



WORKING TOGETHER

NEWS FROM THE ABORIGINAL PIPELINE GROUP ♦ MAY 2002

Introduction

This is the first APG community newsletter. We plan to send one by fax to NWT community leaders at least once every two months. When there is lots of news, APG will send one out monthly. Our hope is that information in these newsletters will be shared with others. If you know of someone who would like to have a personal newsletter faxed to them please have them call Brian McCutcheon at Outcrop Communications in Yellowknife (867-920-4652) and give him your fax number. We will be glad to add you to the list. We can also email the newsletter to you if you like. E-mail your address to brian@outcrop.com and ask to be added to our APG Newsletter email distribution.

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Community Consultations Continue with Deh Cho Meetings

APG is taking part in the first round of public consultation meetings being organized by the Project Operator for the Mackenzie Valley Pipeline. In March the APG participated in meetings in the Sahtu communities of Tulita, Colville Lake, Deline, Norman Wells and Fort Good Hope. In the last week of May the APG will be part of the round of Deh Cho meetings in Fort Simpson, Jean Marie River, Wrigley and Trout Lake. Communities selected for meetings in this first round of community discussions are those closest to the possible pipeline route.

The meetings give the Project Operator (Imperial Oil) a chance to explain the status of the project, answer questions and get information about how communities would like to proceed with public consultations.

APG participates in these meetings and answers questions about the APG and its work to maximize Aboriginal ownership and benefits of a Mackenzie Valley Pipeline.

Community Readiness

APG is hearing that people are concerned that they need a chance to get ready for the opportunities that construction and operation of a pipeline could bring. Communities and regions want the information that will allow them to make choices about how they can be involved.

Much of that information will be provided through the Community Consultation process that has been started by the Project Operator. APG is participating in community consultation meetings and will be fully involved in the process of helping communities and individuals to make the best choices about training, education and business ventures.

What is a Project Operator?

Every project needs someone to co-ordinate the planning, manage the studies and sort out the best strategies for success. The group of five organizations involved in planning for a Mackenzie Valley Pipeline (Imperial Oil, APG, Conoco Canada, Shell Canada and ExxonMobil Canada) have agreed that Imperial Oil will take on this role.

As Project Operator Imperial Oil is responsible to the other owners of the project to make sure that the project is well organized. The Memorandum of Understanding, that the APG signed with the Mackenzie Delta Producers Group on October 15, 2001, gives APG the right to own up to one-third of the proposed pipeline and provides APG with a place at the decision-making table. APG's role of maximizing benefits to Aboriginal people is acknowledged by the Project Operator and detailed in the MOU.

APG Speaks at National Conference

APG Vice Chair Doug Cardinal had the opportunity to tell the APG story at a major conference April 26, 2002 in Edmonton. Doug spoke to the "Aboriginal Oil and Gas Ventures Conference" which was attended by senior people from Aboriginal organizations, business and government.

Learning About Natural Gas

Everyone knows that you need gas to run a snowmobile and most cars and trucks also burn gas (unless they use diesel for fuel). So, it may sound confusing that the gas that will be transported in a Mackenzie Valley pipeline isn't used in vehicles. In fact natural gas is not a liquid at all but a "gas." It is lighter than air, clean burning and non-visible.

The natural gas sold to customers is methane. Other gases that occur naturally with natural gas, like ethane, butane and propane, are removed at special gas plants and sold separately.

Natural gas is just becoming known in the North. Until the Inuvuit built a pipeline to connect the Town of Inuvik to a small natural gas field at Ikhil (about 45 kilometres northwest of Inuvik), no community in the Northwest Territories had ever had the opportunity to use natural gas. Now Inuvik can burn natural gas to generate electric power and for heating.

Natural gas comes from the same "family" of hydrocarbons as oil. It is found deep in the earth's crust trapped in small spaces between the grains of sand that make up sandstone. Not all sandstone contains natural gas. That's the problem. You may know where there are likely to be sandstone formations under the earth. However, you'll only find ones with oil or gas about 10% of the time.

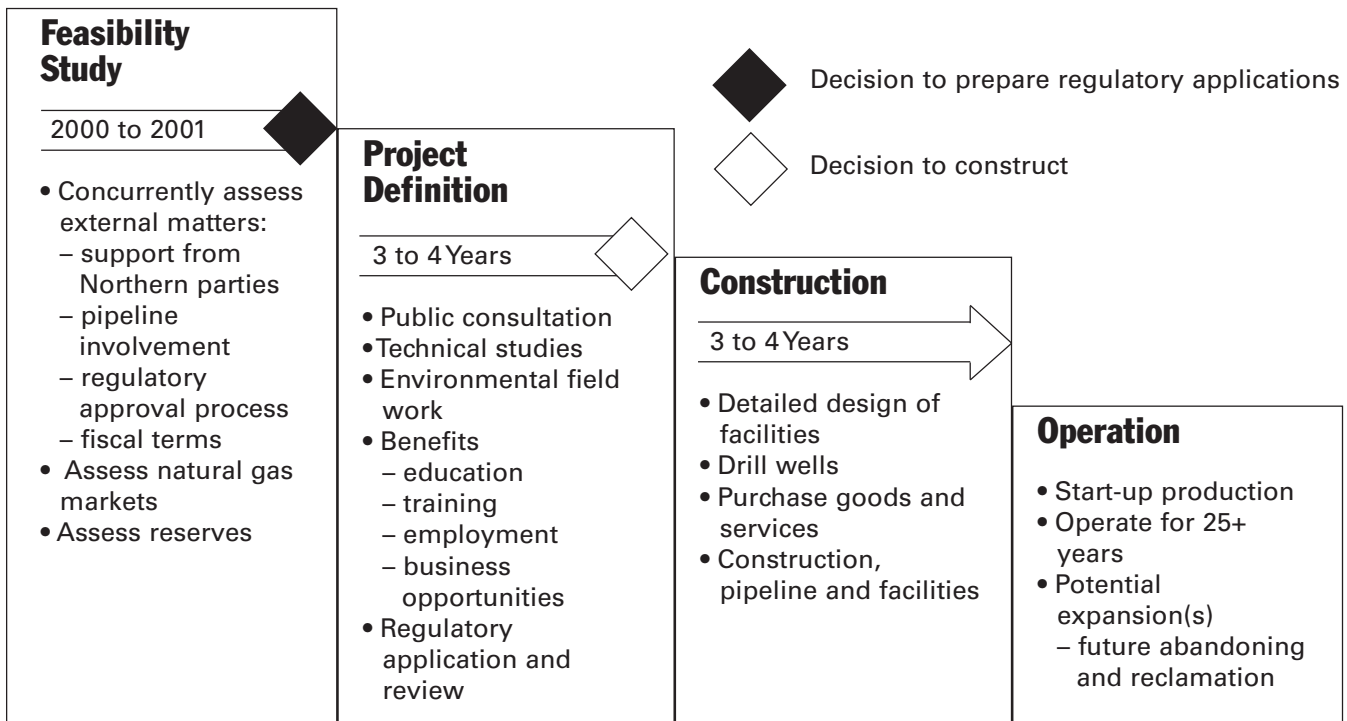
Once you find it, you need a pipeline to ship it out. Unlike oil, which can be stored in large tanks and shipped in a variety of ways, natural gas needs to be shipped by pipeline to be affordable. Small pipelines (called gathering systems) are used to bring the gas to a large pipeline where it is compressed to help propel it through the pipeline to the customers who will use it.

Canada is the third largest producer of natural gas in the world and Canadians make extensive use of natural gas. In Canada, natural gas heats more homes and businesses than any other form of energy. It also provides energy for industries such as cement, forest products, fertilizers and steel making. In addition Canada exports natural gas to the United States.

APG Recruits First President

Ads ran in News/North in early May asking interested persons to apply to the Search Committee that is looking for a full-time president for the APG. The president will report to the Board of Directors that includes Chair Nellie Cournoyea, Vice Chair Doug Cardinal and Directors Fred Carmichael, Frank T'seleie and Gordon Yakeleya.

Mackenzie Valley Pipeline Project Phasing and Schedule



Developing the Mackenzie Delta gas reserves and constructing a Mackenzie Valley Pipeline is a complex undertaking that requires a multi-year, phased effort and may result in natural gas production starting in 2008, possibly as early as 2007.

Regulatory Process

The project developers expect to submit applications for regulatory approval in 2003. The regulatory process is complex, requiring cooperation among a number of regulatory agencies. Regulatory authorities are working to develop procedures to coordinate the regulatory process. The project schedule is dependent on the results of this work.

Public Consultation

The project developers are committed to a two-way public consultation process which is open, timely, respectful and responsive. Input will be sought from interested individuals, communities and associations during all phases of the project, including project definition, construction, operations and abandonment and reclamation.



APG in the Inuvik Petroleum Show

APG will be participating in the Inuvik Petroleum Show June 20 and 21. A member of the APG's Executive Committee will give one of the opening speeches on the first day of conference. Attendance at the show includes senior management of oil and gas producers, explorers and service companies with interests in the North. APG's new brochure will be distributed at the conference to help to inform the industry about the important role the APG has in representing interests of Aboriginal people in the planning, construction and operation of a Mackenzie Valley natural gas pipeline.



Get behind NWT gas pipeline

(Northern News Services - May 7, 2002)

To the United States, getting natural gas from Alaska to the lower 48 has been made into a national security issue. So they're prepared to do almost whatever it takes to get the gas out. That includes a host of subsidies. They have guaranteed a minimum price for Alaska gas, offered to exempt the Alaska Highway pipeline from billions in taxes to help raise the \$17 billion needed to build the pipeline.

It's a mighty big carrot to tempt companies to push the project forward.

In Canada, we see oil and gas development as a business opportunity. We talk about jobs and creation of wealth. In the North, we see a Mackenzie Valley natural gas pipeline as a way to wean ourselves off a subsistence lifestyle. Now that exploration is paying off in significant new gas finds, it's time for the federal government to put its weight behind the Mackenzie Valley line.

A recent report suggests the project is good for all of Canada: 53,000 jobs and a \$56-billion boost to the country's gross domestic product. While a pipeline down the Alaska Highway will also provide Canadian jobs and wealth, it comes nowhere near the bang provided by the Mackenzie line. Even so, the Canadian government is sitting on its hands. Its support of the Mackenzie Valley pipeline has been lukewarm, saying it wants to wait and see if the project will actually go ahead.

Ottawa must now get off the fence.

The Mackenzie Valley pipeline group has moved to the project definition phase. The gas boom is driving the NWT economy to new heights — a 20.8 per cent growth in the gross domestic product in 2001. It could all fizzle out if there's no pipeline. While no one wants taxpayer-funded subsidies, there are steps the federal government can take. Aboriginal groups may need loan guarantees to shore up their one-third share of the pipeline.

For two years, the territorial government has sought \$250 million for infrastructure development and training to get Northerners ready for the jobs that will come. That money has to start flowing now so our roads, schools, hospitals and people are ready for the real boom that's to come.

And Ottawa must not put any financial backing behind the American pipeline, even though Yukoners stand to benefit. Its priority must be getting Canadian gas to market.

That's in the best interest of every Canadian.

Alaska Highway gas pipeline still not economical

(Canadian Press - May 15, 2002)

CALGARY (CP) — A pipeline to tap vast natural gas reserves in Alaska could cost nearly \$20 billion US and such a mega-project isn't commercially viable despite proposed American subsidies, energy producers said Tuesday.

International energy giants BP, ExxonMobil and Phillips Petroleum — all with significant reserves in Alaska — issued a long-awaited feasibility study that said the project is currently too expensive to be worthwhile. "Right now, as the project pencils out as a result of our feasibility work, the risks outweigh the rewards," BP spokesman Dave MacDowell said Tuesday from Anchorage, Alaska. "And we are not going to see the same pace of spending on this project until we see progress."

If built, the Alaska pipeline would stretch more than 5,600 kilometres from Alaska, through the Yukon, B.C., Alberta and Saskatchewan before entering the United States. The study also reviewed costs of bringing gas under Prudhoe Bay to Canada and down the Mackenzie Valley. The tab for that route has gone up to \$18.6 billion US. The producers also say costs and technology are a big factor

Myth and Reality: ARC's Claims and the Facts

Over the last few months, officials of ARC (composed of Arctic Resources Company of Texas, Arctigas Resources Corporation and Northern Route Gas Pipeline Corporation) have vigorously attacked the Mackenzie Valley stand-alone natural gas pipeline project which is endorsed by a majority of Aboriginal communities in the Northwest Territories.

Until recently, APG simply chose to let the information it had presented, along with the Memorandum of Understanding with the Producers Group, speak for itself. However recent published reports of meetings in the Mackenzie Delta make it essential to respond to ARC's claims and misinformation.

We have documented a number of ARC claims below and given you the facts to let you see the distortions and inconsistencies. We would welcome your feedback.

ARC CLAIM: A cornerstone of this project (ArctiGas) is 100% ownership for the Canadian segment of the pipeline by Northern Gas Route Pipeline Corporation (NRGPC), a wholly-owned Aboriginal Canadian corporation. *Arctigas Public Information Document, December 20, 2001*

FACTS: ARC's proposal of 100% Aboriginal ownership does not provide Aboriginal control. Even ARC's own words say "... Control and management of the project is dictated by the terms of the Program Management Agreement between Arctigas and NRGPC. Participation in Arctigas will be offered to all stakeholders and no single or select group of stakeholders, including the founders, will have a majority interest." - that's not Aboriginal control - control will rest with ARC. Access fees and benefit agreements will still need to be negotiated separately, as is the case with the Mackenzie Valley stand-alone pipeline project proposed by the Delta Producers Group and the Aboriginal Pipeline Group.

ARC CLAIM: "Would be cheaper to transport gas." *Northern News Services, May 17, 2002*

FACTS: This would only be true if the project combined Alaskan and Mackenzie Delta gas in a single project. ARC continues to ignore the fact that there is no current support in Alaska for such a project. The Alaskan Government, the Aboriginal people of the Alaskan North Slope and the Alaskan producers have all said no to the ARC proposal. APG, on the other hand, is committed to a stand-alone Mackenzie Valley Pipeline that has the support of the producers, the NWT Government and most Aboriginal groups in the NWT.

ARC CLAIM: "(The APG plan) provides for an average annual rate of return less than one percent (1%) on the \$1 Billion." *Rick Hardy, February 13, 2002*

FACTS: The rate of return on APG's equity portion would be 12%. APG would have to borrow approximately \$300 million for its equity investment. The remaining \$700 million (of APG's \$1 billion) would be a standard borrowing with recourse by the borrowers against the shippers' contracts - not the Aboriginal groups in APG. The 12% that is earned on APG's equity portion would be divided between the suppliers of the equity funds (likely major banks) and APG. The APG portion would be paid to regional Aboriginal owners through a limited partnership.

ARC CLAIM: "The ArcticGas proposal provides for annual revenues ... of \$75 to \$100 million per year after full ramp-up." *ARC Information Item, February 2002*

FACTS: The ARC proposal assumes that the National Energy Board will allow what is effectively a royalty on throughput to be rolled into the pipeline tolls. This has never been done before in Canada and this undermines the credibility of the ARC proposal. Pipeline tolls are normally based on the cost of the line and its operating costs, not on the value of the commodity.

ARC CLAIM: "Phase 1 for Northwest Territories gas is proposed to come on-stream in the 3rd quarter 2007, while Phase 2 for Alaska gas delivery is proposed to come on-stream in the 3rd quarter 2008. *ARC Preliminary Information Package, December 2001*

FACTS: ARC has cut back on its fieldwork and is not known to be currently doing any field engineering, field environmental or field socio-economic studies to support an application to regulatory authorities. On March 26, 2002, in an open letter, ARC Managing Director Bruce Hall wrote, "Although meeting with some success, ArctiGas finds the immediate political situation too uncertain at this time to allow it to proceed with the major capital expenditures required for these Pipeline Construction Evaluation Programs."

ARC CLAIM: "The concept of 100% financing could still be used to lower the cost of the pipeline tariff in Canada." *Rick Hardy, Fort Simpson, Feb 13, 2002*

FACTS: Support for the ARC financing strategy is eroding. On December 20, 2001 international financial advisors RBC Dain Rauscher wrote, "We believe that based on our understanding of the Project and current market conditions, a 100% debt financing for this project is feasible." This letter was included by ARC in its Preliminary Information Package sent to regulatory authorities. That endorsement has now been withdrawn by RBC Dain Rauscher and they have asked that ARC remove that letter from its filing with the National Energy Board.

ARC CLAIM: "Through construction sequencing, the proposed project will accommodate Canadian gas first, with Alaskan gas following approximately one year later." *ARC Preliminary Information Package Filing, December 2001*

FACTS: ARC has no plans for a Mackenzie Delta stand-alone project. The implication of the quoted statement is that the Canadian line could be built and that the Alaskan line would simply follow. The facts are that the Canadian line could not be built by ARC unless a very large Alaskan line was guaranteed.

ARC CLAIM: "They (the Mackenzie Delta producers) think you're a bunch of fools. They lied to you 25 years ago and they continue to do so." *Attributed to ARC Managing Director Bruce Hall by Northern News Services, May 17, 2002*

FACTS: What can we say? Such accusations are a tactic of the desperate. The Mackenzie Delta Producers Group and APG negotiated long and hard to reach an agreement and sign a Memorandum of Understanding (MOU) that commits both parties to the planning and ultimately the ownership of a Mackenzie Valley Pipeline.

May 23, 2002