

**North American Gas Strategies – Ziff Energy
Conference**

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Government of Yukon

October 24, 2005 at 8:55 a.m.

Westin Hotel

Calgary, Alberta

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INTRODUCTION

- Good morning. I am pleased to be here today to talk about our government's long-term vision for developing Yukon's natural gas and how critical the Alaska Highway Pipeline and the Mackenzie Valley Pipeline are to achieving this vision.
- Our vision is one that will create a competitive climate for oil and gas business and pipeline development; and will make Yukon First Nations full partners in guiding the growth of this important sector.

POTENTIAL

- Yukon has eight sedimentary basins rich in untapped potential. Natural gas potential is estimated at 20 trillion cubic feet and oil potential is estimated at 920 million barrels.
- Today these resources are virtually untapped. Presently our natural gas resources have no means of getting to market other than Duke's gas gathering system that services the Liard Plateau in southeast Yukon
- The construction of the Mackenzie Valley and Alaska Highway pipelines will soon change that.
- Yukon supports the development of both northern pipelines because they are pivotal to accessing our natural gas reserves and driving economic development in the north.
- Yukon's potential cannot be developed until infrastructure is in place to transport our natural gas to market.
- With the building of these two pipelines on the horizon, Yukon's abundance of natural gas resources will make it an attractive place to explore.
- That is why it is more important than ever to make the Yukon a competitive jurisdiction for oil and gas development.

CREATING THE RIGHT CLIMATE

- Since taking over management of Yukon's oil and gas regime from the federal government in 1998, the Yukon government has conducted four dispositions of oil and gas rights and issued four permits to explore.
- We are currently preparing to proceed with our fifth oil and gas rights disposition this fall. It will be under an improved process; one that is more responsive to industry's interests.
- Under this process, a company can request a posting in an area of interest to them, similar to the way dispositions occur in the Western provinces.
- Upon completion of discussions with First Nations and others on revisions to the disposition process, I will set a deadline later this Fall for industry to submit their posting requests.
- If posting requests are received, Yukon will conduct a rights disposition. Before posting requests for bid, the government will consult with First Nations and conduct a public review. Informed by this feedback, I would expect to issue a Call for Bids in the Spring 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 gas rich area for bid. The government is also consulting with transboundary First Nations such as the Acho Dene Koe of N.W.T.
- Another initiative the Yukon government is undertaking is establishing Best Management Practices for Yukon oil and gas activities. This initiative entails gathering and organizing comprehensive regional information that addresses ecological, traditional and social values.
- This information will be made public on our department's Web site in the near future.

- The intent of Best Management Practices is to provide information and tools to enable industry, governments and stakeholders to identify and resolve issues up front. This approach will encourage government and industry cooperation.

WORKING WITH FIRST NATIONS

- One of our government's key priorities is building stronger working relationships with First Nations. We have been working hard to achieve this through our common oil and gas regime working group and on-going communications with First Nations during the disposition process.
- Yukon is a leader in Canada in the settlement of aboriginal land claims, with 11 of our 14 First Nations having final and self-government agreements.
- It is our belief that these First Nations should be full partners in Yukon's economic development. To achieve this, we are working in partnership with First Nations to guide resource sector growth and to provide certainty to investors.
- 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 First Nations preparedness.
- As these mega-projects move forward, the Yukon government will ensure that First Nations and all Yukoners have opportunities to provide their views.

WORKING WITH NEIGHBOURS

- Yukon will also continue to work with our neighbouring jurisdictions, Alaska, B.C., N.W.T and Alberta to prepare for the pipelines and oil and gas development.
- 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.

BENEFITS OF NORTHERN PIPELINES

- 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.
- 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 northern Yukon basins alone. Increased revenues from royalties and corporate taxes would mean greater self-sufficiency for Yukoners.

YUKON INTERESTS

- Our government has been working hard to make sure we are pipeline ready and that our interests are met.
- Our interests include connecting Yukon gas to market; access to energy from pipelines; net fiscal and social benefits to Yukon; an efficient federal regulatory process with First Nations support; environmental stewardship; securing federal funding to help prepare for the pipelines; and community and First Nations support.
- The Yukon government has taken a number of steps to ensure these interests are met.
- For example, the Yukon government is an Intervener in the Mackenzie Gas Project, both the Joint Review and the National Energy Board (NEB) processes. This includes making sure there is access to business and employment opportunities, connection of North Yukon gas and mitigation of impacts.
- We are encouraging the NEB to adopt a pipeline extension policy as well as establish a ‘basin opening’ tolling design for the Mackenzie Gas Project so that it will be attractive for industry to ship Yukon’s natural gas to market.
- It is equally as 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.

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

IMPACTS

- While the benefits of northern pipelines are many, they do not come without impacts.
- We will work with other governments and industry to mitigate 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.

REGULATORY PROCESS

- It is important that Canada's regulatory process be clear and efficient to 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.
- 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.

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.
- We are working in partnership with First Nations to prepare for oil and gas development and the pipelines.
- We will ensure that our Yukon interests are met.
- The Yukon government is doing its part to maximize benefits and minimize negative impacts related to the pipelines.
- With the building of the Alaska Highway Pipeline and the Mackenzie Valley Pipeline just around the corner, Yukon's natural gas future looks bright.
- We hope that industry will consider posting your interest in our 5th 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.
- We look forward to working with you all to achieve Yukon's vision for a successful oil and gas sector.
- Thank you for your attention today and enjoy the rest of the panel discussions.