

Speaking Notes for the Honourable Dennis Fentie, Premier
Government of Yukon

4th Annual Arctic Gas Symposium

March 8, 2004
Calgary, Alberta

Check against delivery

Introduction

- Good Morning. On behalf of the Yukon government, I would like to thank the Canadian Institute for the opportunity to speak with you today.
- It is a pleasure to be back in Calgary during these exciting times for the North American oil and gas industry. I can assure you it is an exciting time for the Yukon.
- Today I would like to share with you my government's economic vision – an economic vision for everyone interested in northern oil and gas development.
- A vision that is built on an important theme of establishing economic partnerships in the Yukon. Partnerships that will prepare us for building a stronger future for North American energy in the north.
- I also want to talk about three important topics: 1) creating certainty; 2) the new spirit of cooperation with First Nations and our Northern neighbours; and 3) resource development, in particular oil and gas.
- And, let me assure you that our government is focused on northern oil and gas development. Which is why I am pleased to announce today a call for nominations in two areas in North Yukon.
- The first area straddles the Dempster Highway and is in Eagle Plain. The Government of Yukon issued three permits in this area to Devon Canada in the first two sales held in 1999 and 2001 shortly after the Yukon gained control of our oil and gas resources.
- The second area is the Peel Plateau next to Yukon/NWT border. The government issued a permit in this area to Hunt Oil in 2002.
- The parcels being offered in North Yukon are rich in potential and relatively unexplored.
- Announcing the opening of this area for nominations in Calgary demonstrates that we are serious about creating investment opportunities for the oil and gas industry, by opening up access to new promising areas.

Creating Certainty through Devolution

- Less than one year ago, on April 1, 2003, the Yukon government assumed responsibility from the federal government for mining, lands, forests and water. The devolution of these resources complements our devolved responsibility for oil and gas which occurred in November, 1998.
- In preparing for these additional devolved responsibilities, the Department of Energy, Mines and Resources was created to manage land and resources more effectively from within the same department. Decisions about Yukon resources are now being made in the Yukon by and for Yukoners.
- When the responsibility for managing Yukon's oil and gas resources was transferred from Canada to the Yukon, the Yukon government in partnership with First Nations developed Yukon's *Oil and Gas Act* and its regulations.
- The Yukon government and Yukon First Nations with Final Agreements each own the oil and gas resources in their respective public and Category "A" settlement lands. Establishing a common regulatory regime provides one set of rules across Yukon and First Nation lands. This provides greater certainty to industry.
- To offer regulatory and fiscal certainty to prospective investors, the completion of the common oil and gas regime remains a priority.
- Currently Yukon and First Nation efforts are focused on finalizing the Licence Administration, Geoscience Exploration, and Drilling and Production Regulations. Completing these regulations in 2004 is of the highest priority for the Yukon government. We are also actively working to conclude development of our Royalty Regulations. All of these initiatives will ensure Yukon is a competitive jurisdiction for the oil and gas industry.

Creating Certainty through Land Claims Settlements

- The majority of the Yukon's 14 First Nations have finalized or are close to finalizing their land claim and self-government agreements. Nine land claims are settled and three more will be voted on this year. Only two remain outstanding. The progress on completing remaining land claims will provide the absolute certainty that governments and industry require to move forward on resource development, including oil and gas.
- As these political developments open up new opportunities to rejuvenate Yukon's resource sector we are working with our First Nation partners to encourage new investment and mutually beneficial projects.

New Spirit of Cooperation

- The Yukon is changing in a positive way – new relationships are being built. We are taking a "Team Yukon" approach to governance with First Nations, one that will create a positive investment climate in our territory.

- These partnerships are essential to creating a new economic strategy. The emergence and development of the Yukon's resource industry is part of this economic strategy.
- We are establishing new government-to-government relationships with all 14 Yukon First Nations and making them full partners in the resource development of the Yukon. This relationship is being built on mutual respect, consultation, cooperation and collaboration.
- We are prepared to discuss business opportunities with the First Nations who are trans-boundary claimants.
- Our objective is to develop a competitive governance regime that provides the certainty resource investors need to make positive decisions about investing in Yukon's resources.
- We are also working with First Nations without settled land claims as full partners in the economic development of the Yukon. We recognize the resource potential of southeast Yukon where two Yukon First Nations have yet to reach a final land claims settlement and transboundary claims have yet to be settled.

Kaska Bilateral Agreement and Consent Agreement

- On May 9th of last year we signed a Bilateral Agreement with the Kaska. This agreement laid the groundwork to negotiate a Consent Agreement for issuing oil and gas rights in southeast Yukon.
- We have made solid progress on this Consent Agreement and we continue to deliver on other initiatives pursuant to the Bi-lateral Agreement with the Kaska. For example, Teck Cominco has been provided access to a Ross River land selection to undertake important exploration work this summer. As well we have finalized a forestry agreement with the Kaska that will result in the allocation of an interim wood supply in southeast Yukon.
- I spoke earlier about our mutual need for certainty in the Yukon's oil and gas industry. From the outset of discussions with the Kaska, we recognized that the eventual holder of oil and gas rights requires certainty for as long as those rights were held. Many of you are aware that not only is the Yukon land claim unsettled but so are the Kaska and Acho Dene Koe transboundary claims into the southeast.
- While our discussions with the Kaska were aimed at providing that certainty through the consent agreement it is clear that we also need to address the interests of the Acho Dene Koe. As a result, I have met personally with the Acho Dene Koe and have subsequently instructed our Land Claims officials to prepare for the negotiation of an interim measures agreement in the short term and a transboundary land claims settlement in southeast Yukon for the long term.
- As all of you know the settlement of land claims and interim measures requires federal involvement. As a result, I have also recently committed to work with Premier Joe Handley and Canadian Association of Petroleum Producers (CAPP) officials in an

effort to convince the federal Minister of DIAND that the land claim issues in southeast Yukon and southwest NWT need his full attention and involvement both for interim measures and conclusion of outstanding land claims. This will further solidify certainty for industry.

- As you can see, I remain engaged and committed to working collaboratively with all the affected parties to resolve these challenges. I am hopeful that this cooperative approach will lead to a sale of oil and gas rights in the Liard Basin in 2004.
- My government recognizes that establishing certainty in this region may take some time. However, I suggest that certainty is in the interest of my government, the federal government, the Kaska, the Acho Dene Koe, your companies, and your shareholders.
- Considering that the Yukon's oil and gas industry is in its infancy we have been able to establish a constructive relationship with you in just a few short years. We intend to build on that relationship and when combined with the added certainty of finalizing our land claims agreements and partnering with First Nations the positive impacts on our economy will be felt.

Oil and Gas Activity

- Besides the southeast, the Yukon has significant untapped oil and gas potential waiting to be discovered in other areas of the territory. Yukon's petroleum potential has been demonstrated by significant oil and gas discoveries at Eagle Plain in north Yukon.
- We anticipate that a number of wells will be drilled within the next two years in southeast Yukon and Eagle Plain. We are encouraged by these prospects, especially in light of the interest being shown in the Mackenzie Valley pipeline, and look forward to working with proponents to make them a reality. The Mackenzie Valley Pipeline adds a second option to ship Yukon gas to southern markets.
- As we are relatively new to your business we recognize the importance of creating a competitive regime in which you can operate. Your suggestions through CAPP on how to improve upon matters such as benefits agreements and the holding of regular land sales are appreciated and are being advanced by officials in our oil and gas branches. I encourage your perspectives and input on an ongoing basis to enhance our relationship and our regime.
- As well, the Yukon government recognizes that oil and gas exploration and development, and pipeline development represent a unique opportunity to train northerners. We intend to forge partnerships with all players to maximize the training and employment opportunities from these ventures.

Northern Pipeline Projects

- Members of the Canadian Energy Pipeline Association (CEPA) place the value of all Canadian gas pipeline assets at \$17 billion. They pay \$320 million per year in property taxes and directly employ 6,000 people (18,000 indirectly).

- In terms of northern pipelines, the “*North of 60*” sections of the two proposed projects, the Alaska Highway and Mackenzie Valley together could cost \$16 billion USD which is approximately equivalent to the Canadian Energy Pipeline Association’s total current assets.
- These are huge projects.
- Of the \$16 billion USD expenditures for the two projects, one-quarter of that new investment will take place in the Yukon, and, one-quarter in NWT and Northern Alberta.
- The CEPA member pipelines, in southern Canada, will increasingly rely on a northern frontier natural gas stream to offset declining volumes on their pipeline systems, and to prevent their unit transportation costs from escalating to unacceptable and uneconomic levels.
- Canadian and American consumers stand to benefit from lower natural gas prices, once northern gas is connected. A recent US National Commission on Energy Policy paper pegged this saving to natural gas consumers at more than \$100 billion USD over ten years.
- We remain very supportive of pipeline development provided that there is greater recognition of the contributions from northern territories and realization that benefits must also accrue to Yukon so our economy can prosper.
- Why do I say a greater recognition? Because lately we are hearing that we should not expect many pipeline jobs in either territory once construction of the two northern pipelines has been completed. I am concerned that the Yukon may be viewed by pipeline proponents as a conduit or a corridor. One through which they seek passage, at a modest fee and with a minimal level of disruption.

Support from Industry

- We need industry to help ensure that the federal government recognizes its responsibilities and is prepared to face the challenges of mega projects like a pipeline in the north.

New Approaches Required

- We must find new ways to look at these massive capital pipeline investments; especially the level of benefits that should accrue to local people along the pipeline route. And we should search for new ways to look at the long-term legacies from such investments.
- In the past, at times, our own approaches have been counter productive. Yukon competed with its own neighbors on pipeline routes and cooperated with the pipeline proponents and external interests. This was the message that Yukon previously took to Ottawa.

- The Yukon approach to the Alaska Highway Pipeline project is changing and will continue to change. We now have before us two pipeline proposals along the Alaska Highway route.
- We are moving to a much more co-operative approach with First Nations and with our northern neighbours. We realize that we are small players in the larger debate; and that co-operation better suits our agenda than competition does.
- You will find that we are on the same page on most issues related to northern pipeline development and I expect that will continue.
- Now our message to Ottawa is the need for fiscal relief and benefits to those experiencing the impacts.

Alaska Highway Aboriginal Pipeline Group

- The government of Canada also has a role to play in supporting Yukon's newly formed Alaska Highway Aboriginal Pipeline Group (AHAPG). This group will act as a coordinating body to address the First Nations' interests during the planning and development stages of the pipeline project, and assist with streamlining regulatory processes where possible.
- We in concert with the AHAPG will be approaching Canada for similar financial support provided to the APG in the NWT.
- The Yukon government looks forward to working collaboratively with this group in the coming years to prepare and advance the prospects of an Alaska Highway gas pipeline project.

Co-operation

- We will need federal cooperation to move important oil and gas initiatives forward. I believe that the level of cooperation we have achieved on three other fronts will help us to do this.

1) With *First Nations*: The Alaska Highway Aboriginal Pipeline Group promises to evolve into a strong political/economic structure that can unite all First Nations along the proposed pipeline route.

2) With Nunavut and the NWT: We've signed a *Northern Cooperation Accord* and a sub-agreement on Oil and Gas with the NWT. The purpose of this agreement is to undertake cooperative measures to support oil and gas development in the Yukon and N.W.T. The sub-agreement will assist Yukon and N.W.T. residents in receiving reciprocal access to employment, training and business opportunities arising from oil and gas and pipeline development.

Cooperation between northern jurisdictions will help us focus our limited power and capacity on the larger issues like the current fiscal regime

In addition, we are working with the NWT to ensure that natural gas from basins in both the Yukon and NWT are not stranded by unfavorable regulatory regimes. After all, the original NEB hearings on the Alaska Highway Pipeline project, the Northern Pipeline Act, and the Canada/US Agreement on pipelines strove to ensure northern

Canadian gas, including the Yukon's was not stranded when northern pipelines were eventually constructed.

3) With Alaska: Alaskan Governor Frank Murkowski and I signed a new Alaska/Yukon Intergovernmental Accord when he visited Whitehorse in December. It is vitally important that our government continues to work with the government of Alaska to make the Alaska Highway Gas pipeline a reality.

Closing

As I conclude today I would like to leave you with some key thoughts:

- We are committed to building mutually beneficial economic partnerships with First Nation governments, industry and other governments to further develop our oil and gas sector and gain northern benefits from development.
 - Northern pipeline development is a key priority of my government and we will continue to work with our northern neighbours. This is not about us versus them. We can all benefit from these massive projects if we work together.
 - Opening the southeast Yukon is an important objective of my government. A cooperative approach with First Nations, other governments and industry is the key to this becoming a reality.
 - We have the political will to facilitate the growth of a strong, viable and sustainable economy for the benefit of all Yukoners. We are poised to enter an exciting period of responsible resource development in the Yukon.
- Finally, to sum it all up, I'd like to emphasize that we know that the oil and gas industry needs certainty. I know you agree with our belief that we can achieve certainty through open discussion and cooperative partnerships.
 - Once again, I would like to thank you for giving me the opportunity to speak to you today. The Yukon is encouraged by this year's activity levels and hope that the Yukon is part of your exploration and development plans.

Thank you.