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Harper promises tax breaks to help boost LNG projects in B.C.

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STORY PHOTOS (1)



Prime Minister Stephen Harper shakes hands with Thomas Fung, head of the Fairchild Group, at Richmond's Aberdeen Centre. Photograph by: unknown

Prime Minister Stephen Harper has promised LNG tax credits while also dropping in on a Lunar New Year celebration in B.C.

Harper announced tax breaks Thursday for the province's liquefied natural gas industry, even though not a single project has reached a final investment decision.

Harper, who made the announcement at Kwantlen Polytechnic University in Surrey, said companies will receive a capital cost allowance of 30 per cent for equipment used in natural gas liquefaction and 10 per cent for buildings at a facility that liquefies natural gas.

Tax relief will be available for capital assets acquired between now and 2025.

Harper said the tax incentives will provide the right conditions for the LNG industry to succeed and compete in the global economy while spurring job growth.

B.C. Premier Christy Clark said later that the change in the capital cost allowance will make the province more attractive for LNG companies, especially during the global slump in oil prices.

"We're already more competitive than Australia. Our real main competition in the world is the U.S., and the west coast of North America," she said, referring to Washington, California and Oregon.

Clark said British Columbia's low taxes, three-consecutive balanced budgets and billion-dollar surplus this year are all draws for investors.

She won re-election in 2013 by promising a multibillion-dollar LNG industry that Clark said would create 100,000 jobs and generate enough revenue to wipe out the provincial debt.

However, there was little mention of LNG in this week's provincial budget. The government said it was holding off including any LNG revenues until final announcements are made for any of 18 prospective projects.

Last November, the province passed three major pieces of LNG-linked legislation covering taxes, emission standards and aboriginal involvement.

Clark said then that legislation on the tax and on the environmental side needed to pass before the industry could get going.

The province has said the income tax legislation means one mid-sized LNG plant would pay about \$800 million in taxes annually, which is equivalent to taxes that B.C.'s forest industry pays each year. One plant producing 12 million tonnes of LNG annually would pay up to \$9 billion in taxes over 10 years.

But declining natural gas prices have meant companies with LNG plans are still hedging on making final investment decisions.

"We are still on target, we believe, for three projects by 2020 (to be) up and running," Clark said Thursday.

Earlier, Harper made a late-night appearance in Richmond's Aberdeen Centre to help ring in the Year of the Sheep.

Magnate Thomas Fung, head of the Fairchild Group which owns Aberdeen Centre, said the prime minister was among a group of dignitaries that participated in ceremonial painting on the eyes, ears, tongue and back of two lions used in traditional dances.

"It's good luck," said Fung. "All the bad luck goes away."

The ceremony didn't start until 11:30 p.m., but Fung said the event still attracted a large crowd that filled all three floors of Aberdeen Centre and listened to a speech from Harper.

Prime ministers don't just drop in on such events. Fung said security officials arrived last Friday to check out Aberdeen Centre and a significant number of security officials were with Harper.

Federal Liberal leader Justin Trudeau visited the Chinese new year celebration there last year.

— With files Frank Luba, The Province

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