



SEP 22 2005

Mr. Joseph L. Handley
Premier
Government of the Northwest Territories
PO Box 1320
YELLOWKNIFE NT X1A 2L9

Dear Premier Handley:

Thank you for your letter of September 13, 2005, concerning the ongoing access and benefits negotiations between the Mackenzie Gas Project proponents and Aboriginal organizations in the Northwest Territories.

I would like to take this opportunity to convey to you, Aboriginal leaders, and other interested parties the Government of Canada's position on the reports of a proposal to develop tax-like mechanisms as a means of generating annual revenues from assets associated with the proposed Mackenzie Gas Project.

On behalf of the Government of Canada, I must state unequivocally that such a proposal is incompatible with the jurisdictional authorities currently in place in settlement areas in the Northwest Territories. In the absence of a self government agreement, the only government authorized to develop taxation regimes applicable to those areas is the government of the Northwest Territories.

I understand the objectives that Aboriginal leaders have articulated of generating annual revenues to fund community infrastructure and services. However, it is inappropriate to pursue this objective by proposing tax-like schemes directly linked to the Mackenzie Gas Project. Further, I have been informed that certain parties have identified the *First Nations Fiscal and Statistical Management Act* (Bill C-20) as the legislative authority to support the taxation scheme.

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The intent of this Act is not to grant jurisdiction to a First Nation organization in the absence of a self government agreement. It is our position that First Nations taxation jurisdiction should be granted to First Nations through self government agreements.

I am hopeful that Aboriginal organizations will consider the risks of continuing to advocate an unworkable scheme and that access and benefits discussions will advance quickly, focussing on matters that are of benefit to Aboriginal communities in the current context.

I agree with your assessment that the appropriate means of pursuing the objectives of securing revenue generation powers is through the negotiation of agreements leading to resource revenue sharing. Such agreement(s) are consistent with the understandings set out in the devolution Memorandum of Intent developed in 2001 among leaders representing Aboriginal Summit, the Government of Northwest Territories and the Minister of Indian and Northern Affairs.

The Government of Canada is of the view that the Mackenzie Gas Project has the potential to create significant and sustainable opportunities for northerners. The project would provide access to significant natural gas resources and generate revenues for the benefit of all northerners and Canadians. In support of this view, my Cabinet colleagues and I have demonstrated our commitment to the project in a number of ways including facilitating the creation of the Aboriginal Pipeline Group and agreeing to establish a \$500 million fund to offset socio-economic impacts from the proposed project. These two initiatives, coupled with future royalty related revenues – some of which will flow directly to Aboriginal organizations under their land claim agreements – and the arrangements between the Aboriginal organizations and the Government of Northwest Territories to share in the Net Fiscal Benefit as noted in the devolution Memorandum of Intent will generate significant long-term annual revenues to address northern priorities.

In closing, while I recognize that many challenges remain to be overcome, you can be assured of my support and collaboration as the project progresses through the planning stages.

Yours sincerely,

The Honourable Andy Scott, P.C. M.P.
Minister of Indian Affairs and Northern Development

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