

**Keynote Luncheon Address**  
**7<sup>th</sup> Annual Far North Oil and Gas Forum**  
**By The Honourable Archie Lang**  
**Minister of Energy, Mines and Resources**  
**Government of Yukon**  
**September 29, 2005 at 1:45 p.m.**  
**The Metropolitan Centre**  
**Calgary, Alberta**

*Check Against Delivery*

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## **I) INTRODUCTION**

- Good afternoon. This is my first time speaking at the Far North Oil and Gas Forum and I am pleased to be here. I want to thank the organizers for the opportunity to talk about Yukon oil and gas.
- In today's address, I want to tell you how our government is preparing Yukon to be a competitive place for oil and gas development. We want you to see the opportunities, explore Yukon's potential and invest in our future.
- Significant unexplored resources, longer-term exploration rights and a competitive fiscal regime make Yukon a great place for oil and gas investment.

## **II) EXPLORING OUR POTENTIAL**

- Yukon is blessed with a wealth of mineral and oil and gas resources.
- We have eight sedimentary basins rich in untapped potential. Natural gas potential is estimated at 20 trillion cubic feet and oil potential is estimated at 900 million barrels.
- We want to encourage exploration of this potential and development of pipeline infrastructure to get our natural gas to market.
- That is why we support the construction of both the Mackenzie Gas Project and the Alaska Highway Pipeline.

### **III) OPPORTUNITY**

#### **Fifth Oil and Gas Rights Disposition**

- I hope that many of you had the chance to hear John Masterson's presentation yesterday about the outlook for Yukon oil and gas.
- One new opportunity that John talked about is our revised industry-driven disposition process.
- The Yukon government is working hard to make Yukon an attractive place to do oil and gas business.
- That is why we are improving our disposition process to make it more responsive to industry. A company will be able to request a posting in an area of interest to them, similar to the way dispositions occur in the western provinces.
- I am pleased to announce that the Yukon government is planning to proceed with its fifth oil and gas rights disposition under this improved process.
- Pending the completion of discussions with First Nations and others, it is my intent to set a deadline later this Fall for industry to submit their posting requests.
- If posting requests are received, Yukon would initiate First Nations consultations and a public review, and then proceed with a Call for Bids in the winter of 2006.
- In areas where land claims are not settled, such as southeast Yukon, we are continuing to work closely with the Kaska First Nation to open this oil and gas rich area for bid. The government is also consulting with transboundary First Nations such as the Acho Dene Koe of N.W.T.

## **Government Accomplishments**

- Since taking over management of Yukon's oil and gas regime in 1998, the Yukon government has conducted four dispositions of oil and gas rights and issued four permits to explore.
- We have built stronger working relationships with First Nations through the common regime working group and on-going communications during the disposition processes.
- Another initiative the Yukon government has undertaken that grew out of the former disposition process is establishing Best Management Practices for Yukon oil and gas activities.
- Best Management Practices will allow industry, governments and stakeholders opportunities to resolve issues and concerns up front. These practices will be made available on our department's web site in the near future.

## **IV) INVEST IN THE FUTURE -- Alaska Highway Pipeline Project and the Mackenzie Gas Project**

- I would like to now, talk about the importance of the Alaska Highway Pipeline Project and the Mackenzie Gas Project to the Yukon.
- The Alaska Highway Pipeline Project has been a long time coming. It has been talked about for the last 30 years.
- Yukoners were preparing for its imminent arrival in the mid 1970's.
- Now market conditions and political will on both sides of the U.S. – Canada border appear to be there to advance this massive project. Momentum is building every day.
- The scheduling for the Alaska Highway Pipeline Project and the Mackenzie Gas Project will be determined by the producers.

- As you may be aware, the projected timeline for the Mackenzie Gas Project is 2010-11 while the Alaska Highway Pipeline Project is 2012-14. Sequenced and phased northern pipelines are the best scenario in terms of maximizing employment and business opportunities for the North.

### **Benefits/Impacts**

- Both projects offer enormous economic opportunities for the North. The Mackenzie Gas Project will generate 181,000 person years of employment over 24 years. The Alaska Highway Pipeline Project will generate 375,000 person years of employment over 24 years.
- The construction of both the Alaska Highway Pipeline and the Mackenzie Valley Pipeline will inject billions of dollars into the North American economy.
- Yukon could earn \$40 million plus annually in royalty revenues from gas produced from Yukon oil and gas basins. Increased revenues from royalties and corporate taxes would mean greater self-sufficiency for Yukoners.
- Our government has been working hard to make sure we are pipeline ready and that our interests are met.

### **Yukon's Interests**

#### ***Connecting Yukon Natural Gas:***

- Access to both pipelines is necessary for Yukon to develop its natural gas industry. It's easy for everyone to understand why Yukon supports the Alaska Highway Pipeline as it will pass through 760 km of our territory.
- It is also easy to understand the importance of the Mackenzie Gas Project to Yukon's northern oil and gas rich basins.

- The Yukon government has urged the National Energy Board (NEB) and Canada to adopt a pipeline extension policy that encourages the development and connection of natural gas supply from adjacent basins.
- Furthermore, we are encouraging the NEB to establish a ‘basin opening’ tolling design so that it will be attractive for industry to ship Yukon’s natural gas to market.

***Access to Energy from pipelines:***

- It is important for Yukon to have access to natural gas in the northern pipelines.
- Access to natural gas energy from the pipelines would significantly help advance northern resource development, particularly in the mining sector.
- Yukon access to natural gas energy for the residential and commercial sectors could displace diesel in power generation and space heating which would reduce greenhouse gas emissions.
- Access to northern gas will improve our economic self sufficiency.

***Fiscal Advantage:***

- There are major financial opportunities to be realized from both projects, in particular the Alaska Highway Pipeline Project.
- We will work to ensure that the project related costs to Yukon do not exceed the benefits. We need a net fiscal benefit from the project.

***Social Investment and Environmental Stewardship:***

- While the benefits of northern pipelines are many, they do not come without impacts.

- We will work with other governments and industry to mitigate any negative impacts associated with the construction and operation of pipelines.
- We are pleased with Canada's recent announcement to provide funding to the N.W.T. to address socio-economic impacts on communities related to the planning and construction of the Mackenzie Gas Project.
- We expect to face similar issues when the Alaska Highway Pipeline project gets underway. We have every expectation that Yukon will also receive support and funding to deal with these issues.

***Clear and Efficient Regulatory Process:***

- It is important that Canada's regulatory process be clear and efficient to the advance both northern pipeline projects.
- As most of you are well aware, there are two regulatory processes that could apply to the Canadian portion of the Alaska Highway Pipeline Project – *Northern Pipeline Act (NPA)* and traditional National Energy Board (NEB) process.
- I am sure you are also aware that there is a difference of opinion within industry circles in terms of existing rights, and the relative merits of one process over the other.
- We recognize that the regulatory process will be determined primarily by Canada; however our Premier has spoken about the benefits of the existing easement in the Yukon versus a greenfield project.
- No matter what route is chosen Yukon must be prepared. We must ensure all parties have the resources necessary, including financial, to do the work required to be ready for a project.

- There are challenges in this area, including lack of federal funding for First Nations in the Yukon but we are working hard to overcome them and we are confident we will succeed.

***First Nations and Community Involvement:***

- It is very important that Yukon First Nations have meaningful input into the pipeline planning process.
- With the settlement of 10 out of 14 land claims in the Yukon, First Nations have self-government powers and are owners of land and resources in our territory.
- I am pleased to mention that on October 22, the Carcross/Tagish First Nation will sign its final and self-government agreement, making it the eleventh self-governing First Nation in Yukon.
- We are actively engaged with gas producers, pipeline proponents and other governments to ensure that Yukon interests respecting northern pipeline development are fully represented and necessary preparatory work undertaken.
- To this end we have provided funding to the Aboriginal Pipeline Coalition (APC) and are working to secure federal funding for the APC and other non-coalition First Nations.
- As these mega-projects move forward, the Yukon government will ensure that all Yukoners will get opportunities to provide their views.

***Jurisdictions working together:***

- Yukon will also continue to work with our neighbouring jurisdictions, Alaska, B.C., N.W.T and Alberta to prepare for both projects.



- We have a number of agreements in place with all of our northern neighbours from intergovernmental accords to oil and gas sub-agreements and an energy cooperation agreement.
- We have cooperated and collaborated with Alaskans on many levels and will continue to do so.

## V) CONCLUSION

- I would like to close by reiterating that both pipelines will benefit the Yukon and that we support the construction of both.
- We are working border to border with our neighbours to prepare for both pipelines.
- The Yukon government is doing its part to maximize benefits and minimize negative impacts.
- We will ensure that our Yukon interests are met.
- It is an exciting time to be involved in oil and gas development in the North.
- I hope that you will seriously consider posting your interest in our 5<sup>th</sup> oil and gas rights disposition to be scheduled for later this Fall. If you have any questions, do not hesitate to contact our department of Energy, Mines and Resources.
- With the building of the Alaska Highway Pipeline and the Mackenzie Valley Pipeline just around the corner, Yukon's future looks bright. Yukon gas could be flowing sooner than we think.
- I invite you to See the Opportunities; Explore the Potential; and Invest in Yukon's Future.
- Thank you for your attention today and enjoy the rest of the conference.