KANATA Energy: Creating alignment for growth

The oil and gas industry is commonly categorized and identified by the three energy markets of upstream, downstream and midstream. In its simplest terms, midstream can be described as the part of the process which involves the gathering and processing of the raw natural gas and its liquid components. Midstream is all about taking the natural gas retrieved in the upstream sector and treating it so it can be safely used in consumers' homes or transported to the downstream markets (like petrochemicals) so that it can be turned into various finished products.

Before **Kevin Cumming** hatched KANATA Energy, a midstream infrastructure and service company sponsored by a group of leading investors including ARC Financial, Energy Spectrum Capital and Teachers' Private Capital, he was the President of ATCO Midstream, and when he left ATCO, he had a different vision for a midstream company. It was through a meeting at a golf tournament where ARC expressed an interest in getting into the midstream business once again, as they were previously, and Mr. Cumming was interested in a start-up.

"I really liked their approach. They helped support me with a plan to start up a midstream company. The amount of money we raised was $335 million of committed equity. ARC, Teachers' Private Capital and Energy Spectrum were really important for us."

"I observed a few things: we continue to lag, in Canada, the penetration that midstream gets in the U.S. versus Canada. The penetration just wasn't the same," he said. "One of the things that got me going was 'what's different about them that they can attain these assets and control them?' I wanted to bring that model into Canada. Another thing that I thought our industry lacked was a real focus on customer service. That's a big focus we have. We really look at serving our customers any way we can and ensure their business is as successful as it can be. We're problem solvers with great knowledge and experience."

Mr. Cumming added that the U.S. is rapid in their deployment of assets, have a strong attention to detail, and aren't afraid to take risks – things that aren't typically seen up in Canada. What KANATA is trying to accomplish is a more risk-taking model, because with risk, comes reward.

KANATA has operations in two areas: Northeast British Columbia, where there is a gas refrigeration plant with UGR Blair Creek Ltd., and the other is just south of Grand Prairie, Alta., in Simonette, with Cequence Energy.

"In Simonette, we have 50-50 joint venture (with Cequence). We think it will resonate well with customers. It's important for our customers that we take a flexible approach. These deals are both very different. We don't just have one idea here that we want to push on everybody. We want to sit down, talk with our customers and find out what works for them and create the appropriate partnership that will work going forward,

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which is very open-minded and creative," Mr. Cumming stated, mentioning that transparency is another thing that KANATA is focused on with regards to their customers.

With UGR, they had a need for a refrigeration plant in northeast B.C., and they needed it quick. KANATA jumped on it immediately. From the time they got official kick off to the plant in place and running was 11 months. Which was a very rapid deployment. It was under budget, too, which was very important. Make sure you do things for the price you're going to do it or better, Mr. Cumming said.

In KANATA's business plan, they're looking for areas that have a fair amount of resources in them and the ability to scale up their assets. "In the areas we're in, there's an incredible amount of resources. That allows us to grow as the area develops. There's a lot of scalability in the Simonette area, too."

Mr. Cumming felt that a niche for small midstream start-ups was important, and part of the initial business plan. "We felt that the projects in the $30-150 million range, especially at the lower end, I'm not saying fly under the radar, because they don't, but as you get to be a bigger company, a $30 million dollar project doesn't really move the needle for the company," he mentioned, adding that there are lots of midstream companies starting up, which is good because competition keeps people on their toes.