FACT SHEET

2007 Update – Mackenzie Valley Pipeline Project

Wright Mansell Research Limited

A. Background of Wright Mansell Report

In 2002, the Government of the Northwest Territories (GNWT) and TransCanada Pipelines Limited (TCPL) commissioned Wright Mansell Research Limited to produce a Report considering the possible economic impacts of the proposed Mackenzie Valley Pipeline.

The Report, based on information available at the time, demonstrated the significant distribution of benefits from the Project throughout Canada. It also provided an estimate of the potential revenues that would be realized by the Territorial, Provincial and Federal Governments.

In 2004, Wright Mansell produced an update to their Report in response to more detailed project information.

In 2007, Wright Mansell was again commissioned to update their Report – this time to reflect data identified by the Proponents in their May 2007 Project Update.

B. Wright Mansell 2007 Update - Assumptions

The 2007 Report is a comprehensive document that considers a full spectrum of scenarios and a wide range of production estimates.

The Report assumes an exchange rate of US$0.9/CDN$[1], and an annual inflation rate of 2 percent. The study period used is from 2002 to 2040. Resulting values are shown in 2007 Canadian dollars.

The Report uses scenario names that each represents a combination of one of four production volumes (in billion cubic feet per day (bcfd), and one of two prices of natural gas prices (in US dollars per million cubic feet, US$/Mcf).

Case 1 assumes production only from Niglintgak, Parsons Lake and Taglu. Production over the early years of the project would be about 826 thousand cubic feet per day (Mmcfd) and would continue until 2035 in the US$6 natural gas price scenario and until 2037 in the US$8 natural gas price scenario.

Case 1-6 represents the combined scenario for 0.8 bcfd and US$6/mcf
Case 1-8 represents the combined scenario for 0.8 bcfd and US$8/mcf

Case 2 assumes that natural gas from other fields already identified in the Mackenzie Delta, and from several new discoveries, would be available for production by 2015 to achieve natural gas

[1] The factors like real commodity prices, interest rate differentials, overall economic growth and productivity differentials with weakness in US$ coupled with expected high natural resource prices lead the authors of WMR-2007 to assume and choose an average long term exchange rate of 0.90US$/Cand$.

production of roughly 1.2 bcfd from 2015 to 2028, and declining to 400 mcfd per day by 2040.

Case 2-6 represents the combined scenario for 1.2 bcfd and US$6mcf/)[2]
Case 2-8 represents the combined scenario for 1.2 bcfd and US$8/ mcf

Case 3 assumes that natural gas production is at or near 1.2 bcfd from 2015, then averaging 1.1 bcfd to 2040.

Case 3-6 represents the combined scenario for 1.2 bcfd and US$6/ mcf
Case 3-8 represents the combined scenario for 1.2 bcfd and US$8/ mcf

Case 4 assumes that natural gas production of roughly 1.2 bcfd 2015-2021 rising to 1.8 bcfd by 2024.

Case 4-6 represents the combined scenario for 1.8 bcfd and US$6/ mcf
Case 4-8 represents the combined scenario for 1.8 bcfd and US$8/ mcf

Wright Mansell 2007 Update - Findings

North West Territories (NWT)

The findings of the Report vary depending on the production scenario used.

The total estimated expenditures in the NWT associated with the project range from $47.2 billion (Case 1, $6/mcf gas) to $167 billion (Case 4, $8/mcf gas).

NWT employment ranges from 14,605 person years (Case 1, $6/mcf gas) to 35,614 person years (Case 4, $8/mcf gas). This employment would translate into between $2.0 billion and $5.8 billion in wages.

GNWT revenues from the project scenarios are estimated to range from $882 million (Case 1, US$6/mcf gas) to $2.5 billion (Case 4, US$8/mcf gas). These revenues include property taxes and corporate income tax.

In total, direct employment related to operations of project facilities is expected to range from 2,789 person years to 5,895 person years.

Canada:

Depending on the production scenario used, the total estimated expenditures associated with the project range from $48 billion (Case 1, $6/mcf gas) to $169 billion (Case 4, $8/mcf gas). Employment would range from 106,780 person years (Case 1, $6/mcf gas) to 280,534 person years (Case 4, $8/mcf gas). This employment would translate into between $8.9 billion and $24 billion in wages.

The employment impacts in all scenarios would be distributed widely across Canada with the

[2] The June-2007 Sproule forecast was shown to be representative of current gas price forecasts with long term prices averaging about US$ 7.0/million British thermal units (Mmbtus) at Henry Hub and typical range of US$ 6.0 to US$ 8.0.

largest impacts in Alberta and Ontario.

Government of Canada revenues from the project scenarios are estimated to range from $3.1 billion (Case 1, US$6/mcf gas) to $25.3 billion (Case 4, US$8/mcf gas). Royalties are estimated to range between $398 million (Case 1, US$6/mcf gas) and $12.6 billion (Case 4, US$8/mcf gas). The Government of Canada will retain between 76.1 percent (Case 1, US$6/mcf gas) and 90.5 percent (Case 4, US$8/mcf gas) of government revenue from the Project. These revenues include royalties and corporate income tax (including the large corporation tax).

The Mackenzie Gas Project - Good for NWT – Good for Canada

The Government of the NWT supports sustainable resource development with the provision that benefits will flow to NWT residents and businesses.

The 2007 Wright Mansell Update supports this position, as significant benefits will be realized from both the construction or the Mackenzie Valley Pipeline and the opening of natural gas basins implicit in the long-term operation of the Mackenzie Gas Project.

The Report re-confirms that the Project will contribute in a significant fashion, not only to the NWT economy but also to the economies of Alberta and Ontario and to Canada as a whole as is evident from Table1 and Table 2 attached.

To provide some understanding as to the full potential and enormity of the Mackenzie Gas Project, the following impacts and benefits have been compiled based what is considered to be the most reasonable scenario: 1.2 bcfd from 2015, then averaging 1.1 bcfd to 2040 at US$6/mcf natural gas (Case 3-6).

While it is recognized that there is significant fluctuation in gas price and demand, this scenario is generally deemed to be, based on information known today, the most likely to be realized.
Under this scenario, the 2007 Wright Mansell Report projects the following impacts and benefits:

NWT

- Direct output: $99.6 billion
- Employment: 31300 person-years
- Labour Income: $4.9 billion
- Contributions of the Project to the NWT economy (i.e., GDP): $67.5 billion
- Revenues to the GNWT of (income tax and property taxes): $1.6 billion (after taking into account the reduction in Transfer of Formula Financing).

Canada

- Employment of (all of Canada): 208822 person-years
- Contributions of the Project to the Canadian economy (i.e., GDP): $86.3 billion
- Taxes (income tax accrued to the Government of Canada): $10.0 billion
- Royalties (accrued to the Government of Canada): $1.5 billion

Alberta

- Employment: 77994 person-years

- Labour Income: $6.8 billion
- Contributions of the Project to the Alberta economy (i.e., GDP): $9.9 billion
- Taxes (income tax and property taxes): $808 million

Ontario

- Employment: 52940 person-years
- Labour Income: $3.4 billion
- Contributions of the Project to the Ontario economy (i.e., GDP): $5.1 billion
- Taxes (income tax and property taxes): $506 million

The Wright Mansell 2007 Update can be downloaded from:
http://www.iti.gov.nt.ca/main/new.htm

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TABLE 1: SUMMARY OF IMPACTS ON NORTHWEST TERRITORIES
(millions of 2004/2007 Cdn$, employment in person years)

	2004 Wright Mansell Report				2007 Wright Mansell Report			
	Case 2	*Case 2*	*Case 3*	*Case 3*	*Case 3**	*Case 3*	*Case 4*	*Case 4*
	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.8 bcfd	1.8 bcfd
	US$3	US$4	US$3	US$4	US$6	US$8	US$6	US$8
Investment/[3] Revenue	39,298	52,423	49,758	65,164	99,557	125,362	132,892	167,065
Employment	25,428	25,808	30,843	30,843	31,300	31,300	35,614	35,614
GDP	25,204	38,252	31,341	46,746	67,472	93,277	88,337	122,509
Labour Income	1,468	1,492	1,762	1,762	4,892	4,892	5,824	5,824
GNWT Revenues								
Property Tax	384	389	396	396	1,048	1,048	1,281	1,281
Income Tax	832	2,276	825	2,529	1,984	4,131	2,507	5,226
Adjustment for TFF Grant Reduction to NWT	-973	2,132	-977	-2,340	-1,508	-3,140	-1,905	-3,972
Total GNWT Revenues	243	533	244	585	1,524	2,039	1,883	2,535

TABLE 2: SUMMARY OF IMPACTS ON CANADA
(millions of 2004/2007 Cdn$, employment in person years[4])

	2004 Wright Mansell Report				2007 Wright Mansell Report			
	Case 2	*Case 2*	*Case 3*	*Case 3*	*Case 3*	*Case 3*	*Case 4*	*Case 4*
	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.2 bcfd	1.8 bcfd	1.8 bcfd
	US$3	US$4	US$3	US$4	US$6	US$8	US$6	US$8
Investment/ Revenue[1]	40,130	53,256	50,590	65,966	100,945	126,749	134,487	168,660
Employment	142,141	143,252	180,562	180,562	208,822	208,822	280,534	280,534
GDP	34,757	47,857	43,482	58,888	86,290	112,094	114,312	148,485
Labour Income[5]	7,881	7,941	9,997	9,997	17,935	17,935	24,125	24,125
Government of Canada Revenues								
Royalties	437	3,009	631	3,867	1,458	8,588	2,068	12,596
Income Tax[6]	1,482	3,769	1,476	4,168	3,405	6,953	4,286	8,779
Adjustment for TFF Grant Reduction to NWT	973	2,132	977	2,340	1,508	3,140	1,905	3,972
Total Canada Revenues	2,892	8,910	3,084	10,375	6,371	18,681	8,259	25,347

The shaded column indicates scenario that is viewed to be most likely. Other cases have been prepared for the Report (i.e., Cases 1 and 2); however, these cases are tabulated as they are viewed as the most likely scenarios to develop.

[3] Investment/Revenue is the investment in the construction phase plus the revenues in the operating phase

[4] A Person Year is defined as a year of employment for one person. During the construction phase, jobs often last much less than a year so jobs need to be converted to person years.

[5] Labour Income includes wages and salaries, supplementary income and mixed income (income to proprietorships/partnerships).

[6] Personal income taxes on direct labour income are not included.