

Arctic Gas Symposium
Calgary, Alberta
March 2 & 3, 2010

Alaska Highway Aboriginal Pipeline Coalition

AHAPC Members and Staff Attendees:

- ~ Ruth Massie – Chair
- ~ Alice Maguire – Alternate Board Member
- ~ Kathy Van Bibber – Alternate Board Member
- ~ Pearl Callaghan – Staff
- ~ James Allen – Staff

Day 1 – March 2, 2010

Co-Chair: Phil Fontaine

Patrick Borbey – Keynote Speaker

Four priorities for Government

1. Exercise its Arctic Sovereignty
2. Protecting our Heritage
3. Sustainable Economic Development.
4. More Northern Control

Government's role is to open doors for sustainable economic development. We must encourage our entrepreneurs to take advantage of the opportunities of economic benefits of development.

Oil and gas development project depend on an efficient regulatory system.

Northern Projects Management Office (NPMO) has been set up by the Government of Canada in Yellowknife, Northwest Territories. It is the regional economic development office for the North.

The Economic Action Plan is:

1. Training trades people in the north
2. Develop economic opportunities
3. Supporting the Canadian High Arctic Research Project

Update on Northern Infrastructure Progress and how the North is Getting Ready for Arctic Gas

Ron Sumanik – Manager Oil & Gas Resources, Government of Yukon

Yukon has eight basins of potential oil and gas fields. Some of these basins are in North Yukon, so the Government of Yukon fully supports the Mackenzie Pipeline as a future transportation system for its gas in the North. Whitehorse will be a point of hire for

Yukoners wanting to work on the Mackenzie Valley Pipeline. In the final NEB meeting in April, the Government of Yukon will put forward support for its Yukon gas basins.

Government of Yukon Pipeline Preparedness

- ~ Fiscal Advantage
- ~ Social Investment
- ~ Environmental Stewardship
- ~ First Nations and Municipal Benefits
- ~ Clear and Efficient Regulatory System
- ~ Connecting Yukon's Natural Gas
- ~ Access to Natural Gas Energy from the Pipeline

Working Relationships

The Government of Yukon is active in preparing for the Alaska Highway Pipeline Project.

- ~ Have developed a Canada-Yukon work plan
- ~ Active member of the Yukon working group related to AHPP
- ~ Have developed a strategic action plan
- ~ Established inter-departmental pipeline
- ~ Regular engagement with the gas producers
- ~ In the process of amending the *Yukon Oil & Gas Act*, and developing YOGA regulations

Tim Coleman – NWTG Director, Mackenzie Valley Pipeline Office

Discovered resources in NWT

- ~ Natural gas 16.24 tcf.
- ~ Crude oil 1183 bbls.

Exploration and Production

- ~ Ft. Liard field
- ~ Cameron Hills field
- ~ Norman Wells Oil & Gas
- ~ Ikhil Gas field
- ~ Onshore

Northwest Territories Infrastructure

- ~ Paved highways and winter ice roads
- ~ New Deb Cho Bridge opening in fall 2011
- ~ Marine supply route via Mackenzie River
- ~ Barge supplies NWT communities in the summer
- ~ The Mackenzie Valley Pipeline will increase traffic six-fold

Bob Bleaney – General Manager, Denali Canada

Denali – the Alaska Gas Pipeline: Moving the Project Forward.

Pipeline Company partners British Columbia Petroleum and Conoc Phillips. The AHPP will create a major new revenue stream for the US and Canada. It will create job and business opportunities and will create access for consumers to gas supplies.

Regulatory Process:

- ~ In the US – Federal Energy Regulation Commission
- ~ Denali is outside of the Alaska Gas Inducement Act
- ~ In Canada – National Energy Board
- ~ Major Projects Management Office
- ~ Denali is outside of the *Northern Pipeline Act* and out of the jurisdiction of the Northern Pipeline Agency

Alaska Highway Pipeline Project

Gas treatment Plan – Prudhoe Bay

- ~ Remove CO² and impurities
- ~ Hired four partners and an engineer to build
- ~ Largest sea lift in the world
- ~ Green design

Pipeline

- ~ Operates at 2000 psi
- ~ Compressor every 100 to 200 miles depending on the terrain
- ~ 2700 km long buried 48” - 52” pipeline
- ~ Approximate cost \$30 + billion

Denali's open season from April to October 2010

- ~ Spent to-date on project \$130 million
- ~ Major work has been on the regulatory process
- ~ Open season critical step to a successful project

Dr. Martin Faller – Program Manager, Natural Resources Canada

Identifying future hot areas for Arctic oil and gas resource production.

GEM Program:

1. To improve geological mapping
2. Long-term investment in resource development

40% of Canada's north needs better geo-mapping

GEM Energy – budget \$100 million over five years

- ~ Mineral mapping
- ~ Develop data base management

Mackenzie corridor largest gas producer in Northern Canada

Yukon discoveries:

- Eagle Plain - One oil
- Four minor gas discoveries

- ~ Mackenzie and Beaufort are hot beds for gas discovery
- ~ Tar sands found at Marie Bay area north of Melville Island

Dan Dickson – Former Director of Tax, Alaska Department of Revenue

Alaska's oil and gas taxes underwent dramatic reform in 2006 and 2007.

On average 40% of Alaska's revenue comes from oil and gas taxes. When the price of a barrel rose to \$130/barrel the revenue went up to 75% in 2008.

Alaska oil production peaked in 1990 and has been on a steady decline since then. In 1990 oil production was over 2,000,000 barrels per day, today in is 630,000 barrels per day and is still declining.

Alaska needs to get their natural gas to market to sustain or improve their revenue stream.

Alaska's tax structure on oil has gone up as the price of oil has risen. The Legislature convened and they have increased the tax rate as the price of oil has risen. There has never been a standard tax rate in Alaska that has remained constant for any length of time.

This is a major issue that the gas producers will want to resolve before they build an Alaska Highway Pipeline. One of the conditions they want from the Government of Alaska and the federal government is to have a stable gas tax structure that will remain the same for longer periods of time regardless of the gas market fluctuations.

Bill Gwozd – Vice President Gas Services, Ziff Energy

The Evolution of the Natural Gas Market Dynamic and its Impact on the Supply and Demand Picture in North America.

- ~ LGN has a market because they got there first
- ~ Natural gas will replace coal in Ontario
- ~ Canadian power generation's future is in natural gas
- ~ Predict that there will be a bigger gas market in 2020

Tony Palmer – Vice President, Alaska Trans Canada

Trans Canada Update

Trans Canada's open season started January 29 to July 2010 filed in FERC

There are two options:

1. 4.5 bcf/d pipeline from North Slope to Alberta Hub
2. 3.0 bcf/d pipeline from North Slope to Valdez

Both options include:

- ~ Access to North Slope gas for Alaskans – five off-takes in Alaska
- ~ Gas Treatment Plant
- ~ Pipeline to Point Thomson field

Project Cost Estimates

1. Alaska Pipeline = \$32 - \$41 billion, Completion 2020
2. Pipeline to Valdez = \$20 - \$26 billion, Completion 2020

Admiral Tom Barrett – Deputy Federal Coordinator, ANGTP

Update on Alaska's Gas Pipeline Projects.

OFC Work:

- ~ Gap analysis
- ~ Consolidated implementation plan
- ~ Permit/Authorization matrix
- ~ Technical team
- ~ Issues waterfall (GHG, HIA, SHPO)
- ~ GIS prototype collaborative effort

Working with Canada – Align Partners

- ~ NPA
- ~ MPMO
- ~ Provincial and Territorial governments

Biggest risk is global markets

Bob Reid

Mackenzie Gas Project Update

- ~ Gathering system – two phase flow to Inuvik
- ~ Processing plant at Inuvik
- ~ 1200 km of 30" gas pipeline to Alberta
- ~ 10" liquids pipeline to Norman Wells
- ~ Initial capacity 1.2 bcf/day
- ~ Expandable to 1.8 bcf/day
- ~ Total project cost: \$11.3 billion
- ~ 1840 km buried pipe
- ~ One year infrastructure development – three winter seasons of pipe construction
- ~ Most material and supplies shipped by barge – Mackenzie River

History:

- ~ Proposal to develop Mackenzie Delta 1970's
- ~ Berger hearings 1970's
- ~ Aboriginal groups oppose pipeline saying that they are not ready – want claims settled
- ~ 1977 Berger declined 10 year moratorium on development
- ~ 1980 and 1990's three of the four FIRST NATION group on the pipeline corridor settle land claims
- ~ In early 2000 aboriginal leaders develop a vision of past ownership of pipeline
- ~ Today the Aboriginal Pipeline Group has negotiated the right to secure one-third ownership of the Mackenzie Valley Pipeline
- ~ APG shareholders: The Gwich'in Tribal Council, The Inuvialuk Regional Corporation, and The Sahter Pipeline Trust
- ~ Pipeline ownership:
 - Imperial Oil 34.40%
 - APG 33.33%
 - Conoco Philips 15.70%
 - Shell Canada 11.40%
 - Exxon Mobil 5.20%

Financing:

- ~ APG obtains loans to finance investment
- ~ Loans repaid from APG's share of pipeline revenue
- ~ Balance of APG revenue returned to shareholders as dividends

Regulatory and engineering costs:

- ~ Loan negotiated with Trans Canada to cover APG's share of project costs during the pre-development period
- ~ Loan now exceeds \$140 million
- ~ Trans Canada bears all risk if pipeline does not proceed

Following regulatory approval:

- ~ APG estimated cost of pipeline construction is \$2.6 billion
- ~ APG must borrow 100% of its investments

Deh Cho are the only First Nation group along the corridor not in APG

Benefits of Pipeline:

- ~ \$500 million Social Economic Impact Fund
- ~ \$1 billion in set aside work for corridor groups
- ~ Business and employment opportunities – over 7,000 jobs in NWT and over 100,000 across Canada
- ~ Approximately 150 permanent fulltime positions

Day 2 – March 3, 2010

Margaret Brown – President and CEO, Cook Inlet Regional Inc.

Exploration Aboriginal Perspectives on Arctic Oil and Gas Development

CIRI – Cook Inlet Regional Inc.

- ~ 7500 shareholders
- ~ One of 12 regional corporations established in 1971 by Alaska Native Land Claims
- ~ 35 years old – based in Anchorage
- ~ Into tourism, real estate, environmental engineering, and alternative energy
- ~ Substantial owners of surface and sub-surface around Cook Inlet
- ~ 1.3 million acres in land ownership
- ~ Mandated through Congress to do business

First Nation Economic Development Challenges:

- ~ Carbon management – going green
- ~ Ensure economic alignment
- ~ Streamline decision making
- ~ Maintain continuity in partnership relations

Eric Morris – AFN North Regional Chief

First Nations Values and Principles:

- ~ Only use what you need
- ~ Protect what we have
- ~ Leave it as you found it
- ~ Think about where you want to end up
- ~ The land is not ours to keep – we are only borrowing it from our future generations
- ~ We are part of the land, part of the water
- ~ We are equal to all things in existence
- ~ We are equal to the animals and we have to manage ourselves

Fourteen Yukon First Nations:

- ~ Eleven Yukon First Nations have land claims agreements and self-government
- ~ Three govern themselves through their inherent rights

- ~ First Nations have two categories of land
 1. Category A – Surface and sub-surface rights
 2. Category B – Surface only

Consult and accommodate is critical to doing business with First Nations. Non-First Nations have to look out over the land and think that this land belongs to First Nation people.

Edwin Erutse – President, K’ahsho Got’ine, Land Corp Ltd.

History:

- ~ Our people originally come from the North Shore of Great Bear Lake, Northwest Territories
- ~ Our people have survived thousands of years working together and respecting what the land has to offer
- ~ Our culture and spiritual values will take us safely through the next thousand years
- ~ In recent years 2006 to 2008 there was a flurry of activity on our traditional territory
- ~ Oil and gas exploration, data collection activities consultation and hearings associated with the Mackenzie Pipeline
- ~ The K’ahcho Got’ine joined the APG and have negotiated an Access & Benefits Agreement with the Mackenzie Gas Proponents
- ~ In 2008 the world recession hit - \$90 million in proposed exploration disappeared

In the past five years:

- ~ Prepared ourselves to fully participate in the economic activities of the proposed pipeline
- ~ Established the K’ahcho Got’ine Development Foundation to the address economic and social needs of our people
- ~ Protected lands of significant cultural value under the Protected Area Strategy
- ~ Have developed business policies and developed access agreements to ensure certainty to access to our land by industry
- ~ Committed to developing a framework agreement and negotiating a self-government agreement for our people
- ~ With or without the Mackenzie Pipeline our people will survive like they have for centuries

Ian Nathan – Senior Research Analyst, Energy Intelligence

Worldwide Oil and Gas Market Dynamics: Assessing Risk and Understanding Impacts on Arctic Gas Projects.

Global gas consumption: 14 year growth 1995 – 2008

- ~ Production 44.0%
- ~ Consumption 41.6%
- ~ Reserves 33.0%

LGN Imports

- ~ 1996 – 4.5%
- ~ 2008 – 7.5%

Highest users: China and India

Risk factors for Arctic gas:

- ~ New supply sources close to market – eg. shale gas
- ~ Regulatory, environmental, and sustainability questions
- ~ Competing fuels become less expensive and volatile

In North America

- ~ Kitimat LGN goes to market
- ~ Gulf coast re-gas terminals

Mitchell Goodjohn – Golden Associates, Aboriginal Affairs and Traditional Studies

Traditional Land Use and Occupancy Studies

- ~ Document knowledge of elders for future generations
- ~ Document their attachment to the land to support land claims negotiations
- ~ Document land use activities – eg. hunting, fishing, trapping, and ceremonies
- ~ Document place names, stories, legends, and cultural sites

Regulatory Requirements for TK into Environmental Assessment

- ~ Inuvialuit Environmental Impact Screening Committee
- ~ Canadian Environmental Assessment Agency
- ~ Yukon Environmental and Scio-economic Assessment Board
- ~ Mackenzie Valley Environmental Impact Review Board
- ~ Nunavut Impact Review Board

Process of Acquiring TK

- ~ Build relationship of trust with First Nations and community
- ~ Involve aboriginal communities in the research
- ~ Community review of the TK studies
- ~ Use TK in baseline and assess next reports

Building Relationship:

- ~ Involve FIRST NATION community early in process
- ~ Understand community protocol
- ~ Allow time for relationship to develop
- ~ What will the community get out of the study
- ~ Who owns the TK in the studies or the intellectual property rights have to be agreed upon
- ~ Develop protocol of how TK info will be shared and used

Mike Peters – Northern Canada Operations, Canadian Association of Petroleum Producers

Navigating the Northern Regulatory System and Understanding the Enablers for Northern Development.

Challenges:

- ~ The current low commodity price of natural gas
- ~ Natural gas inventories are high
- ~ Exchange rate volatility
- ~ Financial market uncertainty
- ~ Cost structure uncertain
- ~ Changing gas policies in US and Canada

Capital Cost and Operating Costs:

- ~ High cost of transportation and material
- ~ Limited infrastructure
- ~ Well cost \$4 million to \$55 million compared to \$1 million for well in Alberta

Enablers:

- ~ Promoting social and economic development
- ~ Strengthening sustainable northern communities
- ~ Supporting business and entrepreneurs
- ~ Ensure agreed upon access to resources
- ~ Ensure regulatory systems do not act as a deterrent
- ~ Ensure environmental stewardship of the land and resources

Richard Edjericon – Chair, Mackenzie Valley Environmental Impact Review Board

Kate Hearn – Director General, Northern Project Management Office

NPM office is situated in Yellowknife with staff in the other two territories; Yukon and Nunavut. They are responsible for developing a systematic approach for managing northern resource projects and for ensuring the government meets its obligation to consult.

NMPO will have the responsibility for coordinating northern projects. After a single point of contact, they will assist project clients to navigate through the regulatory review and consultation process to coordinate the work of the federal regulatory departments and agencies during the environmental assessment and permitting phases.

NPMO is government commitment to develop a process that shortens the timelines, is transparent, and creates a single point of contact.

Kirstie Simpson is the NPMO staff in the Whitehorse office.

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