive preferential PST treatment remains unknown, but where the data allow it, we include information about the impact of potential PST exemptions.

The OBPS is new and its exact implementation details, particularly surrounding the LNG industry, remain opaque. The program exempts "process emissions" from certain high-emissions industries. The "initial reduction factor"[35] — the percentage exempted — for these industries ranges from 65 to 95 per cent. In the analysis that follows, we assume the LNG industry will fall in the middle of this range with an initial reduction factor of 87.5 per cent. It is unlikely that the initial reduction factor would be lower than 65 per cent, which is the blanket rate "for most products," which still represents a significant revenue cut relative to the earlier carbon tax model. We also don't know the degree to which LNG will be subject to an incremental tightening rate. The province might offer new LNG projects exemptions from increases to the "compliance charge rate" — the cost of carbon — as they did for LNG Canada, which would further reduce prospective revenues. We estimate the revenue losses relative to the proponents' carbon tax estimates that come from exempting 87.5 per cent of project emissions; given the methodological opacity of proponent estimates and the questions that continue to surround LNG and OBPS, this should not be understood as a forward-looking revenue forecast.

TAX POLICY CHANGE	**AVERAGE PROJECTED TAX REVENUE ELIMINATED**	
	PIPELINE	**TERMINAL**
Shift from carbon tax to OBPS **(annual operation)**	39%	30%
Natural Gas Tax Credit**(annual operation)**	14%	18%
PST exemption **(construction period)**	No data	Up to 74%

Table 2. Post-approval subsidies and their potential impacts on proponent estimates for government revenues.

For the two pipeline projects that provided sufficiently granular data, during annual operations, the OBPS could reduce the estimated yearly carbon tax revenues by as much as $101 million, a 39 per cent average reduction in claimed provincial revenue. For the one pipeline that specified annual provincial corporate income tax revenues, the Natural Gas Tax Credit would reduce payments by $6.35 million, or 14 per cent of claimed provincial revenue.

None of the pipeline proponents provided sufficiently granular information to assess changes to their claims about project construction, when the majority of capital expenditure occurs. Three LNG terminal proponents did, however, indicate that PST accounted for, on average, 74 per cent of claimed provincial revenue during the construction period. If we assume that PST makes up a similar proportion of projected tax revenue from pipeline construction, a PST exemption for the Prince Rupert Gas Transmission project could reduce estimated provincial revenues by as much as $327 million.

It is difficult to estimate the precise value of the PST deferral program that was offered to LNG Canada. Their joint financial model produced with the province indicated that the policy would reduce their production cost by US$0.040 per MMBtu. The facility produces the equivalent of 696.5 trillion Btus per year, which implies a value of US$27.9 million per year of operation, but we don't have access to the internals of the financial model that would allow us to replicate the way construction costs were spread across the project's presumed lifespan. What is clear is that if the province offers some form of PST exemption to any of the currently proposed LNG terminals, it would likely eliminate the majority of estimated provincial revenue for the project.

For the three LNG terminals that provided information about estimated carbon taxes during operations, the OBPS could reduce projected yearly revenues by as much as $291.7 million, an average reduction in estimated provincial revenue of 30 per cent.[36]

Most LNG terminals did not provide estimates regarding corporate income tax, and proponents are likely to be able to minimize corporate tax burdens upstream of the Natural Gas Tax Credit by hiding or moving profits outside of B.C. This pattern aligns with broader trends in the global oil and gas sector, where major firms routinely use tax havens and complex corporate structures to shift profits and reduce their tax liabilities. According to a Reuters investigation, Shell, for example, earned $2.7 billion in 2018 and 2019 with a zero per cent corporate tax rate by exploiting tax havens.[37]

For the one project that did provide corporate income tax estimates, the credit would reduce estimated annual provincial revenue by an estimated $91 million, or 18 per cent.

Municipal taxes. Nearly every project made claims about municipal tax revenues during construction and operation as well. Municipal tax regimes for large industrial emitters are often negotiated on a per site basis, which makes it hard to assess the estimates for projects that haven't been built yet. We can, however, assess estimated versus real revenues for the District of Kitimat, where LNG Canada is located. LNG Canada projected that it would generate $94 million of

municipal revenue during its construction phase and $15 million annually during operations. But in 2018, as the Canadian government made a full court press across all scales to ensure the project would reach FID, Kitimat passed a tax bylaw that exempted LNGC from a large portion of its property tax bill during construction and committed it to a much lower tax burden during operation. Kitimat received just $24.25 million in property tax during construction and will receive just $9.7 million annually as LNGC begins operations. That number will be pegged to inflation starting only five years from now, even though LNG Canada's original $15 million estimate was made in 2014 dollars (nearly $20 million in 2025 dollars).

The District of Squamish recently amended its tax code, requiring Woodfibre LNG to pay $1.5 million per year during construction, but Woodfibre LNG is suing the District over the bylaw.[38]

These projects were approved on the basis of estimates of tax revenues that have, since approval, been cut dramatically — by more than half, in many cases. This was an intentional component of the B.C. NDP's approach to LNG: In 2018, the new government made the case that the Liberals had failed to move any LNG projects forward because of an overly aggressive tax regime.[39] But this shift in priorities does not change the fact that regulatory approvals were justified on the grounds of estimated benefits, including revenue for the public purse. Legislative changes have erased those benefits, raising serious questions about whether the projects would have been or should be approved today.

3.4 OFFSHORING CONSTRUCTION

Both Cedar LNG and Ksi Lisims LNG are proposed as floating LNG (FLNG) terminals. These facilities are built in shipyards and are later floated to their destination. They cannot currently be built in Canada, which means that the overwhelming majority of construction costs for these projects will be spent out of the country. Cedar, for its part, was forthright in its application that it intends to build the FLNG facility in Asia[40] and, indeed, Samsung Heavy Industries announced a US$1.5 billion contract last year that is believed to be related to the Cedar facility.[41] Ksi Lisims is less clear, but also notes that the FLNG facility is likely to be built offshore. Neither proponent claims these offshore construction expenditures as benefits for B.C. in their environmental certificate applications, but they, along with representatives of government,[42] often blur this line in public comment regarding these projects.[43]

Ksi Lisims and Cedar are unique in that they were both proposed within the last two years. Older projects, including those that are underway and those that remain in limbo, did not make such clear statements about offshoring but still practised it. Both Woodfibre LNG and LNG Canada are importing large, manufactured steel modules — major components of their facilities. The federal government granted steel tariff exemptions for these modules to both LNG Canada (with an estimated value of $1 billion) and Woodfibre LNG in 2019.[44] Given that the steel tariff rate was

25 per cent at the time, we can estimate that LNG Canada's $1 billion exemption represented $4 billion worth of expenditure — $4 billion that wasn't spent within Canada. The Canadian Institute for Steel Construction estimated this offshoring cost the Canadian steel industry $42 billion,[45] but even at face value, $4 billion represents somewhere between 50 and 76 per cent of the direct impact LNG Canada estimated it would have on Canadian GDP during construction. This form of offshoring also comes with obvious impacts on predicted tax revenues and employment projections.

Earlier this year, the federal government announced a suite of trade policy changes ostensibly designed to protect the Canadian steel industry, including specific additional tariffs on steel manufactured in China.[46] It remains to be seen whether new steel tariff exemptions will be used to entice investors to commit to future LNG projects.

4. UNDERREPRESENTED ECONOMIC IMPACTS

4.1 THE ECONOMIC COST OF LNG'S INFLATIONARY PRESSURE ON DOMESTIC USE OF GAS AND ELECTRICITY

4.1.1 LNG AND DOMESTIC GAS PRICES

There is mounting evidence from the U.S., Australia and, increasingly, B.C. that growth in LNG export capacity has a tendency to raise domestic gas prices. Indeed, this is precisely the industry's rationale for pursuing LNG development: LNG export capacity connects the domestic gas market to higher prices in Asian markets. As supply is preferentially funnelled to export because of that price differential, domestic gas prices will be pulled up.

An IEEFA report found that gas prices have doubled in Australia since the LNG industry took off.[47] A study published by the U.S. Department of Energy in 2024 similarly found that expansion of LNG exports had a direct, positive effect on domestic gas prices, although it was smaller than that observed in Australia.[48] B.C.'s position is more analogous to Australia's than to the U.S.'s in that planned export capacity exceeds domestic consumption by an order of magnitude. Domestic consumption in B.C. amounted to 0.62 Bcf/d in 2023 split between industrial (0.29 Bcf/d), residential (0.19 Bcf/d) and commercial (0.14 Bcf/d) uses.[49] The federal government has already issued export licences for projects in B.C. to export 10 times that amount — 6.26 Bcf/d — and at least one additional project is pending.

We do not know exactly how LNG exports will affect domestic gas prices, and the influence of global markets and shifting geopolitical circumstances make it difficult to forecast. We do know, however, that increased LNG export capacity will exert upward pressure on prices, and that — particularly given the experiences of Australia and the U.S. — a significant portion of any increase over the next few years is likely to be a result of the startup of LNG Canada Phase 1, which has the capacity to export 1.84 Bcf/d.

According to a recent oil and gas price forecast brief issued by the consulting firm Deloitte, the principal factor that will determine how much LNG export causes domestic prices to rise is the degree to which domestic production growth can keep up with export capacity growth. Deloitte projects that "current levels of capital spending and drilling activity in Canada will not fill the demand created by current LNG export projects for four to seven years,"[50] let alone the demand created by projects that have yet to reach FID. We use Deloitte's price forecasts for 2025 and 2026, which indicate a year-on-year increase of 88 per cent for northeast B.C. gas prices and which reflect the dramatic influence of LNG Canada's commissioning, to illustrate some of the unaccounted-for economic impacts of the industry.

As others have noted, increased natural gas prices will have a heavy impact on ratepayers of all kinds. If we plug Deloitte's price increase estimate into the average residential gas bill in Vancouver, we find that annual costs will rise by $188.39 in 2026. If gas prices continue to rise as the LNG industry grows — LNG Canada Phase 1 represents just 29 per cent of already-licensed exports — B.C. households could find themselves paying even more for gas on an annual basis, amounting to a significant transfer of wealth from residents to the multinational corporations that own most of these projects and their shareholders.

The impact on residential ratepayers is just one part of the equation. B.C.'s industrial sector — which includes other natural resource sectors such as forestry and mining, as well as various forms of manufacturing — is the largest user of gas in the province. According to corporate sustainability reporting, the forestry company Canfor, for example, uses 7,242,019 GJ of gas for its operations in B.C. annually.[51] Based on FortisBC's industrial rate schedules, we estimate that Canfor's gas expenditures will rise 38 per cent, or roughly $14 million, in 2026. Applying the same method to industrial gas consumption across the board yields a year-on-year increase of $222.76 million in 2026.

These rising gas costs have the potential to price non-LNG industrial users out of the province. This is not simply speculation: It has been the observed experience in Australia. As the LNG industry has exploded, gas demand for non-LNG industrial use in eastern Australia has fallen 32 per cent from its peak.[52] Manufacturing demand, in particular, is down 24 per cent. Renewable energy has replaced much of the gas electricity generation capacity, but the collapses in manufacturing and industrial uses are, according to the IEEFA, largely the result of LNG's influence on gas prices and industry's gas price sensitivity. The new LNG industry sent demand skyrocketing. Domestic prices followed, which in turn dramatically raised the costs of production in other gas-dependent industries, ultimately leading to reduced production and investment. In B.C., even if gas-dependent industry were to invest in electrification, insulating itself from rising gas prices, it would face an analogous problem of competing for power with "clean" LNG export terminals, something we expand on in section 5.1.2.

Proponents and the province regularly speak of LNG's contribution to provincial GDP, and it is hard to deny that significant capital investments do increase provincial GDP over the short term. But as the U.S. Department of Energy noted, "an increase in GDP does not necessarily correlate with a positive effect on broader public and consumer welfare," particularly if that increase comes at the cost of other, more autocentric industrial users of gas.[53] Rather than diversifying B.C.'s economy, LNG development carries significant risk of crowding out other economic activity and making the province far more dependent on a single volatile and structurally risky global market.

4.1.2 LNG AND ELECTRICITY PRICES

Gas pipelines and LNG terminals are not just exporters of energy products. They are also major users of those products. Compressor stations use substantial amounts of energy to move gas through pipelines, and the liquefaction process at the terminals themselves is even more energy-intensive. A big part of B.C.'s effort to make LNG expansion work with its climate plans has been a push to electrify these processes, alongside some limited efforts to electrify upstream production in the Montney Play.[54] According to a 2023 report published by the Pembina Institute, if all currently approved LNG export terminals move forward with "partial electrification," they would require 6,467 GWh of electricity per year.[55] If new terminals are fully electrified and LNG Canada Phase 1 and Woodfibre LNG are partially electrified, and upstream extraction sees an increasing rate of electrification, that number grows to a staggering proportion: more than 40,000 GWh per year. This is nearly equal to BC Hydro's entire annual generation today.[56] To put these figures in perspective, B.C. households consumed 19,171 GWh in 2024.[57]

This dramatic increase in demand for electricity implies two things: first, potentially higher electricity prices for ratepayers, because while BC Hydro is a Crown corporation with pricing regulated by the B.C. Utilities Commission, it is not entirely insulated from market forces. And second, a need for the province to build new electricity infrastructure for both generation and transmission — a large part of the reason the province is fast-tracking the North Coast Transmission Line project.[58]

To willingly electrify, LNG terminals may have to be offered a preferential rate that is less than what other industrial users pay, which itself is already just half of what residential users in B.C. pay.

For LNG facilities to electrify without hurting their bottom line, they would have to be paying somewhere between $10 and $17 per MWh.[59] That's the rate below which electric power makes more economic sense than gas as a power source for LNG production. BC Hydro's industrial rate for large consumers is currently $65.30 per MWh. For LNG Canada Phase 2, which requires 585 MW of power annually,[60] the difference between the current industrial rate and the break-even rate would amount to roughly $247.5 million per year. This cost gap could be covered either by LNG companies conceding to higher costs as a result of coercive regulatory measures; by BC Hydro offering a deeply subsidized LNG rate; or through a mix of both strategies. We don't know to what extent these deeply subsidized rates will be used to incentivize electrification, but if they are used, BC Hydro's other customers will likely have to foot the bill. As an example, if BC Hydro were to offer LNGC Phase 2 a rate of $17/MWh and recuperate its losses by raising residential rates, rates would have to increase by $12.91/MWh, or by $129.10 annually for the average household.

Even if we assume electrification will be driven entirely through regulatory coercion and that the LNG industry will pay the existing industrial rate, there is a gap between that rate and the marginal cost of new generating capacity needed to supply the industry.[61] When the cost per MWh of new generation is $80 to $120 (for Site C), or even $74 to $90 (for projects that were part of the 2024 call for power), LNG benefits from a subsidy if it pays significantly less per MWh. The excess cost of the new infrastructure has to be paid by someone else. In July 2025, the B.C. government announced a $200 million handout for Cedar LNG earmarked specifically for construction of new electricity infrastructure to support the liquefaction facility.[62] Exactly how these costs will play out remains, for the most part, undetermined, but the obvious implication, as noted by current Minister of Energy and Climate Solutions Adrian Dix, is "pressure on hydro rates."[63]

As discussed in section 4.1.1 with gas prices, rising industrial electricity rates have the potential to introduce a significant drag on non-LNG industrial activity, ultimately changing the distribution of B.C.'s industrial base and limiting the province's ability to attract other energy-intensive industrial operations. Rising residential rates, similarly, would put pressure on households, dragging down consumer spending. Either way, the industry's impact on rates is likely to have a negative economic impact that will offset any claimed benefits the industry brings. While it is beyond the scope of this report to estimate these impacts, rising electricity rates are also likely to slow decarbonization by deterring investments in fuel switching, both at consumer and industrial scales.

The province could require the LNG industry to electrify without offering them discounted or de facto subsidized electricity rates. Industry often claims these costs would make further development untenable, but firms inherently seek to maximize profit; there is no reason for government to take these claims at face value. Nevertheless, the B.C. government has been reluctant to take any regulatory action that might undermine the industry's growth, and the province has already announced electricity-related incentives for new projects. If higher electricity rates do come because of LNG policy, they will be a significant burden on consumers, non-LNG industrial users or both, dragging down economic activity by raising costs for consumers and crowding out non-LNG industrial investment. These are economic impacts that remain unaccounted for in proponent forecasts and regulatory decision-making.

4.2 FOREIGN MONOPOLY OWNERSHIP AND THE PROFIT DRAIN

Nearly 90 per cent of the export capacity that appears to be moving forward is majority owned by multinational conglomerates and foreign state-owned oil companies. The only two exceptions are Tilbury LNG and Cedar LNG. The former is owned by Fortis, itself a publicly traded energy company that operates throughout North America. The latter is a joint venture between the Haisla First Nation and Pembina Pipeline Corporation, a publicly traded Canadian oil and gas company.

The overwhelming majority of B.C.'s LNG boom is driven by consortiums of global energy companies and financiers that often hold vertically integrated monopolies, combining upstream production, export capacity, transport and downstream infrastructure in Asia. The nature of these transnational monopolies raises the risk that corporate profits from the LNG industry will be expatriated rather than reinvested in the country, dramatically reducing the positive economic impact — the claimed multiplier effects — of this new industry.

Primary commodity export industries controlled by foreign monopolies are uniquely prone to this problem. The world-renowned development economist Samir Amin spent his career analyzing the structural causes of underdevelopment in the Global South, and he identified this phenomenon — development for the external market driven by foreign capital coupled with the export of profits — as one of its prime drivers. Amin found that capital investments of this kind are typically dwarfed by the profits that are exported over the life of the project, raising serious questions about the long-term development value of the headline investment.

Canada plays a mixed role in these situations from a global perspective. Its own domestic political economy has long been theorized along these lines as "staple theory,"[64] but the country is home today to many industries that pursue this kind of investment abroad. But in this case, Canada appears to be the victim: foreign monopolies and financiers are investing in primary commodity export infrastructure in Canada and will undoubtedly export profits to shareholders and state owners. The Canada of today has little state capacity to restrict the outflow of capital, and the monopolistic nature of the industry would make it challenging to do so even if the government chose to try.

It's important to note that this phenomenon is distinct from the question of tax evasion discussed in section 3.3: It is a question of whether the wealth generated from this new industry will be reinvested in Canada or exported to foreign shareholders. The ownership and financial structures of the industry suggest the latter, raising questions about whether these projects will create long-term economic benefits for the country.

Shell, the lead partner in LNG Canada, posted a record-shattering US$40 billion profits in 2022, thanks in large part to soaring LNG and energy prices following Russia's invasion of Ukraine. This one firm's profit in a single year is nearly double what B.C. hopes to collect in LNG revenue over 40 years. Where do these profits go? A 2024 study of the US$916 billion windfall profit generated by publicly traded oil and gas companies in 2022 found that the largest share, US$301 billion, went to U.S.-based shareholders.[65] Of that, the majority went to the wealthiest one per cent within the U.S. We have no reason to expect future profits will behave differently.

LNG Canada is a joint venture between Shell plc (40%), Petronas (25%), PetroChina (15%), Mitsubishi (15%) and KOGAS (5%). Shell is an oil major headquartered in

the U.K., Petronas is Malaysia's state-owned petroleum company, PetroChina is a Chinese state-owned firm, Mitsubishi is a Japanese conglomerate and KOGAS is a state-owned gas utility in South Korea. Shell and Mitsubishi are publicly traded corporations while the rest are state-owned in various forms. State-owned enterprises are, if anything, even more likely to export their profits abroad, given that they exist in part to fund state capacity.

Other LNG ventures in B.C. show a similar pattern. The Coastal GasLink pipeline, critical infrastructure for LNG Canada, was originally owned by TC Energy (a Calgary-based company, though one that operates across North America and has close ties to the Trump administration).[66] Early in the construction phase, U.S.-based private equity firm KKR purchased a 65 per cent stake in the project, which means a significant portion of the pipeline's profits (toll fees paid by LNG exporters) will flow to this Wall Street investment firm and its shareholders.[67]

Woodfibre LNG is majority owned by Indonesian billionaire Sukanto Tanoto's Pacific Energy Corp.[68] Tanoto — a foreign tycoon with a troubling environmental record — will reap the profits of Woodfibre LNG even as local residents shoulder the environmental and health risks.

Ksi Lisims LNG is branded as an Indigenous-owned project, but according to its environmental assessment application, [69] confirmed by communications from Western LNG and corroborated by reporting in the *National Observer*, [70] the Nisga'a Lisims government does not currently hold an equity stake in it at all. It is owned by a Texas-based firm called Western LNG, and its main investors are U.S.-based private equity firms including Blackstone Inc. and Apollo Global Management.[71]

There is a risk that exported profits over the lifespan of these projects will dwarf the widely touted capital investments being made today, creating both a structural dependence on volatile foreign markets and a persistent drain of wealth — wealth generated, often without consent, by extraction on unceded Indigenous territory. More domestically focused economic planning might not come with the same headline investment numbers but could generate far more investment and self-reinforcing growth over the long term.

4.3 LOCAL AND REGIONAL COSTS

Virtually every LNG-related environmental assessment certificate application includes a section on negative socio-economic impacts, particularly at a regional scale. While these impacts vary, some of those more commonly identified are:

- Regional labour shortages and wage inflation
- A range of negative impacts related to "boom and bust" economic cycles
- Increased pressure on municipal and regional services

- Rising housing costs
- Negative impacts of transient workers and work camps on communities, including rising crime, drug abuse and violence against women
- Health impacts, particularly due to air quality around terminals and compressor stations
- Potentially irreversible harm to traditional land-use practices including subsistence hunting, fishing and foraging
- Harm to regional businesses that rely on natural resources impacted by the project

The EAO acknowledges many of these potential impacts in their assessment reports, but either asserts that they are justified by the project's contribution to the broader public interest or imposes mitigation conditions designed to reduce their harm. These conditions, however, tend to be things like, "Issue an annual report on hiring and training results." The reports that are produced to meet these conditions are part of why we have any information at all about project labour practices, but it is unclear how they mitigate the regional labour market disruptions that these projects create.

Despite the widespread acknowledgement of these impacts, neither the EAO nor the project proponents make any effort to quantify their economic effects. Estimating these is beyond the scope of this report, but aspects of these costs have been quantified by impacted parties in recent years. The City of Terrace, for example, argued in 2019 that LNG Canada's construction had caused such a burden on city services that they needed to raise property taxes by eight per cent to cover it.[72] Terrace has a seat at a roundtable established as a mitigation measure by the EAO for both LNG Canada and Coastal GasLink, but that has not helped with the material costs imposed by the project.

In 2024, in a submission to the EAO regarding the Ksi Lisims LNG project, Terrace described the impacts LNG Canada has had on the community:

> Some might see this influx as a key economic driver but it has actually been the opposite. Citizens have seen their municipal services erode due to higher costs for supplies and labour not because of the federal economy but rather local scarcity issues as the small amount of key suppliers and trades pivoted and or upright and moved to be closer to the LNG development. The influx of workers required for this type of development has seen housing in Terrace reach an all time high in prices and a vacancy rate of less than 1 per cent.[73]

In 2024, the province responded to advocacy by communities like Terrace with a $250 million grant for regional municipalities.[74] This is, in effect, yet another uncounted subsidy for the LNG industry, using the provincial budget to pay for some of the socio-economic costs of building these projects.

Health issues related to air quality, drugs and alcohol and violence against women, while horrific in their own right, also contribute to a downward drag on longer-term sustainable economic development in the affected regions. What is the value of each person killed by the toxic drug supply introduced to the area by transient workers? Of each person pushed into homelessness by the abrupt increase in housing costs?

LNG development also comes with significant environmental costs, including habitat degradation, contamination and the potential need for long-term site remediation. These costs exist for pipelines and terminals as well as for the upstream fracking industry that will expand to meet the growing demand created by new LNG infrastructure. Assessment applications often acknowledge these costs but typically do not consider them in the economic calculus of the project. Instead, these costs are often accepted by regulators *because of* projects' claimed economic benefits. Assessing the magnitude and scope of these environmental liabilities is beyond the scope of this report, but warrants more work, particularly given that most of these projects occur in regions where many predominantly Indigenous communities are partially reliant on large-scale subsistence production.

LNG development also has implications for global climate change, which itself carries a quantifiable and rapidly growing annual cost for the province and the country. Estimating the costs of the LNG industry's impacts on climate change is beyond the scope of this report.

The influx of capital for these projects may produce dramatic increases in regional GDP during the construction phases, but the industry's wide range of negative socio-economic impacts has long-term implications for sustainable development that go entirely unaccounted for by proponents and the EAO.

5. LIMITATIONS OF THIS RESEARCH

5.1 PRELIMINARY NATURE AND LACK OF DATA AVAILABILITY

As we have emphasized throughout this report, a genuine audit of the LNG industry's economic performance is impossible because the industry has yet to seriously begin operation and because of a lack of data transparency. Even the implications of many provincial and federal policies are difficult to determine. While the province has economic modelling quantifying the effects of the 2018 LNG Canada subsidy package, it is not public. B.C.'s output-based pricing system, too, remains opaque, and important regulatory decisions about how LNG will be classified within that system have not been made public. We encourage other researchers to leverage freedom of information requests and other approaches to obtain more precise data and build on the work we have done here as the industry continues to expand, and we encourage the province to take a more forthright approach to communicating these data going forward.

5.2 THE QUESTIONS OF GDP AND INPUT-OUTPUT MODELLING

This report has, for the most part, not taken up a critique of either GDP growth as a metric of wellbeing or the dominant forms of economic modelling used to produce the claims put forth by proponents and accepted by provincial regulators. These are important critiques and in no way is this work intended to reify the benefits of GDP growth or input-output economic modelling; instead, we have attempted to engage with proponents' economic promises on their own terms, demonstrating the likelihood that they will fail to meet expectations even within that paradigm. We have, however, pointed to some of the problems of prioritizing GDP growth without considering the qualitative nature of that growth (throughout section 4), as well as some of the problems inherent to the input-output modelling used by most major projects (section 3). There is an existing body of research on the shortcomings of input-output modelling, and additional work could be done building on that to understand the scale of the methodological problems within the specific political economy of the LNG industry.

PHOTO: GASLOG GLASGOW AT LNG CANADA BERTH

6. CONCLUSIONS AND RECOMMENDATIONS

B.C.'s LNG industry has been sold as a crucial step in the province's, and now the country's, economic development. But is it? This report builds on a recent study of B.C.'s mining industry, which uncovered gaps between promised economic returns and actual outcomes and demonstrated the importance of scrutinizing economic performance claims rather than taking them at face value. We find that many of the same problems exist in the LNG industry and, based on the preliminary analysis presented here, argue that it is likely the industry will significantly underperform relative to the economic claims made by proponents, trade groups and government. This is particularly true when economic impacts that often fly under the radar — ranging from social and environmental harm to infrastructure burdens and subsidized electricity — are not accounted for.

We have found that projected public revenues have been drastically undercut by subsequent tax breaks and other forms of public support, including infrastructure provision and electricity supplied at less than the cost of replacement. What revenues remain pale in comparison to the anticipated profits — profits that will be captured predominantly by foreign owners. We've also found that proponents are moving large parts of their production processes offshore, undermining many of the bolder economic claims in project proposal—claims that regulators rely on to make their decisions. And we have found that a wide variety of socio-economic costs are left unquantified and brushed to the side during approval processes when, in fact, they raise serious questions about whether these projects contribute to regional economic development at all. And, of course, a variety of other socio-ecological harms — ranging from increased greenhouse gas emissions to intensified pressures on Indigenous lands and governance — remain profoundly unaccounted for.

Compounding these concerns are the mounting global uncertainties of future LNG demand as global markets face a surge in liquefaction capacity and the energy transition begins to gain momentum. The purpose of developing an LNG industry is to connect Canada's gas production to the global market, which means that investments in LNG need to be understood within the broader context of a global political economy. With an impending supply glut, a long-term market outlook threatened by decarbonization and B.C.'s position as a high-cost producer, why aren't Canadian regulators accounting for the high risk that projects might be abandoned after construction begins, or just a few years into operation?

Diversifying Canada's export markets is often presented as a strategic priority, but as we have outlined, the reality is that inviting foreign capital to deepen our country's dependence on volatile primary commodity exports is both risky and potentially unproductive when it comes to long-term economic wellbeing.

B.C.'s LNG strategy amounts to a high-stakes gamble — locking public resources and regulatory attention into capital-intensive fossil fuel infrastructure in the midst of what should be a global energy transition. The evidence we have compiled here suggests that B.C.'s LNG industry comes with a range of costs that regulators are failing to account for. All else aside, these costs raise questions about even the economic case for LNG development. As with the mining industry, regulators and legislators need to apply a more critical lens to the economic claims made by proponents, particularly given the province's requirement that projects "provide a fair return for our resource, respect and partner with First Nations [and] benefits communities."[75]

As a first step — though far from a comprehensive solution — we offer the following recommendations to begin closing the gap between economic claims and real outcomes in the LNG sector:

1. **Undertake an independent, comprehensive review of the LNG industry's economic impacts.**
   This report is a preliminary assessment conducted without access to corporate financials or internal provincial accounting. With more projects anticipated to come online, we recommend that a full review be undertaken to systematically assess the socio-economic performance of LNG developments, focusing on government revenues, employment and other economic impacts, both positive and negative. To better capture this information before projects are approved, the province should consider requiring cost-benefit analyses be conducted as part of environmental assessments, adding rigour to existing economic modelling.[76] Projects reaching operation should be audited and projects yet to begin operation should be put through more robust economic assessments that account for legislative and other changes that have occurred since their original approval. The province also needs to consider the very real risks that the sector will collapse long before the end of the expected lifespan of these projects.

2. **Integrate traditionally externalized socio-economic and environmental costs into project assessments.**
   Approval processes must go beyond the narrow focus on projected revenues and include the measurable impacts on housing, public services, Indigenous land use, public health and community wellbeing, many of which are currently externalized and borne by the public. Existing assessments identify these as impacts to be mitigated but fail to identify their very real costs in terms of economic development and the wellbeing of people in B.C.

3. **Establish a robust system for tracking and evaluating corporate performance against forecasted benefits.**
   Proponents make extensive claims about job creation, local procurement and economic development. Regulators should require regular, independently verified public reporting on these commitments and include enforcement mechanisms if targets are not met. Ideally, data could be accessed in a public registry that is regularly maintained and legible to the public. Any future subsidy deals like the LNG Canada Implementation Agreement should, at the very least, include enforceable procurement and employment clauses.

4. **Engage in more deliberate long-term economic planning that prioritizes socially desirable goals and provincial wellbeing over headline investment numbers.**
   This report has shed necessary light on the economic development narrative pushed by industry proponents. Yes, LNG projects represent major capital investments, but between offshore manufacturing of components, unknown workforce compositions, the drag of higher utility rates on economic activity and export of profits to foreign owners, it is far from clear that expanding the LNG industry will have the kind of beneficial multiplier effects on economic activity its proponents claim. Unaccounted for costs and the tendency of current economic modelling practices to exaggerate benefits undermine the case even further. B.C. should engage in deliberate, long-term economic planning that incorporates more domestically focused development, climate mitigation and preparation for a shifting global energy environment in which gas demand may not support a growing Canadian industry over the long term.

ENDNOTES

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