



# WORKING TOGETHER

NEWS FROM THE ABORIGINAL PIPELINE GROUP ♦ September 2002

## Introduction

This is the third issue of the APG newsletter. This newsletter is available by fax or email to all who are interested. If you have received this newsletter as a forward from someone else and want to receive your own copy simply send an email to [brian@outcrop.com](mailto:brian@outcrop.com) or fax a message to Brian at 867-873-2844 asking to be added to our distribution lists.

This issue of the APG newsletter follows a busy summer during which the initial round of community consultations by the Mackenzie Gas project continued through the Deh Cho region. Independent studies assessing the APG's participation in the Mackenzie Valley Pipeline were released.

This issue of the newsletter offers a selection of media stories, a status report on current activities and some information about natural gas and the environmental benefits of greater natural gas use.

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## Report Favours Valley Route

*(Northern News Services, August 22, 2002)*

A new report by a Calgary company says that Mackenzie Gas Project is the best deal for the Gwich'in.

In a report commissioned by the Gwich'in Development Corporation (GDC), the Canadian Petroleum Engineers say the plan proposed by the Producers Group and the Aboriginal Pipeline Group (APG) offers more in benefits than the proposal from the Northern Route Gas Pipeline Corporation (NRGPC) and its subsidiary, ArctiGas Resources Corp. (ARC).

Last May the board of directors of the Gwich'in Tribal Council asked the GDC to do a review of the two proposals to see which offered the best benefits for the Gwich'in people. GDC vice president of business development Carl Chala said they sent the study out because the GDC needed an expert opinion.

"We had looked at this and because it's such a significant project, we wanted to get some expertise involved," Chala said.

The study prepared by the Canadian Petroleum Engineers used public information and interviews with the Aboriginal Pipeline Group, Imperial Oil and the NRGPP/ARC.

The study focused on key issues, the project overview, issues and assumptions, risks, ownership and benefits. Chala said the Mackenzie project exceeded the over the top route in every comparison.

"Out of the benefits and potential long-term economic sustainability of this region, you want to make sure that the Canadian gas gets to market first," Chala said.

Keeping the exploration activity alive in the Delta is key to economic growth, Chala said.

The report said the Mackenzie Gas Project has the least amount of risk and the least political hurdles to cross. Most importantly, Chala said, the energy companies will not relinquish control of the line. "The producers have said 'No', and have not moved forward at all to that side," he said. "You need the producers' support in order to move forward with a pipeline." *(Continued on Page 2)*

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Chala said the report said the risk of laying pipe under the ocean was minimal and running a line to Prudhoe Bay may be considered by the Mackenzie Gas Project at a later date.

"There is no problem with that; there have been many pipelines built under water before," he said. "If we have the Mackenzie Valley one done first, there is no precluding us from tying in over the top at a later point – that is still open."

In the issue of controls and ownership, the report finds that both plans come out equal, despite ARC's 100 per cent aboriginal ownership plan. "You still, have signed a management agreement that gives full control and authority to ArctiGas Resources to manage the project and in the other

scenario, APG is still a minor shareholder," he said. "In both cases they're even."

The ARC proposal is financed through the sale of bonds, based on shipping contracts, which in effect places ownership with the bondholders.

"It's like buying a car and using the bank to buy it for you; the bank still owns it until you pay it off," he said. "If you don't pay off the bond holders, they take control of it."

Chala said the GDC is very pleased with the report and hopes it will help the Gwich'in move forward with the APG plan.

"It gave us the kind of confirmation that we are moving in the right direction," Chala said.

## Twenty Companies Want to Ship Gas in a Mackenzie Valley Pipeline

In mid August, the Mackenzie Gas Project confirmed that 20 companies have expressed an interest in obtaining space to ship natural gas through a Mackenzie Valley pipeline.

In July the Mackenzie Gas Project declared a one-month "Open Season" to allow interested companies to indicate if they would want to ship natural gas in a pipeline that is being proposed down the Mackenzie Valley to southern markets. The four partners in the Mackenzie Delta Producers Group, as well as 16 other companies, responded favourably. As the project operator for the Mackenzie Gas Project, Imperial Oil will meet with all of the producers and explorers to get

more information on the total volumes of natural gas that could be nominated.

In addition to Imperial Oil, Shell Canada, Conoco Canada and ExxonMobil Canada who are partners in the Mackenzie Gas Project, it is expected that most of the Mackenzie Delta Explorers Group also indicated their interest in shipping gas to market. The Explorers Group includes Petro-Canada, Devon Canada, EnCana Corp., Chevron Canada Resources, Anadarko Canada, Burlington Resources Canada Energy and BP Canada Energy. In total the Explorers Group has pledged \$900 million over the next five years to explore for natural gas in areas close to the proposed pipeline.



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## Mackenzie Gas Project Regional Offices to Open Soon

The regional offices for the Mackenzie Gas Project in Inuvik, Norman Wells and Fort Simpson are expected to open before the end of September.

On April 30, Imperial Oil announced its intention to open offices to provide ongoing liaison between the Mackenzie Gas Project and communities near the proposed pipeline route.

Space has been leased for the offices and staff are being recruited through open competition.

To extend the project's ability to reach into all communities near the pipeline route, the Mackenzie Gas Project is also recruiting part-time community representatives to work in their home communities providing information and obtaining feedback.

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## The "Best Approach for Canadian Gas Development"

Speaking at an American Stock Exchange oil and gas conference in Denver Colorado on August 6, 2002, K.C. Williams, Senior Vice President and Director of Imperial Oil Limited described the Mackenzie Gas Project as the "best approach for Canadian gas development."

In making his presentation, Mr. Williams offered the following observations:

While many factors affect the feasibility of a potential Mackenzie Delta gas development, the most significant matters are those that are external to (the Producer Group) such as the level of northern support.

We believe the critical strength of our initiative is that we have significant Aboriginal direct involvement with the Mackenzie Gas Project. We have stated from the outset that Aboriginal support is essential to development. We believe development will not and cannot happen without that support!

On October 15, 2001, the Mackenzie Delta Producers signed a Memorandum of Understanding with the Mackenzie Valley Aboriginal Pipeline Corporation. This MOU defines principles under which a Mackenzie Valley Pipeline could proceed.

One key aspect of the MOU was that Aboriginal leaders linked support for a Mackenzie Valley Pipeline with the right to own up to one-third of the pipeline.

We believe the Mackenzie Gas Project is the best approach for Canadian gas development. It's an approach that allows us to proceed in parallel with new exploration, avoids any linkages with uncertainties of Alaska gas and provides the opportunity to get Canadian gas to market first. Our project will be designed to accommodate all onshore Canadian gas, with flexibility in design to accommodate future discoveries.

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## How Safe is Natural Gas?

Every day of the year, huge volumes of natural gas are transported and stored across North America. While there are some risks associated with natural gas, proper equipment design, installation and maintenance of facilities containing natural gas keep these risks to a minimum. Government regulators and natural gas producers and pipeliners work together to eliminate risks and put safety first in natural gas exploration, production, transportation and consumption.

Natural gas transmission lines are made of high strength steel. Pipelines typically have pressure sensors and remotely operated valves to isolate sections of the pipeline should a pipe failure occur. In the unlikely event of a pipe failure, the damage will almost always be localized within the pipeline right-of-way.

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## Mackenzie Gas Project – APG status report

As previously reported, the major phases for the Mackenzie Gas Project (MGP) are:

- Feasibility Study – completed
- Project Definition – underway
- Construction – to be decided upon completion of Project Definition
- Operation – 25+ years following construction

The major steps for the Project Definition phase are:

- Confirmation of APG as a full participant
- Issue a Preliminary Information Package to regulators
- File project application to regulators
- Regulatory Hearings
- Approval
- Decision to Construct

The outstanding condition for APG full participation is financing. APG needs to demonstrate to the Producers Group that the financing is in place to complete the Project Definition phase.

It is estimated that this phase of the MGP will cost approximately \$250 million, of which approximately \$210 million will be for the pipeline. APG needs to demonstrate it has access to \$70 million for its one-third share. In addition, APG expects to incur \$1.5 million per year in operating expenses. APG submitted a draft Business Plan in June to the federal and territorial governments, as requested. Discussions have taken place, but no response has yet been received.

The MGP Preliminary Information Package (PIP) is under development by the Producers Group and will be reviewed by the APG in the near future. It will be submitted to the regulatory authorities as soon as possible.

Community consultations continue. Initial meetings have been held in all impacted communities. APG has had representation at all of these meetings. MGP is opening offices in Fort Simpson, Norman Wells and Inuvik.

Fourteen representatives are being recruited to serve in other communities. It is expected that community consultations will consist of one-on-one and small group meetings over the next several months. These discussions will detail initiatives and concerns to be considered by MGP.

The process for beginning the negotiation of Access and Benefits Agreements is being put together. It is expected that these negotiations will begin this fall. Identification of all such agreements and parties is underway.

More detailed maps of the preliminary route for the pipeline and potential gravel/quarry sites have been prepared and made available. Work is underway to determine, in more definite terms, the exact requirements and sites.

Identification of existing and potential volumes of natural gas for the pipeline has started with a non-binding open season process (i.e. request for preliminary nominations). The process has confirmed that the pipeline needs to be able to accommodate between 0.8 bcf/d and 1.5 bcf/d initial capacity. (bcf/d = billions of cubic feet per day).

Finally, pipeline companies have been invited to submit proposals to enhance the project through their involvement in the construction and/or operation of the pipeline.

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## Community Consultations Continue in the Deh Cho

APG participated in the latest round of community meetings to introduce the Mackenzie Gas Project to Deh Cho community residents. In May Deh Cho meetings were held in Fort Simpson, Jean Marie River, Wrigley and Trout Lake. In August additional meetings were held in the southern part of the Deh Cho taking the Mackenzie Gas Project team to the communities of Fort Providence, Kakisa, Enterprise, Nahanni Butte, Fort Liard, West Point and Hay River.

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## APG Business Plan Submitted to Governments

APG has submitted its draft Business Plan to the governments of Canada and the Northwest Territories. The plan provides a detailed description of the Mackenzie Gas Project, reviews the structure of the pipeline joint venture and the economics natural gas development and transportation by pipeline. Key environmental and socio-economic issues are noted and economic benefits of the construction and operation of a pipeline are reviewed.

APG is requesting financial commitments from governments to allow for full participation of APG during the Project Definition and Regulatory phase.

Included within APG's Business Plan is a section that provides highlights of a recent economic impact study that evaluates contributions of the Mackenzie Gas Project to the Northwest Territories and Canada. Over the projected life of the project,

from 2002-2033, the estimated total value of all economic activities within Canada is placed at \$40.2 billion (in constant 2002 dollars). Over 80 per cent of the impact, \$32.9 billion, will be in the NWT. Federal revenues from construction and operation of the pipeline and gas fields are estimated to be \$10.8 billion. Territorial and Provincial government revenues are estimated to be near \$1.3 billion.

The total employment impact over the life of the project is estimated at 157,000 person years of work. Approximately one third of these will be created by pipeline construction and gas field development. The jobs and business opportunities associated with construction and operations have the potential to significantly reduce the disparity between the employment rates for Aboriginal and non-Aboriginal residents of the Northwest Territories.

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## Natural Gas and the Environment

Natural gas (methane) is the cleanest burning fossil fuel. It is now the leading source of heat for Canadian homes and businesses. High efficiency furnaces, water heaters, clothes dryers, stoves, fireplaces, barbecues, heat pumps and integrated heating/cooling devices also operate on natural gas. The use of natural gas to generate electricity is one of the fastest growing uses of this fuel.

When natural gas burns fully, only water vapour and carbon dioxide are left. Many experts consider the use of natural gas to be a useful tool in the worldwide need to reduce greenhouse gas emissions. When natural gas replaces fuels like oil or coal, the release of greenhouse gases is cut by as much as half.

However, carbon dioxide (CO<sub>2</sub>) is one of the green house gases that allow sunlight to enter the atmosphere unrestricted. This has the effect of trapping the resulting heat in the lower atmospheres. This contributes to higher air temperatures in the lower atmosphere. This effect is known as global warming.

Recognizing that more efficient combustion of natural gas will reduce green house gases further; the designers of natural gas furnaces, home appliances and industrial equipment are adopting more efficient equipment and processes to reduce emissions. Some utilities are also supporting tree planting programs to help offset global carbon dioxide emissions. Finally, the use of high efficiency gas turbines to generate electricity and to power modern compressor stations that reduce emissions by up to 90 per cent.





## **Kakfwi says ‘economics of a Mackenzie Valley pipeline are far superior to those of an Alaska Highway pipeline’**

*(Hill Times, August 19, 2002)*

The Northwest Territories has experienced exceptional economic development over the past decade, and there are no signs of growth slowing. Driving this tremendous expansion has been the development of our vast non-renewable resources, with diamond mining and natural gas development at the forefront.

However, much work remains to be done to ensure that the NWT's unprecedented economic expansion continues and produces maximum benefits for our residents and Canadians alike.

Development of our huge natural gas reserves in the Mackenzie and Delta regions will drive much of this expansion. Although discovered in the 1970s and 1980s, most of these reserves have not been brought into production because previously abundant southern supply and a lack of Northern infrastructure made them uneconomic. This has changed. Constrained production growth in mature gas basins in North America has encouraged industry to prepare plans for development of our large gas fields and for construction of a Mackenzie Valley pipeline. These developments will bring billions of dollars of private sector investment to the NWT, providing economic opportunities for communities in the Mackenzie Delta and Valley, as well as for Canadians in southern jurisdictions.

Our government has firmly supported the position that market forces should determine the development of Northern natural gas. However, in pursuing their own interests, the State of Alaska passed a law attempting to guarantee an Alaska Highway pipeline by banning one potential route for Alaskan gas, that being a pipeline across the Beaufort Sea connecting it with Mackenzie Delta gas to be shipped down the Mackenzie Valley.

Prior to Alaska's legislative initiative, the Canadian and United States governments had agreed that market forces should determine route selection and timing of Northern gas development.

We are confident that the economics of a Mackenzie Valley pipeline are far superior to those of an Alaska Highway pipeline. It seems that the Alaskan delegation in Congress concurred. They introduced an amendment to a U.S. Senate energy bill that gave Alaskan gas a guaranteed floor price of \$US 3.25 per thousand cubic feet, priced in the Province of Alberta.

Our position has garnered allies. The Canadian government has strongly opposed the subsidy scheme, as has the U.S. administration. Canadian and U.S. gas producers have also weighed in, viewing such a subsidy as detrimental to gas development in the Western Canadian Sedimentary Basin as well as in U.S. basins.

They recognize the huge market distortion that such a subsidy would provide, impeding the competitive market from functioning properly. Unfortunately, it is NWT gas that would be most severely undermined by this subsidy, leaving it stranded. As the energy bill goes through the conference process between the House of Representatives and the Senate, we are confident that this blatant attempt to interfere with the market forces of gas development and production in North America will be soundly defeated.

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## **Deh Cho Company Participates in Field Study**

*(Deh Cho Drum/Northern News Services, August 27, 2002)*

In less than two months a Fort Simpson environmental company has gone from being a concept to a contracted business. Deh Cho Environmental Corporation is involved in a granular research survey along the proposed Mackenzie Valley pipeline corridor.

The business was launched by biologist Stephanie Sibbeston and her husband Randy Sibbeston, along with brothers-in-law Murray Sibbeston and Tim McClelland. They quickly formed a partnership with Inuvialuit-based Inuvialuit Environmental and Geotechnical, providing them with access to Inuvialuit Environmental's staff when needed. Since early Augusts, Deh Cho Environmental Corporation has been working alongside Inuvialuit Environmental, Colt KBR, Tera AGA and Golder and Associates on a four-week granular survey for the Mackenzie Delta Producers Group.