

Address to the 6th Annual Arctic Gas Symposium

By Minister Brad Cathers

Government of Yukon

March 6, 2006 Hyatt Regency

Calgary, Alberta

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I. INTRODUCTION

- It is a pleasure to be here today on behalf of the Yukon and on behalf of Premier Dennis Fentie.
- First let me thank our conference chair, the Honourable Jim Antoine for welcoming us all here today.
- I also want to acknowledge our northern neighbour Premier Joe Handley of the Northwest Territories.
- The subject of this plenary is “Beyond Boom and Bust: Challenges and Opportunities in a Rapidly Changing Arctic.”
- I am going to address the challenges and opportunities for Yukon as they relate to northern pipeline development and Yukon’s oil and gas potential.
- But first I want to talk about the strong relationships and partnerships we are forging with First Nations and the neighbouring jurisdictions of Alaska, N.W.T., Alberta and B.C.

II. PARTNERSHIPS

- Just last year we formed an energy alliance with our Canadian neighbours to work cooperatively to enhance Western Canada's energy potential and address issues of common interest.
- In October, the Premiers of Yukon, British Columbia, Alberta, and the Governor of Alaska agreed to work together on the development of a Strategic Action Plan for the Alaska Highway Pipeline to enhance the coordination and collaboration required to prevent delays in the project.
- This group will be meeting again at the end of the month to continue their efforts on this plan and to continue to work towards achieving regulatory certainty for the project on the Canadian side of the border.
- We value the relationships we have with our neighbours. We have cooperation agreements with N.W.T., British Columbia, Alberta and Alaska that deal with common issues of importance such as the economy, pipeline and resource development.
- The north and Yukon in particular, is coming of age in terms of being recognized by southern Canadians, provincial and federal governments as an integral and important part of Canada's future development.
- It is our belief that the construction of the Alaska Highway Pipeline Project, the Mackenzie Gas Project and the Alaska-Yukon Railway project will define Canada as a Nation extending from North to South.
- We believe in future years the focus of southern Canadians will become more fixed north of the 60th parallel.
- What does all of this mean? Collectively, it contributes to a positive investment climate based on collaboration and partnership.

III. FIRST NATIONS

- When we talk about collaboration and partnerships, it is important to recognize the important relationship our government has developed with Yukon First Nations.
- We have made it a priority to work with First Nations so that they can be full partners in the economic development of our territory.
- To this end, we have worked tirelessly on settling aboriginal land claims. Of Yukon's 14 First Nations, 11 now have final and self-government agreements.
- These agreements in turn provide certainty to investors and help drive private sector growth in the Yukon.
- The Yukon government has developed a unique and competitive oil and gas regime – jointly developed by Yukon and First Nation governments.
- The Liard Basin in southeast Yukon has an estimated natural gas mean potential of 4.8 trillion cubic feet.
- Unlike the significant potential in northern Yukon, these resources have access to the existing Pointed Mountain transmission line.
- With the current high gas prices, industry is understandably interested in acquiring oil and gas rights in the Liard Plateau.
- But they have also made it clear that long-term certainty is a key prerequisite for investing in Yukon.
- As First Nations in southeast Yukon do not currently have a final agreement in place, we are working with them to open this area up for further exploration and development.

- While there are a variety of important and complex issues, all of the parties have indicated they are willing to move forward in advancing a disposition in southeast Yukon.
- The Yukon government is also working with North Yukon First Nations under the Northern Yukon Economic Development Partnership Agreement to facilitate oil and gas exploration and development.
- We expect that with recent pipeline developments, industry interest in north Yukon is likely to increase.
- In anticipation of Yukon's next rights disposition, we commissioned two studies, one that provided an oil and gas development scenario for north Yukon over the next 20 years, and the other providing a short assessment of industry's view on regulatory matters in Yukon.
- John Masterson, Director of Oil and Gas Management is presenting tomorrow morning and will be able to provide more information on some of the findings of these reports, but we expect to be able to make them publicly available later this month.
- We are working collaboratively with Yukon First Nations to lay the necessary groundwork for a strong oil and gas industry.
- In September Energy, Mines and Resources Minister Archie Lang talked about preparing for our next rights disposition. I want to assure you that we are continuing our work with First Nations to move forward with another disposition.
- We want to ensure that our next oil and gas rights disposition meets the respective needs of industry, First Nations, the Yukon government, and our citizens – and we are confident that it can and will do so.

IV. POSITION ON NORTHERN PIPELINES

- As I mentioned previously, we believe industry interest in some of Yukon's oil and gas resources is largely linked to the development of northern pipelines.
- And in recent years the likelihood of these pipelines being constructed has become an increasing reality.
- The Alaska Highway Natural Gas Pipeline has been a long time coming. It has been talked about for the last 30 years.
- Now market conditions and political will on both sides of the U.S. – Canada border appear to be there to advance this massive project.
- Two weeks ago, an important milestone was reached with Alaska Pipeline Project.
- The State of Alaska and the producers (ConocoPhillips, BP and Exxon Mobil) have reached agreement on a natural gas pipeline contract.
- After nearly two years of intense negotiations, this announcement clears a major hurdle and represents a major step forward toward the eventual construction of the AHPP.
- Once approved by Alaskan legislators, the producers will likely turn their attention to Canada to ensure regulatory certainty.
- As I mentioned before, Yukon is working collaboratively with our neighbouring jurisdictions to speak with one voice, and underline the need for regulatory certainty.
- We believe that the market will support both the Alaska and Mackenzie projects.
- In Yukon, we recognize that northern pipelines are necessary to develop the territory's natural gas industry and we are doing

what we can to make sure both projects move ahead, and with our interests on the table.

- The Mackenzie project will transport Canadian gas to market. The Alaska project will transport both Canadian and American gas to market.
- Together these projects will result in an investment in Canada of approximately \$25-\$30 billion.
- The Alaska Highway pipeline will be located in a corridor where more than 80% of Yukoners live. This means its construction will have a significant and direct effect on the lives of most Yukoners.
- Our government has been working hard to make sure we are pipeline ready.
- To accomplish this end, the Yukon government has facilitated and financially supported the creation of the Alaska Highway Aboriginal Pipeline Coalition.
- The coalition represents those Yukon First Nations whose traditional territories lie along the proposed pipeline corridor.
- We recognize that this project will also affect First Nations and communities off the route and we are committed to involving them in regulatory processes and capacity building as well.
- Further, we recognize their involvement will help create regulatory certainty for this project.
- It is our position that the government of Canada needs to provide financial assistance to Yukon and Yukon First Nations, with funding to ensure we are prepared, similar to what has occurred in the Northwest Territories.
- The key here is immediate funding to ensure First Nations are prepared and involved every step of the way and to ensure regulatory certainty is achieved.

- The benefits to Yukon and to Canada from the Alaska Highway project are immense:
 - a) The Alaska Highway Pipeline will generate up to 375,000 person years of employment for the Canadian economy over a 24-year period.
 - b) The project would boost Canada's GDP by a cumulative \$26 billion to \$31 billion including \$18.6 billion for B.C. and Yukon.
 - c) The project will be an expandable, open-access project capable of carrying natural gas from Alaska, as well as Yukon and B.C.
- The construction of both the Alaska Highway Pipeline and the Mackenzie Valley Pipeline will inject billions of dollars into the North American economy.
- The Yukon must be involved in both of these projects as the Mackenzie Valley project has benefits and opportunities to offer Yukon as well. This seven billion dollar project will run the entire extent of our eastern border.
- In addition to providing training and experience, it will provide the best option for gas in Northern Yukon to be brought to market rather than being stranded.
- Pipeline access is essential for Yukon to develop its natural gas industry.
- We have urged Canada to adopt a pipeline extension policy that encourages the development and connection of natural gas supplies from adjacent basins.
- For this reason, the Government of Yukon is actively intervening in the National Energy Board hearings on the Mackenzie Gas Project.

- As we have interests in employment, training, business opportunities, impacts on transportation infrastructure and social effects, we have also intervened in the Joint Review Panel Hearings.
- North Yukon gas will play an important role in keeping the pipeline full, and improving the economic viability of the Mackenzie Gas Project.
- With respect to the Alaska Highway project, there are currently two options on the table: TransCanada PipeLines has a proposal that would see this project developed in accordance with the existing *Northern Pipeline Act*, while others favour it be regulated as a traditional National Energy Board project.
- We are looking to Canada to provide regulatory certainty on this matter. Jim Prentice, the new Minister of Indian Affairs and Northern Development, has already indicated that Ottawa will move quickly to provide this certainty.
- Regardless of how the project is ultimately regulated, the Yukon's interests must be met.
- These interests include:
 1. A net fiscal benefit to Yukon;
 2. Social impacts need to be minimized and mitigated to the greatest extent possible and provide for social improvements;
 3. Environmental impacts need to be minimized and mitigated;
 4. We believe community and First Nations interests are an essential component and must be taken into account;
 5. The regulatory process in Canada should be clear and efficient to advance the Alaska Highway Pipeline Project, provide for adequate Yukon participation and ensure a full environmental and socio-economic impact assessment.

6. The construction and operation of northern natural gas pipelines must ensure Yukon's natural gas resources have access to the Mackenzie Gas Project and the Alaska Highway Pipeline project – meaning no bullet lines; and
 7. Access to natural gas for residential, commercial and industrial use in Yukon on favourable terms.
- The Alaska Highway Pipeline project has gained increasing momentum over the last few months and the Yukon is ready to tackle the remaining hurdles so that not only Yukon, but Canada and North America may see the benefits of this project.

YUKON'S RESOURCE POTENTIAL

- I'd also like to underline why it is important to turn your attention north, and why the relationship we have with our First Nations and the neighbouring jurisdictions is important.
- Yukon's resource economy is growing. We are blessed with a wealth of mineral, and oil and gas resources.
- Yukon has eight oil and gas basins - rich with untapped potential. In total - our natural gas mean potential is estimated at 20 trillion cubic feet and our oil mean potential is estimated at 900 million barrels.
- These resources have remained relatively untapped because of their remoteness from market.
- The construction of the Alaska Highway Natural Gas Pipeline and the Mackenzie Valley Pipeline would change all that.
- With recent progress in both projects, Yukon's natural gas future looks bright.
- As demand for natural gas in North America continues to grow, Yukon will be able to play a role in meeting this demand.

V. CONCLUSION

- So let me finish by saying that Yukon has identified many of the challenges and opportunities with respect to oil and gas and pipeline development in the north.
- We see not only Yukon and Yukon First Nations, but all of Canada stands to benefit from these developments.
- Beyond Boom and Bust – we do have an opportunity for the long-term sustainable development of Yukon’s oil and gas resources.
- That is why we are working in partnership with First Nations to develop a common oil and gas regime, and to involve them as economic partners in opening up the Yukon for future oil and gas development.
- To maximize benefits and to ensure our interests are met, we continue to work with First Nations, neighbouring jurisdictions and Canada.
- In regards to the Alaska Highway Pipeline it is imperative that Canada provides regulatory clarity, and soon. As we have seen in the N.W.T. it is equally important that they identify resources early for Yukon and Yukon First Nations to be prepared for pipeline development.
- Thank you for your attention today and enjoy the rest of the symposium.