



News Release

R(15)231105202

GNWT SUPPORTS THE MACKENZIE GAS PROJECT

YELLOWKNIFE (November 23, 2005) – Premier Joe Handley and Finance Minister Floyd Roland are offering strong encouragement to industry to proceed to the public hearings phase of the environmental assessment and regulatory process for the Mackenzie Gas Project. The Premier and Minister Roland sent a letter of support to the project proponents confirming the intentions of the Government of the Northwest Territories to develop a stable fiscal regime for the project.

“Considering the size of the investment – an estimated \$7 billion – it is understandable industry would want some level of assurance that governments are not going to change the rules substantially once the investment is made,” said Minister Roland. “This letter clearly communicates our intention to work with industry and the federal government to ensure the Mackenzie Gas Project (MGP) proceeds.”

Imperial Oil Resources Ventures Limited, as the lead proponent for the development of the MGP, has stated that progress on access and benefits agreements with Aboriginal organizations, and some assurances regarding the project’s fiscal regime, are required before making the decision to proceed to the public hearings phase of the regulatory process.

The GNWT continues to call on the federal government to address the related issue of resource royalty sharing. The federal government has a responsibility to ensure the people of the Northwest Territories will benefit fairly from revenues generated from this important project. This is a fundamental principle that the Prime Minister has recognized in other agreements such as the Newfoundland and Labrador and Nova Scotia Offshore Accords.

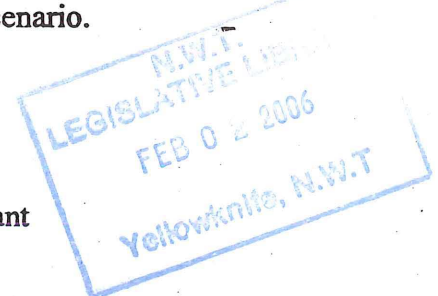
“A fair devolution and resource revenue sharing agreement with the federal government will bring Northerners the fiscal certainty required as we move ahead”, said Premier Handley, “It is critical the federal government recognize and address our situation and negotiate a fair agreement ensuring Northerners benefit from revenues generated from resource development in the Northwest Territories. In the meantime, we need to manage the areas we do control to ensure a secure economic future and an environmentally responsible project for northern people and governments.”

The federal and territorial governments exercise control over the royalty regime for the MGP, and discussions with between government and industry were initiated earlier this year. The GNWT’s letter to industry outlines the GNWT’s intention to work towards a memorandum of understanding regarding the current and post-devolution royalty regime for the project. Key to achieving this memorandum is the analysis of all potential fiscal scenarios for the MGP, including those in a post-devolution scenario.

For more information, contact:

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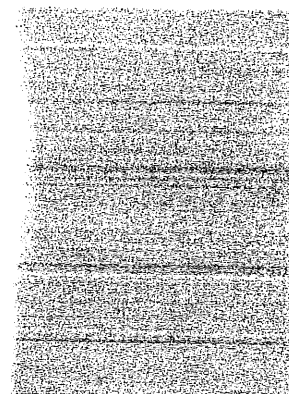
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Dear Sirs:

Mackenzie Gas Project Fiscal Assurances

As you know, the Government of the Northwest Territories (GNWT) has been meeting with your representatives to discuss ways the GNWT can increase certainty for your respective companies regarding the development of the Mackenzie Gas Project (MGP) in the Northwest Territories (NWT), as described in your Environmental Impact Statement filed with regulatory authorities.

The opening of the Mackenzie Delta and Valley to development has the potential to provide your companies with economic opportunities for years to come. However, the GNWT recognizes that there are additional risks associated with the initial, capital-intensive investment in a greenfield development such as the MGP.

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The GNWT also recognizes that the development of the Mackenzie Gas Project will provide substantial benefits for the NWT and Canada, providing potential adverse impacts are adequately mitigated. From the outset, including the creation of the Aboriginal Pipeline Group in 2000, the GNWT has been supportive of the MGP and has always taken a cooperative approach with your companies.

In the spirit of this cooperation and in consideration of the size of the investment and the associated risks, the GNWT recognizes the need to promote a stable and secure fiscal environment for the development and ongoing operations of the MGP. It is not the intention of the GNWT to introduce or support any new, targeted tax or royalty changes (post-devolution) that would negatively impact project economics for the MGP.

For the GNWT to follow through on these intentions, there are some unique factors that need to be considered. As you know, for northerners to fully realize the benefits of development, a fair deal on devolution of authority over lands and resources, and a resource revenue sharing agreement, is required between the government of Canada, the GNWT and NWT Aboriginal governments. In the absence of such an agreement, it is important that the GNWT understand the implications of any new arrangements that might be developed between Canada and your companies regarding the fiscal environment for the MGP.

However, based on the premise that information will be shared, and in the interests of offering your companies strong encouragement to proceed to the next phase of the regulatory process for the MGP, the GNWT can confirm its intention to develop the following principles in a memorandum of understanding to be developed over the coming months:

- 1) It is the intention of the GNWT to maintain a post-devolution royalty regime for the three anchor fields of the MGP that would not exceed the royalty burden of the regime as currently defined in the *Canadian Petroleum Resources Act*.
- 2) It is not the intention of the GNWT to increase property taxes with respect to the MGP's assets disproportionately to property taxes payable on similar properties in other regions of Canada.

- 3) It is not the intention of the GNWT to impose any other tax or fiscal measure that would have the effect of directly targeting the MGP operations and facilities due to its limited scope of application.

With respect to the filing of corporate income tax, the GNWT is committed to working with you to determine fair and equitable arrangements for the allocation of these taxes by end of June 2006.

With respect to current and future property taxes, the authority may not be directly within the jurisdiction of the GNWT, but we do not believe that your companies should have any concerns. The current fiscal and royalty regime in the NWT is very competitive. It is in the interests of all northern governments to remain competitive and to provide a stable, predictable fiscal environment.

With respect to the property taxes that could be levied on the estimated 3% of the pipeline length that would fall within municipal boundaries, many of our municipalities have a long history of dealing responsibly with industry.

Also, property taxation on public lands outside municipalities has not been a matter for negotiation of Aboriginal self-government agreements and it is not the intention of this Government to change this approach. The need to maintain a coordinated, harmonized tax system across the NWT is a key principle in this Government's approach to negotiating self-government agreements. We also need to recognize that the Government of Canada is a key party to the negotiation of Aboriginal self-government agreements.


The GNWT will endeavor to ensure that future devolution agreements will honour commitments made by Canada with respect to the MGP, provided a collaborative approach that includes the GNWT is taken in arriving at those commitments.

The GNWT is confident that though our cooperative working relationship with your companies, we can provide you with assurances that the GNWT is committed to promoting a stable and predictable fiscal and royalty regime for the MGP. However, any commitments are subject to the plenary legislative authority of the NWT Legislative Assembly.

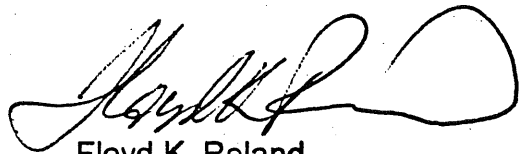
To be clear, nothing in this letter should be construed as fettering any discretionary power conferred. In addition nothing in this letter constitutes a legally binding commitment or obligation of the GNWT or confers any right on your companies.

Finally, although it is necessary for this letter to presume the MGP will receive the essential regulatory approvals, nothing in it should be construed as prejudicing the position of the GNWT or fettering the discretion of any official in any regulatory process.

Sincerely,



Joseph L. Handley
Premier



Floyd K. Roland
Minister of Finance

