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The LNG Man Cometh

Krish Suthanthiran's journey from India to Kitsault James Waterman

If Krish Suthanthiran has taken an unconventional path into the Canadian oil and gas industry, perhaps it is only because he was meant to be closely tied to its unconventional resources.

With British Columbia and Alberta sitting atop a wealth of shale gas waiting to be unlocked by methods known as horizontal drilling and hydraulic fracturing, industry and government are scrambling to take advantage of high natural gas prices in Asian markets by building pipelines and facilities that would allow the export of western Canadian natural gas to those countries as liquefied natural gas (LNG).

Although Suthanthiran isn't an experienced oil and gas player, he recognizes the opportunity that exists with LNG, which is why he has purchased the industry ghost town of Kitsault, B.C. with the intention of partnering with energy sector companies to turn the coastal village into an LNG export hub.

"My life from childhood had many twists and turns," said Suthanthiran. Born in India, the young Suthanthiran was a bright child who eventually felt drawn to the universities of North America – despite lacking the financial wherewithal to make that leap – because of the example set by a friend and classmate who had traveled to the United States to study at the University of California in Berkeley.

"Having watched him for a couple of months, I decided to try my luck,

but I had no money,” said Suthanthiran, adding that “money was not a problem” for his friend, as he had come from a wealthy family.

Suthanthiran’s friend had also studied at an English school and his family conversed in English at home.

“He was very smart,” said Suthanthiran. “And much more fluent in English than most in our class. My English was not that good.”

Suthanthiran’s fortunes began to change with newfound connections to Carleton University in Ottawa, Ontario during his college days. A classmate had relatives who were studying at that school and he also met one of its professors at his own school in 1968. That inspired him to apply to the mechanical and aerospace engineering program at Carleton.

Suthanthiran was accepted into the program, but without a scholarship that future was still in doubt. Although he was able to get a student visa, he didn’t have the airfare to fly from India to Ottawa, let alone the necessary funds to pay his tuition. So, he took his story – and his exemplary school and college records – to a local bank manager who offered a loan of 10,000 Indian Rupees, which was about \$1,250 Canadian at the time.

Suthanthiran was soon on his way to Canada.

“I arrived around September 7, 1969,” he said, recalling that it was cool and rainy that day.

Suthanthiran was able to rent a room near the university, barely managing to scrape by with his loan and the earnings from a dishwashing job at a cafeteria.

“One dollar an hour.”

However, it wasn’t long until Suthanthiran secured a position as a research assistant under Richard Kind.

“He and his wife were very kind to me,” he said. “I am still in touch with them. And his son is working for me in our Vancouver office.”

Suthanthiran has also established a scholarship in Kind’s name at Carleton University, as well as two other scholarships in honour of chairmen of the mechanical and aerospace engineering department who were an important part of his life during his university days.

“I am still in touch with the university and its president,” said Suthanthiran, who has also contributed to purchasing new equipment

for his old department.

Still, it was a difficult transition to Canadian life for Suthanthiran.

“A rough beginning,” he said. “I was trying to understand the English language [and] the Canadian slang. Extremely cold winters. Lots of snow.”

It was something of a culture shock, but one made easier through the summer months by the fact that so much of the Carleton campus is connected by underground walkways.

“Slowly,” he continued, “I got used to drinking coffee multiple times a day. Drinking beer. Eating pizza. ... For nearly 18 months, every day, my dinner was cheese pizza with banana peppers delivered to the campus.”

His early days in Canada offered a few embarrassing moments, too.

“One day,” he recalled, “I went to the library.”

Trying to ask the librarian when the book should be returned, his still poor English caused him to make an unfortunate mistake.

“I said, ‘Can I have a date?’ And she freaked out and decided to call security. And I was a nervous wreck, worried they were going to kick me out of the university.”

Suthanthiran survived those early troubles to complete the course requirements of his program in December of 1970 and finish his thesis in 1971.

“I began to search for work,” he said, noting that Canada and the United States were suffering a recession at the time and unemployment was high.

“Professor Kind gave me a six month assignment at \$500 per month, which expired at the end of June or July 1971, and I still did not have a job,” he added.

“Having lost my father to cancer, I began to think about medical school and was attracted to McMaster University.”

Suthanthiran began enrolling in the required biology and chemistry courses at the University of Toronto to pave the way for admission to McMaster, but, as a lifelong vegetarian, he found it difficult to perform the dissections that were necessary to complete the biology classes. He was looking for opportunities again.

During the winter of 1972, he spent time with a friend who was a

doctoral student in computer science at the University of Waterloo. He grew to like the campus and so chose to pursue a doctorate in mechanical engineering at that university beginning in the fall of 1972. Before beginning those studies, however, Suthanthiran took his first journey into the United States with stops in Detroit, Cleveland, Pittsburgh and Washington, D.C., arriving at that final destination just days after the Watergate burglary.

“I began my sightseeing tours and fell in love with the beauty [and] historical and global significance of D.C .”

His original plan was to spend two days in the U.S. capital before moving on to New York, but he soon decided to prolong his stay in order to look for a job.

“One of the oncologists in a local hospital was looking for an engineer to design instruments for cancer treatment and research,” said Suthanthiran. “I got the job and began my career in Washington D.C.” His home for the first few months was a bunk bed at a hostel just a few blocks from the White House.

“Walked to work every day and had no car for almost a year,” he said. That was the end of his plan to study at the University of Waterloo, but the beginning of his career in the oncology field.

Sunthanthiran has tried his hand at a few business ventures outside of that arena – even restaurants – since starting as an engineer at that Washington, D.C. hospital in 1972, but the only real success to date has been Best Medical International, which he launched in 1977, just prior to leaving the hospital in 1978.

As the company really started to thrive in the eighties, he also began investing in real estate.

“Since I never had much luck with the stock market,” he said.

The ups and downs experienced by the company over the years, along with the constant technological changes in the medical industry, inspired Suthanthiran to diversify.

“I began to contemplate expanding in 2004 and started to purchase other companies,” he said.

He bought Kitsault in January of 2005.

“Sight unseen,” he said.

It all began during a conference Suthanthiran attended in Halifax, Nova Scotia in September of 2004.

During his trip to the east coast, he just happened to pick up a newspaper on a Monday morning to see a front page story about Kitsault.

“And it was for sale,” he said.

His first visit to Kitsault was in February of 2005.

“It snowed heavily. It was a beautiful sight,” he said.

“In spite of the heavy snow,” he continued, “it did not feel very cold. And it was pleasant outside when the snow stopped.”

Kitsault was purposefully built as a mining town and it was home to about 1,200 employees at the peak of operations.

“Many still contact us and express their fondness for the town, including the kids who grew up there. Kitsault brings many fond memories to all of them,” said Suthanthiran.

“Since I purchased Kitsault in 2005,” he added, “it has gathered a great deal of publicity, interest and excitement. In India, every, daily, weekly [and] monthly journal, newspaper, and magazine, in every language, has written it up. ... I probably get a few emails from those interested in buying a home or moving to work there every week. Prior to my purchase, no one knew [much] about it.”

Suthanthiran’s goal from the beginning has been to bring economic activity back to Kitsault. An idea began to emerge last fall when he was looking at the growing natural gas exploration and production activity in northeast B.C. and the Kitimat Clean plan to construct an oil refinery in Kitimat.

“During the Christmas break,” he recalled, “one of [my] staff contacted me about the news about the LNG plans for northwest B.C. I requested [that he] send me all the news articles about it.”

Suthanthiran was in Atlanta, Georgia on a business trip at the time.

“As I began to read,” he continued, “I got very interested and wanted to read everything about it.”

He even spent a rainy New Year’s Eve in his hotel room learning all he could about B.C. natural gas and the burgeoning LNG industry.

“As I read the articles, the one about Spectra Energy stuck with me,” said Suthanthiran.

It was because their proposed pipeline to Prince Rupert as part of their LNG-based partnership with BG Group was likely to pass Kitsault. If that pipeline was expected to exist regardless, it could potentially cut the cost of establishing an LNG export terminal at Kitsault.

“I began to contemplate the use of Kitsault as an energy hub and [creating] a dedicated energy corridor and export terminal,” he continued. “So, I talked to my legal team about forming Kitsault Energy as a company in Canada and issued the first press release on January 8 from Ottawa. And had a press conference in Ottawa on the same day.

“Everyone at the press conference was very excited and thought it makes a lot of sense.”

Suthanthiran and his team – which would eventually include Dave Pernarowski, mayor of Terrace – has been promoting the concept at conferences throughout North America, as well as discussing the possibilities with governments, potential investors and major oil and gas industry players.

“Three months ago,” he said, “we began to lay out a multiphase plan that may cost as little as \$5 billion for phase one [and up] to \$35 billion for all of the phases, taking three to seven years to complete.” The first phase is a pipeline and a floating LNG facility.

“We could complete this phase in three years,” he added, noting that the export capacity of the first phase could be up to 5 million tonnes of LNG per year.

Subsequent phases would include construction of a land-based liquefaction and export facility.

“What does all this mean to Canada, B.C., Alberta and Saskatchewan?” Suthanthiran asked.

“[This] is a huge opportunity to export the natural gas from these provinces, create nearly a million new jobs by the end of the next decade, balance the budget, improve education, healthcare and job training, and help the First Nations enjoy the benefits.”

Suthanthiran believes Canada needs to experience those rewards.

“Majority of the provinces in Canada and the federal government are [experiencing] a deficit budget,” he explained. “And the cumulative

budget deficits of some provinces are approaching 200 percent of GDP. Canadian manufacturing is declining. Just last month, Canada lost almost six per cent of jobs in manufacturing, while it had robust growth in the service sector, construction and real estate.

“Canada, the provinces and the energy industries are losing, on the average, \$35 billion in annual revenue ... because they are selling the oil at a discounted price [and] do not have the pipeline capacity to export. Also, Canada's export of natural gas to the U.S. has declined by 50 per cent during the past five years. And, in a few years, the U.S. will not need any Canadian oil or natural gas for domestic use.” Suthanthiran predicts a 25 per cent decline in manufacturing jobs in Canada by the end of the decade, noting that automotive industry jobs have already declined by 50,000 since 2008, while investment in that sector has also been reduced significantly.

“However, during the next three decades, B.C. will add nearly one million or more new jobs and a \$1 trillion investment in the economy, spurred by the natural gas industry, and along with the growth of Alberta oil production.

“This is great for B.C.,” he said.

“And Kitsault.”

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