Gas extraction projects are free from the foreign ownership restriction imposed on the oil sands. But their future profitability is not guaranteed.

Peter Mazereeuw

Canadian natural gas—now

foreign ownership

for now

Canada's federal government initially rejected a proposal by Chinese firm Sinopec to purchase Progress in late 2012, as well as a deal by the China National Offshore Oil Corporation to buy Canadian oil sands developer Nexen Inc. The same day, Prime Minister Stephen Harper announced that the decision to complete oil sands buyouts by SOEs would only be allowed in “exceptional circumstances,” and no such deals would undergo stronger scrutiny.

That scrutiny hasn't stopped foreign interest and investment in Canada's natural gas sector, as proposals have continued to roll in, the BC government's LNG website shows.

Even an oil sands SOE acquisition was approved in May, as Thailand's PTTEP acquired control of oil sands projects from Statoil Canada. That approval was given in large part because Statoil Canada itself is a subsidiary of Norwegian SOE Statoil ASA, said Lawson Hunter, a legal consultant with Stikeman Elliott, in a phone interview.

The Investment Canada Act applies to foreign ownership, not investment to resource companies, said Harper. In most cases, taking control of one-third of voting shares is considered to be taking control or ownership of the company, he said.

However, an acquirer is afforded an opportunity to rebut or argue that it is not taking control if it acquires less than 51 per cent of voting shares. On the other hand, the federal government has the right to designate certain acquisitions by SOEs of less than one-third of voting shares as taking control, and thereby test the deal to a net benefit test, Mr. Hunter said.

The importers and exporters

Japan is currently by far the world's largest importer of LNG, given its developed economy, large population and lack of native resources, said Mr. Morrison. Japanese demand may continue to grow, as the country looks for alternatives to nuclear power in the wake of the Fukushima disaster, the report said.

South Korea, Spain, China, Taiwan, and the UK were the next largest importers in 2012. China and India are expected to lead the growth in demand going forward, the CAPP report said, though the EU and the UK will also increase their demand.

Canada's conventional gas reserves—accessible to the drilling techniques currently in the world. However, new techniques, including hydraulic fracturing and the ability to drill sideways through rock, have unlocked "vast" deposits of gas around the world considered inaccessible until now, according to the CAPP report. As a result, world gas production is expected to grow from just over 300 billion of cubic feet per day in 2010 to 512 Bcf/d in 2030.

Qatar was far by the world's largest exporter of LNG in 2012, accounting for 10.2 Bcf/d that year, according to the CAPP report. Malaysia, Australia, Nigeria and Indonesia followed at between 3.1 and 2.4 Bcf/d. Just over 3.1 Bcf/d of LNG were produced in Canada in 2012.

LNG currently accounts for about 10 per cent of all natural gas production, the report said, though that percentage may grow along with demand for gas in the developing world. Australia, which has several LNG projects in development, and Qatar, as the world's leader in LNG production over the next decade, the CAPP report said.

Canada was producing among the world's 10 largest LNG producers by 2019, based on a calculation that includes existing and proposed facilities, the report added. In addition to Qatar and Australia, Russia, the United States, Nigeria, Algeria, Indonesia and Malaysia are expected to produce more than Canada.