Trans Mountain Pipeline Financials: Built on Quicksand and Clear as Mud

Assessing the Ongoing Cost of the Acquisition and Development of the Trans Mountain Expansion Project to Taxpayers

Executive Summary and Recommendations

The controversial Trans Mountain Expansion Pipeline Project being undertaken by the Canadian government is trying to move oil from the oil sands through a pipeline built on financial quicksand.

The government of Canada has structured the acquisition of the Trans Mountain Pipeline, its planned expansion and ongoing operation in a way rendering it impossible to determine how much taxpayers are paying now and will pay in the future. According to the government, this is an economic development project that is being carried out in the national interest and, therefore, does not need to adhere to standard commercial measures of success or failure. This approach may also impair the government's ability to market and sell the completed pipeline in the commercial market and to report transparently to the public on its financial performance.

The government has an obligation to tell its citizens how much the Trans Mountain Pipeline project is costing. In fact, a careful, ongoing accounting is of
even greater importance given: the controversial nature of the project, the lack of commercial standards, the size and complexity of the acquisition, construction and operations, and the risks involved with a resale of the pipeline in a low-priced, volatile global oil and gas market.

Recently, the Parliamentary Budget Officer (PBO) of the Canadian Parliament issued an oversight study examining the economic impacts of the government’s purchase and development of the Trans Mountain Pipeline.¹ The study estimated the potential cost of the pipeline and it assessed certain risk factors that might impact the cost, such as construction expenditures, timing and additional mandates. It also examined the short- and long-term employment outlook related to the pipeline. The study was an important first step in assessing the economic impact of the project.

The Institute for Energy Economics and Financial Analysis (IEEFA), is concerned with the fiscal implications of Canada’s expenditures on the Trans Mountain Pipeline project. How much are Canadian taxpayers paying for the pipeline and, ultimately, how much will be recovered if and when the government’s plan to sell the finished pipeline succeeds?

This project is a multi-billion-dollar, multi-year expenditure involving numerous federal agencies and public/private companies. The Canadian government has already routed payments to fund and develop the pipeline through a maze of government agencies with different missions, reporting mechanisms and accounting standards. The government has committed to spend $5 billion² for the purchase of the pipeline, $1 billion for construction to expand it and another $500 million to underwrite environmental liabilities. By the time an outside observer tracks where this money is going, it will be difficult to determine who borrowed what from whom, how much is owed by which government agency, who is paying it back and how much—if any—will be repaid.

The Canadian government has now become the owner of an active pipeline a business that generates revenue and expenses. Since August 2018, when the transfer from Kinder Morgan took place, there has been no full accounting of ongoing operations: Who is collecting revenue, for what purpose and are they responsible for all costs, or some of the costs? Who, for example, pays interest on the debt that was incurred to fund the purchase? Without knowing the answer to these and other questions, taxpayers cannot even discover how much they have already paid—and will continue to pay—for the pipeline.

This situation can be remedied but it will take thoughtful executive action and leadership to address. The executive needs to design a tax-dollar monitoring project that brings all of the debt, financing costs, revenues and expenses into one set of books. This IEEFA report provides a blueprint that, if implemented, would reveal where the money has gone up until now and how it is being accounted for. IEEFA

¹ Parliamentary Budget Officer (PBO). “Canada’s purchase of the Trans Mountain Pipeline – Financial and Economic Considerations.” January 31, 2019. The project as described in the report contains two basic components: the Trans Mountain Pipeline (TMP) and the Trans Mountain Pipeline Expansion (TMEP).
² All funds are in Canadian dollars unless otherwise specified.
also outlines the components that need to be reported to the public, based on a uniform system of reporting among several government agencies and private corporations. The money spent by the Canadian government to date and anticipated future expenses and transaction costs must be disclosed transparently. Thus far, the government has allowed a complicated web to develop that clouds understanding.

An accurate ongoing accounting can be made only after executive overseers provide the framework to determine:

1. How much has the Canadian government already spent on the project?
2. How much will be spent in the future, including the cost of construction and additional subsidies?
3. What organization[s] within the Canadian government are responsible for paying off related indebtedness, and on what terms?
4. What are the current operating revenues and expenses of the pipeline in its current form?
5. Will the design of future toll rates cover all actual expenses, including capital costs, or will there be further subsidies required to bridge the operating deficits of the pipeline?
6. How will any positive cash flow from pipeline operations be used?

A simple example will illustrate the importance of full transparency: In November 2018, the Minister of Finance released a report that concluded that since the transaction closed in August 2018, the Trans Mountain entities had earned $70 million before depreciation, interest, taxes or amortization. This revelation made headlines. Since then, the Trans Mountain Corporation, to whom the accounting conclusion was apparently attributed, has not produced any reports that either confirm or deny this information. The taxpayer has no way of knowing what the $70 million figure actually means or, if it involved an actual surplus, nor how the money was spent. This lack of an accurate accounting delivered in a reasonable timeframe in relation to the finance minister’s public disclosure raises serious concerns. The lack of a detailed follow-up diminishes the credibility of the institutional standing of the Department of Finance, which bears responsibility for instilling confidence in both the public and the markets in each and every disclosure it makes about the public purse.

A full accounting of all revenue and all expenses, including debt, is required for Canadian taxpayers to understand whether the ongoing operation of the pipeline covers its operating costs. Recent research indicates that the project is actually not profitable, when applying basic accounting standards.

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4 Ibid.
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The commercial standing of Trans Mountain is one matter; the budget of Canada another. How much money are taxpayers spending from annual budgets and what impact does it have on the country’s deficit? The Minister of Finance is to be commended for singling out this initiative in his budget update. The government, however, needs to do this in a regular and comprehensive way. It has promised that this project would not increase the deficit, but without clear reporting, it will be impossible to know if the government is delivering on that promise. Indeed, the budget update obscures the true impact on Canada’s budget, since it did not provide a full accounting of the transaction or its impact on the deficit.5

What is needed is a clear monitoring plan that has the support of the executive and legislative branches of the Canadian government that would provide the public with a regular report on how much is being spent, and, ultimately, how much the project will cost. Absent such a transparent approach, government or corporate officials may offer figures that will be inherently misleading. The public debate on a sensitive and controversial issue could ultimately be reduced to a frustrating array of charges and counter-charges without a rigorous monitoring plan in place.

The Transaction at a Glance
The PBO has produced an outline of the ownership structure of the Trans Mountain pipeline. The structure serves as the basis for the questions and requests for documents that need to be developed in order to provide an appropriate monitoring tool.

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5 The Fiscal Update contains general deficit projections that show the deficit rising from $18.1 billion in 2018/19 to $19.6 billion in 2019/2020. The many calculations do not allow for segmenting out the impact of the Trans Mountain purchase. Further there are 52 new budget actions taken during the period covered by the update, and some of the disclosures are for less than one million dollars. There is no single line item for the Trans Mountain Transaction, making it difficult to fully understand the size of Canada’s actual expenditure during the period or its impact on the deficit. For example, had the expenditure for purchasing the pipeline and other expenditures contemplated for the next fiscal year not taken place would the FY 19/20 deficit be $4.5 billion less than $18.1 billion?
Background

On August 31, 2018, a subsidiary of the Canada Development Investment Corporation (CDEV), the Trans Mountain Corporation (TMC), purchased and now manages the Trans Mountain Pipeline System that runs between Edmonton, Alberta, Burnaby, British Columbia and Washington State. The pipeline expansion as of August 30th no longer had a valid permit to finish. The purchase price was $4.5 billion before closing adjustments (inclusive of a valid permit to complete the project). And a final adjusted accounting for the transaction has not yet been formally released. The transaction was financed through the Canada Account managed by Export Development Canada (EDC).

Canada Account

EDC is authorized to undertake certain transactions on behalf of the Government of Canada under the Canada Account. The Canada Account is managed as a separate account from EDC and its financials are detailed in a separate annual consolidated financial statements.

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7 Trans Mountain Corporation. “Our name has changed, but our commitments remain.” September 4, 2018.
8 Reuters. Court quashes Canadian approval of Trans Mountain oil pipeline. August 30, 2018.
The Canada Account has authorization to undertake up to $20 billion in commitments. As of December 31, 2017, the Canada Account had positions of $3.7 billion of commercial and sovereign loan receivables and contingent liabilities. Only $10 million of the exposure was in extractive industries and there was no exposure to the Canadian economy.

The 2017 Canada Account Consolidated Financial Statement states:

Under Section 23 of the Export Development Act ("the Act"), the Government of Canada (the “Government” or the “Crown”) is able to authorize support for transactions which, on the basis of Export Development Canada’s (“EDC” or the “Corporation”) risk management practices, would not be supported under EDC’s Corporate Account but are in the national interest. Such transactions are referred to as Canada Account transactions. The Government effectively assumes the associated financial risks for Canada Account transactions by providing all monies required for any transaction from the Consolidated Revenue Fund ("CRF") (emphasis added). However, Canada Account transactions are assessed, entered into and managed by EDC, and are structured the same as Corporate Account transactions in that, for example, loans are fully repayable, are subject to interest and fees and policies are subject to premiums and fees.

The Canada Account is, in effect, an institutional recognition that economic development investments at times must be made in the national interest. The actual investments in the Canada Account may not meet the typical investment criteria of EDC under its corporate account protocols. Indeed, Canada Account investments appear to be at higher risk of loss and default. The projects financed are understood to be too risky to qualify for a variety of typical commercial financing vehicles like project loans, corporate in-house investments, private equity and venture capital. The financing for the EDC ("the Corporation") for the purpose of carrying out its Canada Account transactions is provided accordingly:

All monies required by the Corporation to discharge its obligations under Canada Account are paid to the Corporation by the Minister of Finance, out of the CRF. Such monies are accounted for separately and do not impinge on the Corporation’s (referring to EDC) borrowing limits.

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12 Ibid., p. 9.
13 Ibid.
15 The Canada Account has $2.2 billion in past due receivables largely concentrated in its commercial portfolio. The average interest rate charged on Canada Account loans is 1.14% and the Corporate Account at EDC, 3.52%. EDC. "Canada Account, Annual Report, 2016-2017, for year ending 3/31/17." p. 10.
16 The Consolidated Revenue Fund is defined in the financial statements as the aggregate of all public moneys that are on deposit at the credit of the Receiver General. The Receiver General for Canada is responsible for making payments to the Government of Canada, accepting payments from financial institutions, and preparing the Public Accounts of Canada, containing
EDC is expected to manage the risks of any given transaction and to do so generally according to its typical financial standards. Ultimately, however, the Government of Canada holds the risk.\textsuperscript{17}

**Export Development Canada (EDC)**

The purchase of the pipeline was financed through the Canada Account managed by EDC. EDC is accountable to Parliament through the Minister of International Trade Diversification. The Government of Canada is its sole shareholder. EDC is an agent of Her Majesty in Right of Canada. All its debt issuances are obligations of Canada.\textsuperscript{18} As such, EDC indebtedness is backed by the full faith and credit of the AAA-rated Canadian government.\textsuperscript{19}

EDC’s mandate is to support and develop, directly or indirectly, Canada’s export trade, its capacity to engage in trade and to respond to international business opportunities, as well as provide development financing in a manner consistent with Canada’s international development priorities.\textsuperscript{20} As of year-end 2017, EDC had assets of $60 billion, of which $8.2 billion was in cash and short-term securities.\textsuperscript{21} It offers both commercial and sovereign loans. Sovereign loans represented 2% of the $51 billion portfolio. EDC currently has a maximum borrowing cap of $146 billion and actual borrowings of $47 billion.\textsuperscript{22}

**Canada Investment Development Corporation (CDEV) and Trans Mountain Corporation (TMC)**

Canada Investment Development Corporation (CDEV) was established in 1982 under the Canada Business Corporation Act and is accountable to Parliament through the finance ministry. CDEV is a crown corporation established\textsuperscript{23} “to provide a commercial vehicle for Government equity investment and to manage commercial holdings of the Government.”\textsuperscript{24} As of December 31, 2017, CDEV held assets worth $603 million\textsuperscript{25} with annual revenues of $189 million in 2017. On this transaction, Trans Mountain Pipeline Finance (TMPF), a subsidiary CDEV, will provide certain financial services for the project.
TMC, a wholly owned subsidiary of CDEV, is responsible for the operations of the pipeline system. It is a separate corporation that handles day-to-day management of the existing system and will play an integral role in the expansion of the project. The company is a separate component of CDEV and the ongoing relationship between the two entities is of critical importance to the success of the project.

The purchase of the pipeline system was apparently financed through loans to TMC from the Canada Account managed by EDC.

**Documents Needed and Questions that Should Be Addressed**

The following section provides a blueprint to create an appropriate monitoring tool. It lists for each entity the documents that should be provided, the questions that should be answered and the data that should be reported.

It begins with a focus on the specific Crown Corporations and their subsidiaries and the loans and credit facilities used to finance the pipeline transaction between Canada and Kinder Morgan. It then describes additional Crown Corporations used to carry out ongoing operations of the pipeline and the construction and development costs required for the expansion.

This analysis is based on the ownership structure of the Trans Mountain pipeline created by the Parliamentary Budget Office (PBO) which was based on a flowchart from the CDEV. The CDEV 3Q 2018 financial statement identifies most of the key parties involved with the credit arrangements used to finalize the pipeline transaction between Canada and Kinder Morgan.

The following is a description of the Loan payable, as stated in CDEV Q3 2018:

“On August 29, 2018, TMP Finance entered into a Credit Agreement with Her Majesty in Right of Canada. The facility is part of the Canada Account of the government, administered by Export Development Canada. The terms of the agreement allow TMP Finance to borrow up to $5 billion for the acquisition of the Trans Mountain Pipeline entities and $1 billion under the Construction Facility to finance the construction of the TMEP. A third facility, the NEB Facility for $500,000, allows TMP Finance to borrow funds for the purpose of providing financial assurance for the Trans Mountain Pipeline as required by the National Energy Board. The Acquisition Facility and NEB Facility expire in 2023 and the Construction Facility expires in August 2019. Borrowings incur interest costs of 4.7% per annum. Undrawn committed accounts incur standby fees of 0.065% per annum on the Acquisition and Construction Facilities and 0.3% on the NEB Facility. At September 30, 2018 the amounts outstanding were: Acquisition Facility $4,670,000, Construction Facility $30,000, NEB Facility $500,000. At

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September 30, 2018 the available committed credit amounts were $330,000 on the Acquisition facility and $970,000 on the Construction Facility. Total interest expense for the three- and nine-month periods ended September 30, 2018 was $21,265.”

**Her Majesty in Right of Canada Account/Export Development Corporation (EDC), Canada Development Investment Corporation (CDEV) and Trans Mountain Project Finance (TMPF)**

The Canadian government should release:

1. A copy of the Credit Agreement with Her Majesty in Right of Canada doing business as the EDC on behalf of the Canada Account and the Trans Mountain Project Finance (TMPF).

2. This agreement should provide the names and respective roles of the creditors and debtors; amount of the credit extended ("loan"); the purpose of the loan; terms and conditions of the loan, including the interest rate and any carrying fees; terms of repayment of principal and interest, including any provisions for extensions on repayment or options for borrowing above the stated amount in the credit agreement; an amortization schedule; and conditions of default. If the Credit Agreement does not address these issues, then this should be done in a separate authoritative statement from the CEO of both the EDC or relevant corporate entity and the CDEV or TMP.

**The Canada Account**

The Finance Ministry has stated: “The purchase was financed through a loan to CDEV from the Canada Account, which is managed by Export Development Canada.”

1. The EDC website contains a Canada Account transaction page that discloses account activity. The website contains two transactions of $1 billion each related to Trans Mountain Pipeline, L.P. that took place between

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31 From the EDC website, the “Canada Account is used to support export transactions which we are unable to support, but which are determined by the Minister for International Trade to be in Canada’s national interest. This is usually due to a combination of risks, including the size of the transaction, market risks, EDC’s country capacity, borrower risks, and/or the financing conditions.

We negotiate, execute and administer these transactions on the same basis as Corporate Account activities but the risks are assumed by the Federal government. Before we enter into a Canada Account transaction, we require authorization from the Minister for International Trade, with the concurrence of the Minister of Finance. Transactions exceeding $50 million or those of a sensitive nature are, in practice, approved by Cabinet. Since October 1, 2001 we have disclosed all 26 Canada Account transactions.” EDC. “Canada Account. About us. Disclosure. Reporting.”
June 2018 and August 2018. The first transaction occurred on June 14, 2018 for $1 billion to guarantee support for working capital and general corporate purposes. The counterparties are listed as the Royal Bank of Canada and Toronto Dominion Bank (Trans Mountain Pipeline, L.P.). The second transaction occurred on August 29, 2018 for $1 billion as financing support for working capital and general corporate purposes. The counterparty is listed as Project Deliver I (currently Trans Mountain Corporation). The CDEV 3Q 2018 report states that on September 30, 2018 the amounts outstanding for three facilities financed under the Credit Agreement amounted to $5.2 billion. There is a discrepancy between the accounting on the Canada Account/EDC website disclosures and the CDEV 3Q 2018 financial report. The Canada Account/EDC website maintained by EDC discloses two transactions amounting to $2.0 billion in total, but the CDEV quarterly statement puts the credit balance (the amount owed by CDEV to Canada Account/EDC) at $5.2 billion. This discrepancy should be remedied or explained.

2. The Canada Account/EDC website also discloses that a transaction amount in excess of $50 million is considered “sensitive” and requires approval by the Cabinet. The Canadian government should release: a) the minutes of cabinet meetings where the TMP and TMPE were discussed and voted upon and any subsequent entries in cabinet meetings post-closing regarding the transaction; b) copies of all financial materials provided to cabinet members prior to the vote. If the documents do not provide the author or institutional letterhead of the corporation preparing the document, the identifying information should be provided. If public redactions are required, then some measures should be taken to allow for members of the Parliament or their designees to enter into confidentiality agreements in order to view the full, unredacted versions. Similarly, a deadline should be set for the release of the full, unredacted versions.

3. The CDEV provides a description in its 3Q 2018 financial statement (closing date September 30, 2018) that lists the assets and liabilities of the Trans Mountain transaction on its accounting statements. A transaction of this magnitude is a significant event in the life of the company. The EDC website, however, does not offer any contemporaneous public disclosure regarding the transaction. The EDC prepares a quarterly report, but it did not include any details regarding the Canada Account. The Canada Account is reported on annually in a separate audit statement that is consistent with the Canadian government’s fiscal year April 1 through March 31. The

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32 EDC. “Disclosure. Canada Account.”
33 Ibid.
35 EDC. News Room.
36 EDC. “Quarterly financial report, Q3 2018,”
Canadian government should immediately release the FY 2017-2018 Annual Financial Report of the Canada Account administered by EDC.  

4. The Canadian government should release any documents or agreements from funders other than the Canada Account/EDC that provided funds for the closing. The disclosure should identify the institution that provided funding, the amount of such funding and provide copies of any Credit or other agreements that detail terms and conditions.

5. The Canadian government and the monitoring tool should clarify or answer the following questions:

   a. What was the source of funds for the $4.5 billion that was reportedly paid to Kinder Morgan to close the transaction, which occurred on August 31, 2018?

   b. What was the source of the funds used to secure the oil spill liability required by the NEB? How will the Canada Account report on this transaction in the future?

   c. What will be the source of revenue paid by CDEV to the Canada Account/EDC in order to satisfy the repayment provisions of the Credit Agreement? How will this payment for the purpose of paying down the principal and interest owed to the Canada Account be described in future financial disclosures made by CDEV? How will the receipt of the funds from CDEV to the Canada Account for the Trans Mountain indebtedness be identified by EDC/Canada Account?

EDC Agreement with CDEV

1. According to CDEV’s 3Q 2018 filing (see above), CDEV has entered into three separate credit facilities as part of the Trans Mountain Project financing: an Acquisition Facility, a Construction Facility and an NEB Facility (to comply with NEB’s letter of credit requirements). The Acquisition Facility had $330 million in committed credit amounts on September 30, 2018. The final accounting of the acquisition costs was to occur 90 days from the closing on August 31, 2018. The CDEV 3Q 2018 filing places the cost of Acquisition at $4,670,000,000.00. The disclosure is silent as to whether this is the final accounting for the transaction. The Construction Facility is for $1 billion and expires in August 2019.

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38 Department of Finance, Canada. "Fall economic statement 2018." p. 93.
2. The Canadian government should release
   
av. A copy of the three facilities and any currently available transaction records reflecting draws against the credit lines.

b. An amortization chart that demonstrates the planned repayment of interest and principal, assuming it is not part of each credit facility.

3. The Canadian government and the monitoring tool should answer the following questions:

a. Is the $4.67 billion acquisition facility outstanding balance identified in the CDEV 3Q 2018 the final acquisition figure? A final, complete and authoritative accounting of the acquisition transaction that occurred on August 31, 2018 should be released.

b. Given publicly reported construction delays, is the project in compliance with spending benchmarks identified in the Construction Facility? What, if any, corrective actions are being taken? Is there provision in the agreements for contract extensions and any financial costs that are incurred from these delays? Is this project in default?

c. What sources of revenue are being pursued by CDEV to secure construction financing once the credit facility expires in August 2019?

d. Is the 4.7% interest rate identified in Note 12 applicable to all three facilities under all three conditions? What is the basis for the interest rate, who authorized the rate and were any officials outside of EDC involved with its creation?

e. Section 23.6 of the Export Development Act states: “The Minister, with the concurrence of the Minister of Finance, may authorize the Corporation to make any investment or enter into any transaction or any class of transactions—including the forgiveness in whole or in part of any debt or obligation—that is necessary or desirable for the management of assets and liabilities arising out of any transaction that may be entered into under this section.”

Do any of the loan or credit agreements contain a provision that allows for the forgiveness of the indebtedness in whole or in part?

CDEV and Trans Mountain Project Finance (TMPF)

The Canadian government should release:

1. Any agreements, letter or memoranda of understanding (MOUs) or any other documents that outline the legal and financial terms governing the

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relationship of each entity. Specific reference should be made as to which entity must make payments to EDC/Canada Account, a description of the nature of those payments and any guarantees made regarding those payments.

2. Any description of ongoing financial reporting between CDEV and TMPF. Any copies of financial reporting from TMPF to CDEV.

3. A counsel’s opinion from either CDEV, TMPF or the appropriate Justice Minister or Attorney General of Canada attesting to the legality of the relationship of TMPF as a borrower and CDEV as the owner or custodial entity for the indebtedness.

CDEV/TMPF and TMC and Its Subsidiaries

*Trans Mountain Canada, Inc., Trans Mountain Pipeline, L.P., Trans Mountain Pipeline Puget (LLC), Trans Mountain Pipeline, (ULC)*

The Canadian government and the monitoring tool should release:

1. Copies of all agreements between CDEV/TMPF and TMC and subsidiaries that detail the respective responsibilities of each party for the ownership, operation, management, environmental and employee safety compliance and financial obligations of the TMPF.

2. One financial statement that includes the combined balance sheet, income and expense, cash flow, long term debt, contractual and other liabilities and debt service obligations across the full TMC enterprise. (The Finance Minister’s Budget Update in November contains the statement that the TMC will “recognize revenues from existing Trans Mountain operations”).

3. A clear, definitive statement or actual agreements that define responsibility for the organization charged with the operations of the pipeline and other agreements, if any, that define the responsibility for the organization charged with the construction of the expansion.

4. The individual statements for each of the subsidiaries’ balance sheet, income and expense statement, cash flow, long term debt, contractual and other liabilities and debt service obligations. These accounting treatments should be released in their current form. A provision should be made to post updates regularly on TMC’s website. The disclosures need to be integrated into the larger monitoring tool and comply with all federal requirements. The Canadian government should answer the following questions:

   a. How will revenues derived from the operation of TMC and its subsidiaries be deployed to repay the $6.5 billion borrowed by CDEV and owed to the Canada Account/EDC?

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40 Department of Finance, Canada. "Fall economic statement 2018." p. 93
b. If funds generated by pipeline activity are insufficient to cover this indebtedness what organization within the Canadian government is responsible for the repayment to the Canada Account/EDC?

c. What is the annual expectation of cash payments from TMC to CDEV for this purpose? Will the payments be made monthly or quarterly? How will these funds be identified in the annual financial reports of TMC and its subsidiaries? How will these funds be classified?

d. Is there an amortization chart that details the expectations of how the TMC operations will pay back the borrowed funds?

The Canadian government and the monitoring tool should answer these specific questions:

1. In November 2018, the Finance Ministry’s Budget Update\textsuperscript{41} stated that since the closing, Trans Mountain entities have earned $70 million\textsuperscript{42} before depreciation, interest, taxation and amortization (EBITDA). The Finance Ministry’s statement has not been supported by any further financial filings of any of the “Trans Mountain entities” identified in the document. What is the nature of the agreement between “Trans Mountain entities” and the Canada Account regarding the payment of net or other revenues in order to repay the borrowed money? Specifically, what is the legal obligation of TMC for the repayment of the debt? Was any of the $70 million identified by the Finance Minister transmitted to CDEV, TMP or the Canada Account/EDC and how were these transmittals recorded? Whether or not Trans Mountain is a going concern is based on a full accounting of all costs.

2. The Budget Update states that the cash requirements for the purchase have been reflected in the government’s projections. Where is the $4.5 billion accounted for in the Budget Update and is the NEB expenditure included?

3. There are questions regarding the employment of a former Kinder Morgan employee hired by TMC to run the project.\textsuperscript{43} The benefits of this hire for reasons of project continuity are obvious. Given that Canada expects to be a relatively short-term owner of the project and that it is likely that a completed pipeline will be put back on the market, what are the policies and procedures used to identify and correct upon any perceived or actual conflicts of interest?

\textsuperscript{41} Department of Finance, Canada. “Fall economic statement 2018.” p. 93.
\textsuperscript{42} This figure was also reported in the newspaper in a separate, unrelated story: JWN.com. “Kinder Morgan executive now heads government-owned Trans Mountain Corporation.” September 5, 2018.
\textsuperscript{43} Ibid.
Miscellaneous Agreements

Kinder Morgan continues to have an operational role in the project.

1. The Canadian government should release a copy of the agreement with Kinder Morgan and any supporting information regarding payments to the company for its services.

2. The Canadian government and the monitoring tool should disclose clearly how much Kinder Morgan is being paid for its services.

Conclusion

A comprehensive account of the Canadian government’s purchase and development of the Trans Mountain Pipeline is crucially needed. It has not yet been forthcoming. Such an accounting will allow public officials and Canadian taxpayers to answer the question: How much are Canadians paying for the pipeline?

A complicated web of government agencies and private companies are involved, making it impossible using current accounting methods for public officials and citizens to gain a full picture of the project.

This paper provides a reporting framework for the government agencies and private companies involved to integrate the full and complete financial details of the acquisition, ongoing operational revenues and expenses, and management of the indebtedness, development and construction costs related to the pipeline project. It includes questions each party involved in the Trans Mountain Pipeline should answer and documents each should provide.

Only through a full account of the government’s purchase of the Trans Mountain Pipeline and full disclosure of ongoing development of the pipeline will public officials and Canadian citizens understand how much this project costs.
About IEEFA

The Institute for Energy Economics and Financial Analysis conducts research and analyses on financial and economic issues related to energy and the environment. The Institute’s mission is to accelerate the transition to a diverse, sustainable and profitable energy. http://www.ieefa.org

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