

# PALOS

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## Weekly Commentary

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## LNG Canada – Leaders in environmental stewardship

As discussed in our previous newsletter, **LNG Canada** (LNGC) is a joint venture, liquified natural gas (LNG) exporting facility currently being built by five partners: Shell Canada Energy (40%), Malaysia's PETRONAS (25%), PetroChina Co. (15%), Mitsubishi Corp. of Japan (15%) and Korea Gas Corporation KOGAS (5%). The project joins a growing roster of ambitious low carbon intensity projects in Canada. LNGC is committed to embracing a leadership role in ESG (environmental, social, and governance).

Studies into the potential environmental impact of the project began in 2014 with the submission of an application for an Environmental Assessment Certificate. The document, which exceeded 4,000 pages, focused on the potential adverse environmental impact during all phases of the proposed project development from pre-construction to operations. The study addressed multiple environmental issues including the project's impact on local communities, greenhouse gas emissions, protecting wildlife habitats, impact on marine life, managing noise levels, and the safeguarding of sensitive heritage sites and shipping routes.

After years of studies and consultations with local communities, LNGC received its Environmental Assessment Certificate in June 2015. An Environmental Management Program (EMP) was designed and implemented with the pledge to manage the complete life cycle including pre-construction, construction, operations and finally the eventual decommissioning phase. The EMP includes a comprehensive plan to protect the environment. An EMP management team will carry the responsibility for monitoring, assessing, reporting and remediation plans if deficiencies are identified. The process includes representatives of Aboriginal communities.

In selecting a location for LNGC, a high level of consideration was placed on choosing a location that met the requirements for a deep-water port with the safest route to open waters as well as having minimal environmental impact. After much research and analysis, LNGC chose an existing industrial site that was already zoned for industrial use and was situated at an existing marine terminal at Kitimat. The result was less impact on the environment compared to developing an entirely new location.

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LNG Canada is committed to protecting the environment. Initiatives include the minimization of greenhouse gas (GHG) emissions by using renewable energy when possible. The facility is designed to use clean energy from B.C. Hydro to meet most of the project's needs. Other measures to reduce GHG include using energy efficient gas turbine technology, implementing a policy to perform ongoing maintenance and to operate emission producing facilities at optimal efficiencies, recover and reuse heat and gas produced in the processing operations, and minimizing natural gas "flaring" during the liquification process.

An appointed environmental representative will have the responsibility to monitor, review and report any adverse environmental impacts on the marine ecosystem. This includes the fishery, wildlife, plants, the water table, soil/water contamination, and sensitivity related to archaeological and traditional heritage sites. Sensor technology is being used to monitor noise, dust and airborne contaminants. During the assessment process, LNGC collected and reviewed air quality data from equipment that has been in operation for two decades. Additional measuring equipment was installed to monitor and use predictive modelling technology to predict and mitigate potential adverse outcomes. These measures are approved by the B.C. Ministry of Environment.

Environmental management is viewed as a continuous responsibility that will remain over the entire life of the facility. This includes monitoring, reporting and resolution commitments. Matters relating to changes in conditions of air or water quality, environmental accidents, and damage to the ecosystem will be disclosed in a transparent manner and remediated as quickly as possible as mandated by the emergency action plan. Protecting the environment is embraced as an ongoing responsibility to all areas of the project. The philosophy is straight forward: protect the environment, minimize potential impacts on the local community, and report on performance in a transparent and timely manner.

Next week we will take a look at the social aspects, the "S" in "ESG", and what LNGC is doing to address its social criteria like community engagement and Aboriginal partnerships.

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Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) <sup>1</sup>	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$9.87	2.31%
Palos Equity Income Fund - RRSP	PAL101	\$7.40	1.43%
Palos Merchant Fund L.P. (Dec 31, 2021) <sup>2</sup>	PAL500	\$1.16	24.67%
Palos WP Growth Fund - RRSP	PAL213	\$18.57	-1.56%
Palos-Mitchell Alpha Fund <sup>3</sup>	PAL300	\$10.88	3.03%
S&P TSX Composite (Total Return with dividends reinvested)			3.86%
S&P 500 (Total Return with dividends reinvested)			-5.46%
S&P TSX Venture (Total Return with dividends reinvested)			-5.41%
Chart 2: Market Data <sup>1</sup>			Value
US Government 10-Year			2.70%
Canadian Government 10-Year			2.64%
Crude Oil Spot			US \$98.26
Gold Spot			US \$1,941.60
US Gov't 10-Year/Moody BAA Corp. Spread			178 bps
USD/CAD Exchange Rate Spot			US \$0.7954

<sup>1</sup> Period ending April 11th, 2022. Data extracted from Bloomberg

<sup>2</sup> Fund is priced annually

<sup>3</sup> Fund is priced weekly on Tuesdays



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