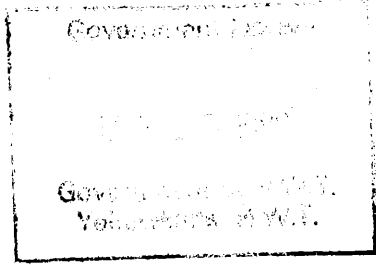


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DIRECT EVIDENCE

OF

THE HONOURABLE NELLIE J. COURNOYEA,

MINISTER OF ENERGY, MINES AND PETROLEUM RESOURCES,

REPRESENTING

THE GOVERNMENT OF THE NORTHWEST TERRITORIES

WITH RESPECT TO THE

APPLICATIONS FOR GAS EXPORT LICENCES

FOR BEAUFORT - DELTA GAS RESERVES

SUBMITTED BY ESSO, SHELL AND GULF

MARCH 1989



1 **DIRECT EVIDENCE OF THE HONOURABLE NELLIE J. COURNOYEA,**
2 **MINISTER OF ENERGY, MINES AND PETROLEUM RESOURCES,**
3 **REPRESENTING**
4 **THE GOVERNMENT OF THE NORTHWEST TERRITORIES**
5
6
7
8

9 The Government of the Northwest Territories supports the
10 Applications for Export Licences.

11
12 The Government of the Northwest Territories supports the
13 applications for Export Licences submitted by Esso, Shell and Gulf.
14 This support is based on our assessment that the development of
15 Mackenzie-Delta gas reserves will result in:

- 16
17 • northern energy benefits,
18 • northern economic development benefits and
19 • northern resource revenues and fiscal benefits.
20

21 The Government of the Northwest Territories' assessment of these
22 applications is also based on our expectation that in the next few
23 years prior to production and transportation applications:

- 24
25 • the Dene-Metis will have reached a Final Land Claims Agreement
26 with the Government of Canada and;
27 • the Government of the Northwest Territories will have reached a
28 complete Agreement on a Northern Energy Accord with the
29 Government of Canada.
30

31 My Cabinet colleagues and I realize that an Application for an Export
32 Licence is the first step of many needed to finalize a complex set of
33 industry arrangements and government approvals. However, even at
34 this early date, it is not too soon for northerners to identify their
35 objectives and for the industry sponsors to better understand our
36 requirements.

1 The presentation of the Government of the Northwest Territories
2 reflects our understanding of the northern concerns that have been
3 expressed about these applications. It is most important for the
4 Board members and for the industry to gain general understanding of
5 the communities and residents of the Northwest Territories as
6 development issues for the 1990's are considered.

7
8 **The Northwest Territories has changed in the last 10 years**

9
10 The last National Energy Board hearing related to oil and gas activity
11 in the Western Arctic was for the Norman Wells Pipeline in the fall
12 of 1980. Prior to that review, the National Energy Board examined
13 pipeline proposals for the transportation of Delta gas.

14
15 I think that it is important for the representatives of the companies
16 interested in these applications, for the federal regulators who will
17 make the decisions about these applications, and for other
18 interested parties, to understand some of the changes that have
19 taken place since we discussed Delta gas production and pipelines
20 almost 15 years ago.

21
22 Aboriginal claims are being settled. The Inuvialuit Claim in the
23 Western Arctic has been settled and implemented. The Inuvialuit
24 Final Agreement established environmental screening and review
25 mechanisms, wildlife management authorities and ensured that the
26 Inuvialuit have opportunities to participate in regional economic
27 development. The implementation of this claim has provided an
28 example of the stability and aboriginal involvement that results
29 from a settlement and thus has acted as an incentive for other
30 aboriginal groups to join in the economic development of the North
31 as powerful and financially endowed players.

32
33 The Dene-Metis have reached an Agreement-in-Principle with the
34 federal government and have targetted 1991 for a Final Agreement.
35 The Tungavik Federation of Nunavut expect to have an Agreement-in-
36 Principle for their Eastern Arctic claim later this year.

1 Many of these unresolved aboriginal issues were identified in the
2 Berger Report of 1977. Many of these issues are now being resolved
3 with the settlement of claims that define the nature of aboriginal
4 ownership and control of northern lands and resources.

5
6 Aboriginal peoples now have strong business interests in oil and gas
7 activity. Both the Inuvialuit and the Dene-Metis own and operate
8 successful northern drilling rigs. The community of Fort Good Hope
9 manages a gravity seismic company. Northerners are very active
10 partners in exploration programs. This winter Esso Resources
11 completed a \$19 million well program at Nipterk in the Beaufort
12 offshore. \$9 million was spent in the region. Half of the project
13 workforce were northerners from Tuk, Inuvik, Fort McPherson, and
14 Aklavik. The Inuvialuit own oil and gas resources as a result of
15 their settlement. In fact, some of their resources are included in
16 the Export Volumes. The Dene-Metis, through their claim, will share
17 in government resource revenues from their Settlement Area.

18
19 Many changes have taken place in northern communities in the last
20 decade. For the most part, strong municipal governments with a
21 trained local administration operate the typical range of community
22 services. Communities have better schools, better recreational
23 facilities, better housing and greatly improved access to government
24 programs and services. These changes have not come quickly, have
25 cost millions of dollars and are far from finished. We are proud of
26 these accomplishments and look forward to the continued
27 achievements of our communities.

28
29 The Government of the Northwest Territories has also matured in 10
30 years. A fully elected Cabinet is now responsible for an extensive
31 range of government services. We develop and implement innovative
32 northern programs in such fields as wildlife management and
33 language development. We are involved in supporting northern views
34 on constitutional and aboriginal matters and we operate the day-to-
35 day administration of typical provincial government services from
36 health and social services to education and highways. Our

1 Government recently purchased the Northern Canada Power
2 Commission, which is a Crown corporation responsible for the
3 generation, transmission and distribution of power in most northern
4 communities. Last year our Government took over the responsibility
5 for delivery of health services and assumed control of forestry
6 management. The only major responsibilities now remaining to be
7 transferred from the Department of Indian and Northern Affairs are
8 the management authorities for land, minerals and petroleum
9 resources.

10
11 While much about the North has changed during the last 10 years,
12 northern concerns about development and its impacts have remained
13 constant. Our residents expect meaningful involvement in the
14 economic benefits, maximum protection of the environment,
15 safeguarding of their aboriginal interests, assistance with the
16 community and social programs. They expect that their politicians
17 and governments have the authority and accountability for resource
18 decisions. The extent to which these objectives are realized in any
19 oil and gas program is directly related to the level of northern
20 support for that activity.

21
22 **Opportunities for Energy Benefits**
23

24 Today for these hearings, the discussion is about the export of
25 natural gas. But for those of us who live here in Beaufort and
26 Mackenzie Valley communities, our discussions are not just about
27 the development of a new source of natural gas for the American
28 and southern Canadian markets.

29
30 Northerners understand that a large southern demand is essential for
31 the development of these reserves. Provincial and federal
32 governments over the last few years have deregulated the pricing of
33 natural gas. Natural gas prices are now freely negotiated in
34 commercial contracts between buyers and sellers. This market-
35 oriented environment is helping to create new market opportunities
36 for northern gas.

1 Delta gas development must result in new commercial ventures that
2 will respond to northern energy needs. Many interests are already
3 considering various proposals. The NWT Power Corporation has an
4 important potential role in its capacity as a buyer of natural gas or
5 as a supplier of electricity to pipeline operations. The Inuvialuit
6 Development Corporation is examining opportunities for marketing
7 propane and butane to Beaufort Mackenzie Delta communities.

8
9 The Government expects that a variety of northern purchase
10 contracts can and will be negotiated. It is obviously in the
11 producers' interests to deal reasonably with the energy needs of the
12 Western Arctic and Beaufort communities, whose lands and
13 environment will be impacted during the construction and operation
14 of a major gas pipeline. Northern consumption will represent only a
15 tiny percentage of the proposed export volumes of 9 trillion cubic
16 feet and an even smaller percentage of the estimated 66 trillion
17 cubic feet of natural gas in the region.

18
19 Because the American purchase contracts are not available at this
20 time, the National Energy Board's complaint procedure cannot be
21 fully applied. Northern buyers need to be sure that they have access
22 to this supply of natural gas and the eventual pipeline and that they
23 have received fair contract treatment. The Government of the
24 Northwest Territories therefore requests that the Export Licences
25 be conditional upon a later review by the Board of the actual
26 American purchase contracts. The Government of the Northwest
27 Territories is interested in seeing that the anticipated northern
28 purchase contracts are realized by that time.

29
30 Northerners expect that the NWT purchase price will not include the
31 transportation costs of the main pipeline. It will not be the gas
32 purchase costs that negatively affect the feasibility of natural gas
33 supply. The cost associated with local delivery is usually the major
34 problem facing the development of small commercial distribution
35 companies. Some communities, such as Inuvik, have a large enough

1 population and will be close enough to the main pipeline to ensure
2 the feasibility of their use of natural gas.

3
4 Sponsors of previous northern gas pipeline proposals made
5 commitments to assist with the construction and operation of
6 lateral pipelines to northern communities near the right-of-way.
7 Government agencies are also able to provide management and
8 financial assistance to local distribution companies. For example,
9 the Inuvialuit Development Corporation had gained the approval of a
10 \$9 million interest free loan from the Native Economic Development
11 Fund for a proposed local gas development project. These kind of
12 efforts obviously improve the feasibility of northern energy
13 opportunities.

14
15 The Government of the Northwest Territories will be working with
16 the other interested parties, such as NWT communities and
17 potential local distribution companies, and with the project
18 proponents over the next few years to identify the key energy
19 opportunities, to clarify our expectations for support and to assist
20 in the implementation of these proposals as the project proceeds.

21
22 One of the elements in the regulation of natural gas is the role of
23 the Public Utilities Board. Recently, the Legislative Assembly
24 passed new and stronger legislation to replace the Public Utilities
25 Act. Under the new Act, the Public Utilities Board has the authority
26 to approve the rates charged by local distribution companies. This
27 will include reviewing the cost of the product purchased from the
28 producers. The new Act strengthens the Board's ability to properly
29 regulate utility pricing in the NWT.

30 31 **Northern Planning and Preparations**

32
33 Over the last 10 years, northerners have experienced all phases of
34 the industry activity - exploration, development and production - on
35 and offshore. In addition to the extremely active drilling seasons of
36 the early 1980's, northerners have felt the downturn in activities

1 during the last few years. The Norman Wells Oilfield has been
2 developed and Inter-Provincial Pipelines is operating an oil pipeline
3 from Norman Wells to Zama, Alberta. People in the Western Arctic
4 and Beaufort regions are familiar with the challenges and impacts of
5 oil and gas programs. We are ready to take advantage of the
6 opportunities associated with major development.

7
8 Since the Berger report of 1977, which recommended a 10 year
9 moratorium, many more studies on every facet of northern life have
10 been undertaken and many recommendations reviewed and
11 implemented.

12
13 The Beaufort Sea Environmental Assessment Panel undertook a 4
14 year review to consider the effects of oil and gas activity and made
15 many recommendations for better management of development.

16
17 Major Land Use Planning exercises have now started in the Beaufort-
18 Delta and Mackenzie Valley regions.

19
20 The federal government supported a 4 year series of more than 40
21 preparatory projects within 8 territorial departments - called the
22 Northern Oil and Gas Action Program or NOGAP. These projects
23 examined topics, such as infrastructure requirements, business
24 development and training, renewable resource interests and growth
25 management strategies.

26
27 The various exploration companies with northern interests, through
28 levies on their acreage, supported an Environmental Studies
29 Revolving Fund. The Fund supervised numerous studies on relevant
30 social, economic and environmental issues.

31
32 Arctic College has been recently established to manage the delivery
33 of post-secondary education in the Northwest Territories. The new
34 Aurora Campus in Inuvik has 97 fulltime students enrolled in 10
35 separate diploma and certificate programs. In addition, an off-

1 campus program was run in association with the Chevron exploration
2 program at Fort Good Hope.

3
4 Our Departments of Renewable Resources and Energy Mines and
5 Petroleum Resources have been working together to consider ways
6 to reduce duplication and better coordinate the activities of
7 numerous regulatory agencies - especially in relation to major
8 projects. An initial workshop with all the affected parties is
9 scheduled for April of this year.

10
11 The Norman Wells project has provided northerners with some
12 valuable lessons about production and transportation activities. For
13 the next project, the land and water management mechanisms
14 established in the lands claims settlements, will go a long way to
15 resolving people's concerns about environmental planning and
16 protection. Similarly, a northern benefits mechanism, managed by
17 northerners, will be essential for project support.

18
19 Northern residents are working to reduce the negative impacts and
20 the social disruption associated with rapidly growing and changing
21 communities. Over the last 10 years, we have demonstrated that
22 good community-industry relations can be developed. The
23 Government of the Northwest Territories has supported community-
24 industry programs through organizations like the Development
25 Impact Zones groups. Communities and companies are able to work
26 together on issues such as, choosing camp locations, compensating
27 trappers, and organizing successful recruitment and orientation
28 programs.

29
30 Training northerners and responding to the infrastructure needs of
31 rapidly growing communities are still top priorities but costly
32 challenges for government and industry. Northerners want to take
33 better advantage of the long term opportunities for economic
34 development and not just participate in the short term construction
35 boom.

36

1 Governments and industry need to make better use of the lead time
2 for major projects. Special funding arrangements must be
3 established to provide the additional programs, services and
4 infrastructure required to respond to the impacts of gas
5 development. The Government of the Northwest Territories cannot
6 provide these impact funds on its own. For the Norman Wells
7 project, the impact funding was too little and too late. Fiscal
8 arrangements must be in place well before construction activity so
9 that the programs and services can be developed and implemented,
10 when they are required, not after the fact.

11
12 Most importantly, for northerners, successful programs depend not
13 only on geology, markets and technology, but on productive and
14 cooperative working relationships among the industry partners, the
15 affected communities and the related government agencies.

16
17 Northerners do not intend to rely totally on nonrenewable resource
18 development. There are other economic development initiatives at
19 work in the regions. Tourism and the development of a country foods
20 industry are examples of special efforts in the Beaufort Delta
21 region. Northern interests are now involved with many service
22 sector companies. Airlines, transportation and grocery companies
23 are now northern owned and operated. These businesses are not
24 dependent on oil and gas activity exclusively, but will be able to
25 benefit from increased markets and the expanded community
26 infrastructure resulting from growth.

27
28 The Government of the Northwest Territories and its citizens are
29 not naiive about the special demands for government and industry
30 programs and services that a major gas production and pipeline
31 project will create. But these development challenges are the ones
32 that we are prepared to face. Today, communities across the NWT
33 are struggling with unemployment, alcohol abuse and the whole
34 range of disruptive and negative community patterns and individual
35 behaviour. Our young people need the positive challenges of business
36 growth and employment options. We feel confident that, given the

1 opportunity, we can successfully manage the continuing changes in
2 our communities in a way that is to our benefit.

3 4 **Northern Accord**

5
6 Since the Carruthers Commission recommendations in the late
7 1960's, northerners have looked forward to the day when northern
8 governments would assume the provincial-type responsibilities for
9 northern resource management that were still in the control of the
10 federal government. In 1985, the Frontier Energy Policy confirmed
11 the federal government's willingness to establish shared
12 management arrangements for offshore areas and the Department of
13 Indian and Northern Affairs renewed its commitment to the
14 devolution of responsibilities for onshore management.

15
16 In September 1988, the Governments of Canada and the Northwest
17 Territories agreed on a framework to guide the future transfer of oil
18 and gas management responsibilities.

19
20 This initial agreement covers such responsibilities as:

- 21
- 22 • the disposition and administration of oil and gas rights;
 - 23 • the determination and administration of oil and gas resource
24 revenues, including royalties, bonus payments, rentals and licence
25 fees;
 - 26 • the regulation of oil and gas exploration, development and
27 production activities;
 - 28 • the management of Territorial benefits programs.

29
30 Through their claims, aboriginal organizations have interests as
31 important land owners, resource owners, and wildlife managers. Our
32 Government is working closely with the aboriginal organizations in
33 the development and implementation of the transfer in order to
34 strengthen northern oil and gas perspectives and be consistent with
35 aboriginal interests.

1 For the interim period, both governments have agreed to act within
2 the spirit of the initial agreement. A new department of Energy,
3 Mines and Petroleum Resources has been established by our
4 Government. This Department has the responsibility to lead the
5 Government's Accord work, manage our interim arrangements with
6 the federal agencies, and strengthen our ongoing relationships with
7 oil and gas companies. The Department is also leading the
8 government's planning and preparatory work for major gas
9 production and transportation.

10
11 The Northern Accord must be in place when this project requires
12 Production Licences. Northerners must manage this gas development
13 according to territorial legislation and policy covering the royalty
14 regime to provide fiscal benefits, exploration and production rights
15 and regulation, and northern benefits.

16
17 My Cabinet colleagues and I believe that the Dene-Metis will have
18 reached their objective for a Final Land Claims Agreement with the
19 Government of Canada by the time that pipeline applications and
20 approvals are required.

21
22 It is the Northern Accord and settled aboriginal claims that will
23 give aboriginal peoples and northern government the opportunities
24 and the resources for the first time to manage development to their
25 benefit. It is the Northern Accord and settled aboriginal claims that
26 will give the industry the stable investment climate and the public
27 encouragement needed to undertake major development.

28
29 My Cabinet colleagues know that the many pipeline issues are not
30 part of this hearing. But we also know that the granting of Export
31 Licences will stimulate the companies planning and preparations for
32 pipeline applications. The Government of the Northwest Territories
33 will support a transportation system, including a pipeline route,
34 that maximizes the benefits of development for its residents and
35 minimizes the environmental disruption. Benefits will include
36 optimizing pipeline access to territorial oil and gas reserves,

1 opportunities for employment, training and business development,
2 advantages for northern energy supply, incentives for infrastructure
3 development, such as a Mackenzie Valley Highway and a route that
4 allows for near term development of northern gas. Given these
5 factors, our Government favours a Mackenzie Valley pipeline route.

6
7 These Export Licences will be a first step, but an important step -
8 important because it signals the industry's renewed interest in
9 development and because northerners are indicating their readiness
10 for development.

Honourable Nellie J. Cournoyea

Member of the Legislative Assembly for Nunakput

Department Responsibilities:

**Energy, Mines and Petroleum Resources
Health, Public Works and Highways**

Other Responsibilities:

**NWT Public Utilities Board
Workers' Compensation Board**

Former Portfolios:

Renewable Resources, Information (1983-85)

Nellie Cournoyea has represented the Western Arctic riding of Nunakput since 1979.

Born in Aklavik in 1940, Ms. Cournoyea was educated through the Federal Aklavik Day School by Alberta correspondence courses. She worked at CBC Inuvik for nine years as an announcer and station manager. She also has been a land claims fieldworker for the Inuit Tapirisat of Canada (ITC) and was a founding member, and later administrator and land rights worker, of Committee for Original Peoples' Entitlement (COPE). She was the first managing director of the Inuvialuit Development Corporation after being part of the land rights negotiating team. For the past several years, Ms. Cournoyea has acted as implementation coordinator for the Inuvialuit Final Agreement and served on the Board of Directors of the Inuvialuit Petroleum Corporation, the Inuvialuit Development Corporation, and the Enrollment Authority and Arbitration Board.

In a volunteer capacity, Ms. Cournoyea served as the founding director of Ingamo Hall Friendship Centre and a founding member of the Northern Games Association. Recent volunteer commitments included work for the Inuvialuit Housing Corporation and the Historical and Cultural Committee. She received the NWT Native Women's Association's Woman of the Year Award (Politics) in 1982 and in 1986 was the first recipient of the Wallace Goose Award given by the Inuvialuit Regional Corporation.