

Can LNG and hydro projects jolt these B.C. ghost towns back to life?

Kitsault and Anyox have lain empty for decades, but owners believe power projects could revitalize them

BY NICK EAGLAND, THE PROVINCE SEPTEMBER 27, 2015



The abandoned mining town of Kitsault, B.C.

Photograph by: Submitted , LandQuest Realty

Two neighbouring ghost towns, both failed by the 20th-century mining industry in northwest B.C., could be on the brink of new life thanks to monster power projects helmed by a pair of dreamers.

The town of Kitsault, about 115 kilometres northwest of Terrace, was a molybdenum mining community for three years until the market crashed in 1982 and its 1,200 residents abandoned it almost overnight.

Some 28 nautical kilometres down Observation Inlet is Anyox, the site of a once-booming copper mine powered by its own hydroelectric dam until both operations were shuttered in 1935, leaving the town's 3,000 residents with little reason to stay.

For more than a decade, two businessmen have been fighting to revitalize the towns.

One has plans for a floating liquefied natural gas terminal in Kitsault, while the other is rehabilitating two hydroelectric dams meant to power LNG projects.

While natural gas prices slump and Asian demand for LNG is in question, both men are banking on long-term returns.

LNG PROPOSAL IN KITSALT

For nearly 33 years, Kitsault's 90 family homes, 150 condo units, hospital, grocery store, pub, curling rink and shopping mall have sat virtually untouched, like museum pieces from the early '80s.

The town's lights, powered by B.C. Hydro, remain turned on for those who visit but, aside from a pair of caretakers who mow its lawns and maintain its buildings, no one has called Kitsault home since 1983.

In 2005, Krishnan Suthanthiran, a Virginia multimillionaire and philanthropist who built an empire on medical equipment, bought Kitsault from U.S. mining company Phelps Dodge for \$7 million.

Suthanthiran set out to build a community he calls "Chandra Krishna Kitsault," envisioned as a haven for the globe's top artists and scientists.

But somewhere along the way — and while he spent an estimated \$25 million on upgrades and upkeep — his focus shifted.

In early 2013, Suthanthiran announced a plan to build a floating LNG terminal and establish a deepwater port in Observation Inlet. Later that year he began travelling to Asia to pitch his ambitious Kitsault Energy project, estimated to cost investors \$20 to 30 billion.

"We have a project that's better located, cheaper, and we will be the low-cost producer of LNG out of northwest B.C.," Suthanthiran told the Sunday Province by phone during a recent business trip to Beijing.

Suthanthiran declared the project ready to go with a final investment decision made this year, which generally means a company has addressed fiscal, legal, regulatory, technical, engineering and community-related issues around a project, though he declined to give details about the "many stakeholders" involved.

The firm's export licence application to move 20 million metric tonnes of LNG per year (MMTPA) for 20 years is currently under review by the National Energy Board.

However, environmental assessments haven't yet been conducted and deals with local First Nations haven't been reached.

Also, the firm doesn't have its own pipeline, but Suthanthiran hopes to reach an agreement with Spectra Energy or TransCanada, which both have agreements for pipeline construction with the local Nisga'a Lisims government.

"We would like to use one of them and one of their permits, and then work with the Nisga'a and other First Nations," said Suthanthiran, adding he's met several times with local First Nations to discuss his plan. (Requests for interviews with Nisga'a Lisims government officials weren't returned by deadline.)

Kitsault Energy is one of 20 proposed LNG projects in B.C., and while slumping LNG prices have raised concerns about their future, Suthanthiran said he's staying the course. He hopes construction of Kitsault Energy will begin by the end of 2016 and first shipments will be made in 2018.

In preparation, he plans to restore and upgrade the town's homes, replacing their moss-covered roofs, so workers will have a home that's a cut above typical LNG camps.

How long it could actually take for everything to come together doesn't seem to worry him.

"I'm a long-term investor and I don't really look at that," Suthanthiran said. "It's not about making profit ... and whatever we do, we need to benefit the community."

ELECTRICITY IN ANYOX

Massive amounts of electricity will be needed to power LNG projects.

Jeff Wolrige, CEO of Anyox Hyrdo Electric Corp., thinks he has the solution with a "world-class, port-capable piece of real estate."

Wolrige and his partners now own close to 2,500 acres of property around the abandoned mining town of Anyox, where his firm is currently rehabilitating two dams that are capable of producing some 45 megawatts of power.

A restored 35-megawatt Anyox Dam could "basically light up the north" with enough power for Terrace, Prince Rupert and Smithers, along with another smaller dam the company owns at the mouth of Kitsault Lake, Wolrige said.

Suthanthiran said Kitsault Energy plans to draw power from its own hydroelectric and wind sources, but Wolrige hopes LNG projects in the region will call upon Anyox when the time comes to power up.

“The stars truly have to align,” he said. “The financing is cheap now and relatively available, but ... there’s not a lot of economic activity right now because of the world’s depressed oil and gas prices.”

Still, Wolrige remains confident that someday Anyox will be home to a thriving hydroelectric power project. Like Suthanthiran, he’s willing to be patient.

“Anybody who tells you they’re going to have it up and going by 2018 — that is a real stretch,” he said of LNG projects in the region.

“I think what you have to look at is they’re long-term plays.”

LNG FRONT-RUNNERS

James Tansey, a professor with the University of B.C.’s Sauder School of Business, said that while smaller LNG projects have a chance for success, “it’s the big ones that are going to make it across the line” from among the 20 that are proposed in B.C.

“The general consensus is, at most, three to four projects — and all are likely to be the larger ones — will make it through to a final investment decision,” Tansey said.

“Probably the most advanced one,” he said, is Petronas’s Pacific NorthWest LNG, an 18 million metric tons per annum (MMPTA) export facility in the District of Port Edward.

“They control the full supply chain, so they’re really selling to themselves,” Tansey said, adding he isn’t sure how Kitsault Energy’s larger 20-MMPTA project will fare.

Royal Dutch Shell’s Canada LNG project in Kitimat (24 MMPTA) and BG Group’s Prince Rupert LNG (21 MMPTA) are two other “significant players,” Tansey said, though a merger of the two companies has left the fate of both projects in jeopardy.

As for how LNG projects will be powered, Tansey said there’s no technical reason why an independent producer couldn’t deliver the energy. Most producers use natural gas to power turbines to drive compression, Tansey said, but some projects, including the smaller Woodfibre LNG in Squamish (2.1 MMPTA), are considering electric drives.

“From a pricing perspective, the provincial government will charge a carbon tax on any natural gas use,” said Tansey, “so if they can access electricity more cheaply and avoid the carbon tax, that might play into the economics.”

FROZEN IN TIME

Take a stroll through Kitsault's streets, lined with trimmed trees and freshly mowed lawns, and you might forget no one's lived there since 1983.

"It's eerie," said Rob Bryce, program co-ordinator for the University of Northern B.C.'s experiential tourism program, which runs a tour of remote ghost towns in northwest B.C.

"You just expect people to be there and expect them to be coming out."

Last month, Kitsault's caretakers granted a UNBC tour group access to virtually every building in town through a special arrangement with the university.

A pair of documentary filmmakers from Calgary who were on the tour described the abandoned mining community as the perfect set for a "zombie town."

Bryce and the group were surprised to have free rein in the hospital, where they found full IV bags and medical equipment sitting virtually untouched.

"Knowing it was just our group, the 11 of us, walking down the streets of these subdivisions — the grass is mowed, but there's moss on the roofs and driveways and steps — it's just a surreal feeling," he said.

They visited the town's laundromat, post office and sports equipment store, and found a full hot tub and swimming pool.

"I just can't think of all the effort that went into keeping the place like it is," said Bryce.

"I mean, you're looking at old racquetball courts and movie theatres, the curling rink and the pub, and you're going into the Royal Bank and you're walking in the bank vaults, and the tills still work in the grocery store."

The tour group slept in apartments with "harvest gold" appliances and decor that was "exactly how everything looked when I grew up," Bryce said with a chuckle.

"It really is a modern-day ghost town because it's not like one of our early-1900s ones. It's a 1980s ghost town."

UNBC's five-night, \$3,600 tours carry 10 adventure-seekers on a pair of jet boats into five of B.C.'s most eerie and isolated spots, which include Alice Arm, Anyox, Dorreen, Port Essington and Kitsault. Bryce, whose last two tours sold out, hopes to run two trips in 2016.

GHOSTS GALORE

B.C. is home to hundreds of ghost towns. In many of them, buildings still stand, like time capsules of decades past.

- **Cassiar:** An asbestos-mining town in northern B.C., Cassiar had its own Catholic church and arena. Most of its buildings were bulldozed to the ground after it closed in 1992, but several still stand.
- **Sandon:** This abandoned Kootenay mineral-mining town once boasted a city hall and opera house but flooding ravaged the town and it was closed in 1962, though it has gained a handful of residents since then.
- **Bradian:** A former suburb of gold-mining town Bralorne, Bradian was abandoned in 1971. It's currently on the market — with 22 houses still standing — for \$1.2 million.

A TASTE OF 1983

Following are a few pop-culture milestones and news events that made headlines back in 1983, the last time anybody actually lived in Kitsault.

- The original Star Wars trilogy concluded with Episode VI: Return of the Jedi.
- The Police topped Billboard's singles chart with Every Breath You Take.
- More than 125 million tuned in to watch the final episode of M*A*S*H.
- The Space Shuttle Challenger made its maiden flight.
- Sony released the first consumer camcorder.
- McDonald's released the Chicken McNugget.
- Michael Jackson's Thriller music video made its debut on MTV.

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