The Non-Existent Business Case

An Analysis of Canadian Liquified Natural Gas (LNG)

MEDIA BACKGROUNDER
Novemeber 2025

environmental defence

Summary and Context

No public dollars should be handed to companies developing LNG. Subsidizing LNG would transfer public resources to private profits, leaving Canadians to shoulder both environmental and economic burdens while diverting funds from initiatives that could deliver genuine public benefits.

With a changing global energy landscape, liquified natural gas (LNG) is at the centre of national discussion on economic development and energy security. The 2025 Federal Budget also mentioned possible subsidies for Canadian LNG.

Globally, LNG is not a burgeoning industry requiring government support to achieve scale and competitiveness. It is a mature, oversupplied sector where Canadian projects face structural disadvantages. Supply already outstrips demand globally, and this oversupply will persist and worsen as major producers with lower costs than Canada continue to dominate the market. Any marginal profits that might be captured in favourable market conditions will be offshored by large, foreign companies, not Canadian industry. The economic case for LNG is further weakened by overinflated projections of royalties and tax revenues, alongside underestimated environmental impacts and electricity costs.

This backgrounder details the economics and arguments as to why further Canadian LNG projects (specifically Ksi Lisims and LNG Canada Phase 2) are poor investments, returning little to no benefits to Canadians.

Key Recommendations

1. The federal and provincial governments should immediately cease all subsidies, tax preferences, and infrastructure investments supporting LNG export projects.
2. The federal and provincial governments should not provide any new subsidies, tax preferences or infrastructure investments support LNG export project
3. No LNG projects, facilities or associated pipelines should be designated as ‘Projects of National Interest’

Structural cost disadvantages of Canadian LNG

Canadian LNG projects face inherent cost disadvantages which cannot be overcome through government support. The break-even price, and therefore profitability of LNG exports from Canada depends on:

I. The cost of feed gas
II. Pipeline transport fees
III. Liquefaction costs
IV. Royalties and taxes and
V. Shipping costs

While natural gas prices in Canada are low, transportation and liquefaction costs are high. Unlike major gas exporting nations such as the USA and Qatar, the distance between gas deposits and export terminals in Canada is hundreds of kilometers. Exporting gas requires building extensive pipeline networks (e.g. Coastal Gaslink or Prince Rupert Gas Transmission line) through challenging terrain, meaning the breakeven price of Canadian LNG is high.

McKinsey estimates that in order to stay competitive on the global market, the price of LNG must not exceed US $7/MMBtu. Canada's first major LNG export facility experienced substantial cost overruns. In 2018, Shell anticipated that LNG Canada's breakeven price was US $8.5/MMbtu.

The Coastal Gaslink Pipeline supplying LNG Canada ended up costing 113 per cent more than when Shell made these estimates. Shell estimated that the CGL pipeline costs would be US $1.23/MMBtu, but S&P Global estimates that the transport costs along CGL are over double that at US $2.60/MMBtu due to project cost overruns. These inflated pipeline construction costs necessarily increase the break-even price to at least US $9.87/MMBtu. By 2022, IEEFA estimated that the total cost of shipping Canadian LNG to Asia reached US $14.35/mmBtu, more than double the competitive threshold. In contrast, QatarGas LNG has a breakeven price of just $4.5/MMBtu, with the US Freeport LNG T4 project with a price of $6.30/MMBtu.

Woodfibre LNG demonstrates similar patterns. Projected construction costs have increased 73 per cent from original proposals, reaching US $4,190 per ton per annum, an exceptionally high figure by global standards (based on updated construction costs and capacity). These escalations are not anomalies but predictable outcomes of Canada's geography.

Oversupplied global market

Canada is entering the crowded global LNG market at a highly competitive time, and as a high-cost latecomer. According to the International Energy Agency (IEA), more than 300 billion cubic meters per year (bcm/yr) of new LNG export capacity which has received FID/ is under construction is expected to come online by 2030, expanding global supply by almost 50 per cent. Canada will account for just 8.3 per cent of this new capacity, with the

US and Qatar responsible for over 70 per cent. This will likely lead to a supply glut that will significantly depress global gas prices, making it hard for relatively expensive Canadian LNG to compete.

Global demand is currently not predicted to absorb this additional supply. According to the most recent data from the International Energy Agency, global gas demand growth is forecast to slow from 2.8 per cent in 2024, to below 1 per cent in 2025. Under current price trajectories, the IEA is also anticipating an LNG surplus of 65 bcm from 2024-2030. This means that although demand will increase in the coming years, it will still fall short of consuming available supply, creating a supply glut. The anticipated gap between global LNG supply and demand will have a downwards effect on prices. This data also excludes added capacity from LNG Canada Phase 2, and Ksi Lisims, which would add a further 35 bcm/ year of LNG supply by the early 2030s.

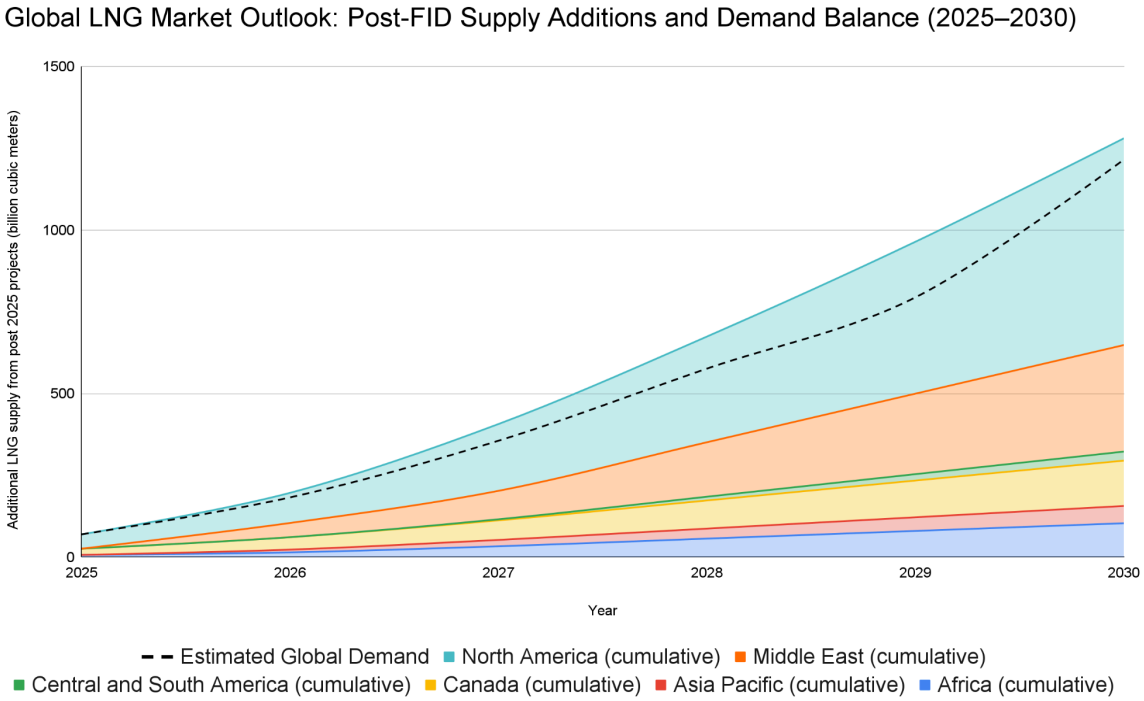

Figure 1. Source: Based on IEA Gas 2025 and the IEA Global LNG Capacity Tracker. Includes post-FID LNG projects with start dates between 2025–2030. Canadian projects are shown separately from the North American total. Excludes LNG Canada Phase 2 and Ksi Lisims.

At least 80bcm of this global new capacity also lacks contracted off-takers, meaning it will be sold on the spot market. Of Canada's upcoming LNG projects, only LNG Canada Phase 1 has contracted off-take agreements in place. Just under 46 per cent of Cedar LNG and Woodfibre LNG's combined lifetime available capacity has confirmed buyers at the time of writing.

This lack of contracted off-take leaves Canadian output at the whim of highly volatile global gas markets, as gas would have to be sold on spot markets. Prices secured for this uncontracted LNG may be far below what is required for the projects to break even. No amount of government subsidies can change the predicted over supply and under-demand of LNG, to ensure Canadian projects are profitable.

Additionally, selling gas abroad would open the Canadian gas market to international and volatile gas prices. If the global cost of gas increases, Canadian gas becomes more expensive to foreign *and* domestic buyers, which includes home heating utility providers and domestic industry. Gas price data from Deloitte reveals that Vancouver utility bills could increase by CAD $188.39 in 2026 alone due to global gas price hikes.

Globally, LNG is competing with renewable energy, which is significantly cheaper and insulated against geopolitical market instability. Global renewable power capacity is expected to double between now and 2030, increasing by 4,600 gigawatts (GW). Additionally, between 2025-2030, renewables are expected to meet over 90 per cent of global electricity demand growth. According to the International Renewable Energy Agency, 91 per cent of newly commissioned renewable capacity in 2024 delivered power at a lower cost than the cheapest fossil-fuel alternative, avoiding US $467 billion in fossil fuel costs. LNG will always be competing with this lower-cost, cleaner and more stable alternative.

Environmental harms of LNG

LNG is not a transition fuel, nor good for reducing global emissions. LNG is a liquified methane, a greenhouse gas 80-times more potent than carbon dioxide. Methane leaks along the full supply chain of the LNG production chain are a significant global contributor to emissions. Methane is responsible for 30 per cent of the global temperature increase since the industrial revolution.

When methane is burnt as a fuel, it produces carbon dioxide and water vapor. While methane produces less carbon dioxide than coal, the emissions associated with extracting and transporting LNG can increase the lifecycle emissions of gas beyond that of coal. A 2024 study compared the lifecycle emissions of LNG exported from the US and coal, and found that the lifecycle emissions of LNG were 33 per cent higher than for coal.

According to Clean Energy Canada, if all six proposed BC LNG projects were to be built, their emissions would make up 40 per cent of BC's 2030 emissions target. As of 2022, cumulative lifecycle emissions from current and planned LNG projects would be responsible for 13 per cent of the world's carbon budget in a 1.5 degree aligned pathway. LNG is not compatible with the energy transition.

Lack of Indigenous Consent

Both operating and proposed LNG facilities have faced significant backlash from some First Nations and Indigenous communities. LNG Canada faced significant backlash from the Wet'suwet'en hereditary chiefs, who did not consent to the project.

Ksi Lisims undertook consultation with 10 First Nations, three of which explicitly denied their consent for the project. Lax Kw'alaams, Metlakatla and Kitsumkalum all cited concerns with the project, and did not consent to Ksi Lisim's going ahead. Despite this clear opposition, the federal and BC governments approved the project. In response, the Lax Kw'alaams Band and Metlakatla First Nation have filed separate federal reviews.

In September, a judicial review was filed by a coalition of groups in regards to the Prince Rupert Gas Transmission (PRGT) line. This pipeline is integral to Ksi Lisims and would supply the facility with gas feedstock. Their application asks the court to find that the head of the Environmental Assessment Office was unreasonable in determining that construction of the PRGT project had its 'substantial start date' before the November 25, 2024 deadline when its environmental assessment certificate would have expired.

Opportunity cost of electricity

Recent research from the International Institute of Sustainable Development has determined that federal and provincial governments will have provided CAD $3.92 billion of subsidies to LNG projects by 2030. These subsidies come in the form of direct support, a natural gas income tax credit, provincial sales tax deferral on LNG construction, carbon tax exemption and other reliefs.

One of the most critical forms of subsidy is those related to electrifying the compressors which produce LNG – instead of running them on natural gas. These subsidies will have a directly negative impact on BC ratepayers, and the province's decarbonisation efforts.

BC faces a critical policy trade-off regarding the allocation of its finite and valuable clean electricity supply. While new LNG facilities are being mandated to be "net-zero ready" by 2030, this policy relies on extensive electrification of the liquefaction process. This electrification is also an essential 'unique selling point' of Canadian LNG, as its alleged world-class low emissions intensity is dependent entirely on electrification.This approach creates immense new demand on the public grid, requiring massive taxpayer-funded infrastructure investments which represents a significant opportunity cost that undermines provincial decarbonization goals.

BC taxpayers are financing the CAD $16 billion Site C dam, a cornerstone of the province's clean energy infrastructure, only to see its output sold at a subsidized rate to power the export of a fossil fuel. This vast amount of publicly-funded clean electricity could instead be used to power BC's domestic decarbonization efforts, such as electrifying transportation, buildings, and industry, which are essential for meeting the province's climate targets.

Although Site-C's generating capacity will not be used solely for LNG, predicted demand for electricity from LNG is significantly higher than Site-C's generating capacity. The three LNG projects with approval and planning to be electrified would require a combined 30 per cent of BC's entire generating capacity by 2034.

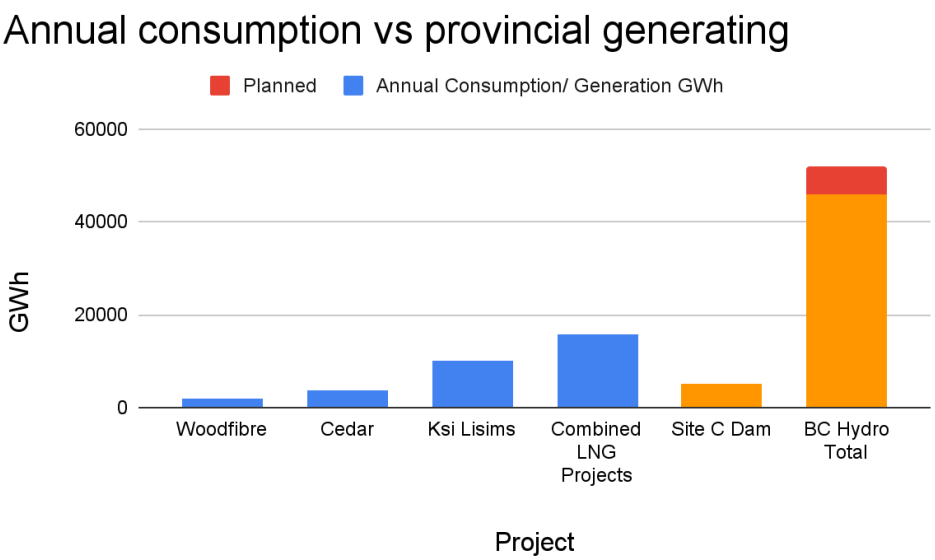

Figure 2. Compiled using BC Hydro 2021 IRP and data on anticipated demand from LNG projects.

Ksi Lisims is the only electrified LNG project which has not yet started construction. Not building Ksi Lisims would leave over 10,000 GWh/year for BC to use directly. This is enough electricity to power 900,000 homes.

Under current BC regulation, LNG projects have access to the standard industrial electricity rate, instead of a previously set LNG rate which accounted for the extensive costs of providing electricity to such projects. This lower rate acts as an annual subsidy of CAD $18.5 million for LNG Canada Phase 1. Going forward, recent analysis from the Canadian Centre for Policy Alternatives estimates that the cost of power from the Site C dam will be between CAD $80-120 per MWh. In order for LNG projects to break even, they would require electricity costs between CAD $10-17 per MWh. It is uncertain as to the rate at which HydroBC will provide power to electrifying LNG facilities, and therefore the extent to which it will prioritize fossil fuels over ratepayers. However, if LNG projects are to profitably electrify, they will require a significant tax-payer subsidized electricity rate to do so.

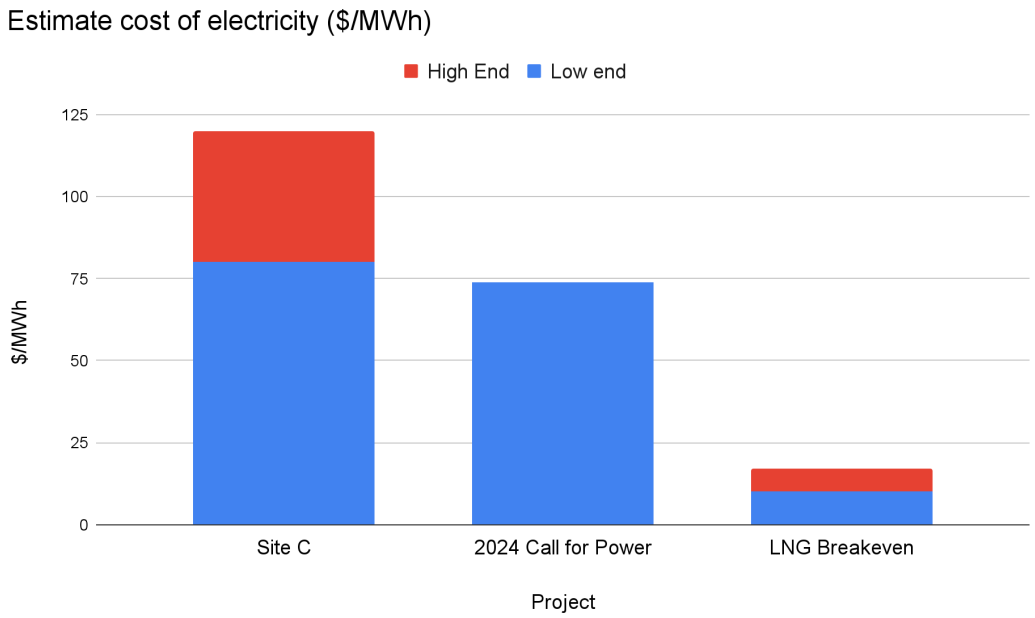

Figure 3: *Created using data from Canadian Centre for Policy Alternatives, 'Painting itself into a corner: LNG and the climate-affordability trade-off in B.C.'*

These electricity subsidies fundamentally undermine the economic case for LNG projects. They would require massive ongoing subsidies to remain viable. Meanwhile, providing subsidized electricity to LNG facilities drives up costs for households and other businesses.

Overestimated benefits to Canadians

Since 2019, the BC Government has claimed that expanding the province's LNG industry will generate $23 billion in revenue over the life of the project. This figure has not been updated in the face of changing economic conditions, fluctuating commodity prices or changes in the global LNG market. Revenues are expected to be in the form of natural gas royalties, jobs and taxes.

Forecasted government revenue is subject to significant risks and realized amounts may be significantly lower than the quoted $23 billion, while costs to BC taxpayers are likely to be far higher. The BC 2025/26 Budget and Fiscal Plan estimated that natural gas royalties in 2025/26 would be CAD $920 million, but this was lowered by CAD $60 million in the 1st Quarterly Report due to falling gas prices. The estimates for 2026 and 2027 were also revised down in the most recent update. Given the significant supply glut incoming, and Canada's poor cost competitiveness, prices are likely to remain low, weakening BC's prospective royalties.

An alleged benefit of LNG buildout is Canadian job creation. Recent analysis from the David Suzuki Foundation (DSF) reveals that LNG Canada produced fewer permanent and

construction jobs than initially anticipated (850 vs 400 and 7,500 vs 5,400). There is limited data available on if these jobs are being taken by local, Indigenous or even provincial residents, or from elsewhere. Workers for LNG projects are typically housed in temporary accommodations such as lodges or camps. This limits the economic benefits that construction works can create for local communities.

Municipal tax revenues show even larger discrepancies. According to the DSF analysis, LNG Canada projected $94 million in municipal revenue during construction and $15 million annually during operations. The District of Kitimat received just CAD $24.25 million during construction and will receive CAD $9.7 million annually during operations. These represent shortfalls of 74 per cent during construction and 35 per cent during operations

Offshored profits for foreign-owned companies

Canadian companies will receive only a small share of potential profits from LNG projects. Major companies engaging in LNG projects in Canada are often foreign, integrated energy companies. Integrated energy companies operate at multiple stages of production, including extraction, transportation and processing.

In the case of LNG Canada, the project is a joint venture between Shell (40 per cent), Petronas (25 per cent), PetroChina (15 per cent), Mitsubishi (15 per cent), and Korea Gas Corporation (5 per cent) - all foreign-owned companies. They are the sole suppliers of gas through the Coastal Gaslink Pipeline, the operators of the liquefaction and export terminal in Kitimat, and the recipients of export profits. These multinational corporations can engage in transfer pricing, meaning that even though LNG will be produced and exported from BC, a large portion of the economic value created will appear on balance sheets in the UK, Malaysia, Singapore, China, and Korea. In many cases, as soon as the LNG leaves Canada, any hope for profits or corporate taxes does too.

Through intra-company transactions, these corporations can engage in arbitrage—buying LNG from their Canadian subsidiaries at a relatively low transfer price, then reselling it in Asian markets at a higher price, capturing the profit abroad. For example, if Shell Canada sells LNG to Shell International at an internal contract price equivalent to US$9 per MMBtu, and Shell International resells it in Asia at US$12 per MMBtu, the US$3 per unit margin is realized offshore, untaxed by Canada.

LNG projects with direct deals with Indigenous and First Nations will provide direct economic benefits to those communities. The extent of these benefits are unclear, as many of the profit sharing agreements are not publicly available.

Current project partners and investors in other Canadian LNG projects include Petronas (Malaysian), bp (British), Pacific Energy (a conglomerate of Asian countries), Western LNG (US), TotalEnergies (French), and ExxonMobil (US).

Conclusion

New Canadian LNG export projects face permanent competitive disadvantages that cannot be overcome through government subsidies or technological improvements. The global LNG market is fundamentally oversupplied, with lower-cost producers in the United States and Qatar commanding the majority of new capacity. Long-term demand is not predicted to absorb existing LNG projected supply, let alone the added supply from expanding Canadian LNG projects. Canadian projects require escalating public subsidies to remain marginally viable while generating minimal economic benefits for Canadians.

Globally, LNG is not a burgeoning industry that merits government support to overcome temporary barriers. It is a mature, globally oversupplied sector where Canadian projects face structural disadvantages that will persist indefinitely. Unlike genuinely emerging industries where strategic government investment can help achieve scale and competitiveness, LNG export from Canada represents an attempt to compete in a declining market with inherently high costs.

The reason that LNG is a bad deal for Canadians can be summarized as follows:

- Canadian gas is a public resource
- Canadian taxpayers subsidize infrastructure construction costs
- Canadians pay higher gas rates
- Foreign companies export the gas
- Profits are booked overseas
- Importing consumers get energy security
- Canada gets some temporary construction jobs, minimal royalty revenues and millions of tonnes of greenhouse gases and climate damage costs

Canada houses the resources, subsidises the infrastructures, takes the environmental risks and foreign companies capture the profits