



The GNWT also made the decision to approach the MGP in a comprehensive and coordinated fashion. To this end, in 2004, a new organizational unit, the Mackenzie Valley Pipeline Office (MVPO), was created and is now part of the Department of Industry, Tourism

and Investment. The purpose of MVPO is to: coordinate the overall internal and external efforts in regards to the project; provide for consistent communication; and manage programs to prepare businesses, communities and Aboriginal organizations for the process and eventually the MGP.

The MVPO works with the appropriate GNWT departments and divisions to coordinate and communicate the GNWT's MGP-related inter-departmental planning and strategy development in the following areas:

- Environmental Assessment and Regulatory Process
- Socio-economic Impacts and Benefits
- Community Planning, Capacity, Training and Employment
- Economic Opportunities and Business Development

## Socio-Economic Agreement

The Socio-Economic Agreement is a formal agreement signed in January 2007 between the Mackenzie Gas Project Proponents and the GNWT designed to: secure and confirm intent to preferentially hire NWT residents and purchase goods and services from NWT businesses; mitigate potential social and infrastructure impacts; and confirm commitments made by Proponents in regard to employment, training, business opportunities and community well-being.

## Regulatory Review and Current Project Status

The assessment and regulation of the proposed MGP is complex as it falls under numerous pieces of legislation and requires a considerable number of licences and permits for construction and operation. In June 2002, the Cooperation Plan for the Environmental Assessment and Regulatory Review of a Northern Pipeline Project through the

Northwest Territories was developed to assist in implementing a coordinated Environmental Impact Review, Technical Review and Regulatory Process.

The seven-member Joint Review Panel for the Mackenzie Gas Project was established in 2004 through the Joint Review Panel Agreement. It was an independent body, which was tasked with evaluating the potential impacts of the project on the environment and the lives of the people in the project area. Their report was released in December 2009. Following consultations with the Aboriginal organizations, the federal and territorial governments released the Joint Government Response to the JRP Report in November 2010.

A National Energy Board (NEB) panel was established in October 2004 to consider the financial and technical aspects (such as engineering, economic feasibility, tolls and tariffs) associated with the proposed Mackenzie Gas Project. The NEB held hearings all over the NWT in 2004 and 2005, and then again in April 2010, when they heard final arguments from the parties involved in the process. After considering the JRP report and the Joint Government Response to that report, the NEB released their Reasons for Decision regarding the construction, operation and abandonment of the MGP in December 2010. The NEB determined that the MGP is in the public interest and can be built.

The NEB attached 264 conditions to the project's approval and these conditions are requirements which must be met by the project proponents. If the project is built, the NEB said it would be monitoring their implementation. For instance, the Board said that progress to a decision to construct must be reported on by the proponents by December 31, 2013 and that construction on the pipeline must begin no later than 2015. The Board also directed the proponents to offer lateral pipelines to communities upon request and subject to economic conditions, so these communities can gain access to natural gas, a valuable, cheaper and cleaner heating fuel.

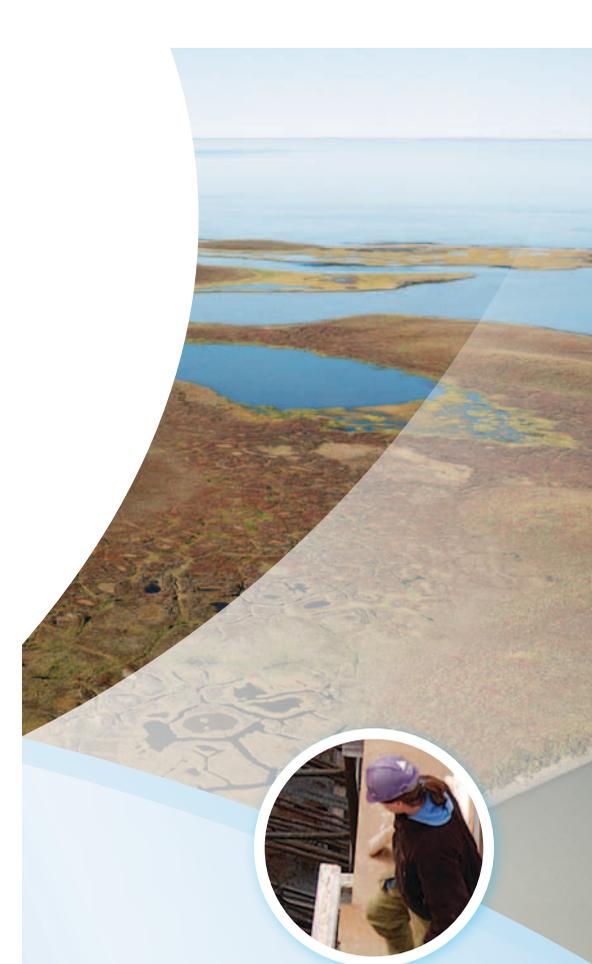
The NEB's report was submitted to the Federal Cabinet. It is expected a Governor in Council decision will be issued in Spring 2011. The NEB will then issue the appropriate approvals, including a Certificate of Public Convenience and Necessity for the project.

Following these milestones, preparation will begin for applications on various permits that will be required in order for the project to proceed.



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# Mackenzie Gas Project

Clean, secure and affordable energy for our future



# Mackenzie Gas Project

## Historical Background

The federal government opened up northern Canada to oil and gas exploration in the 1960s, and exploration in the Mackenzie Delta area began in that decade. The majority of the exploration drilling in the region to date took place in the 1970s and 1980s in response to rapidly rising energy prices. Nearly 200 exploration wells have been drilled in the area, with close to 30% of these wells being successful. Significant reserves of natural gas were discovered in the Mackenzie Delta area of the Northwest Territories (NWT).

## Project Description

The Mackenzie Gas Project (MGP) is a proposal to construct a gathering and delivery system to allow the transportation of natural gas reserves in the Mackenzie Delta to the North American market, with a tie-in to the continental grid in northern Alberta. This estimated \$16.2 billion project would be by far the most significant construction project ever attempted in the NWT, and one of the largest initiatives of its kind in the world.

Three natural gas anchor fields in the onshore Mackenzie Delta Region contain 6 trillion cubic feet (Tcf) of proven reserves. The Mackenzie Delta/Offshore Beaufort Sea basin has estimated potential reserves of an additional 55 Tcf, making for an ultimate resource potential of 61 Tcf. Gathering lines will be constructed for 190 km, from the anchor fields to the processing facility near Inuvik. A gas pipeline will be constructed from south of Inuvik to the Alberta border (1,200 km of 30-inch line) and a Natural Gas Liquids (NGL) pipeline

from Inuvik to Norman Wells (457 km of 10-inch line). The MGP will connect with the Northern Gas Transmission Limited (NGTL) system just inside the Alberta border.



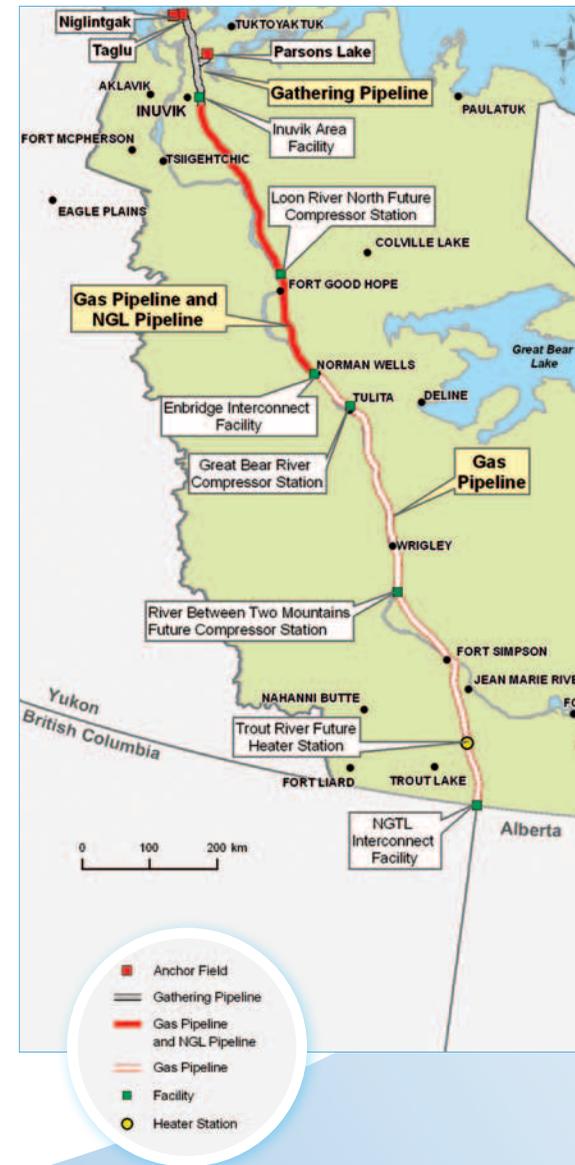
The initial capacity of the gathering system and gas pipeline was 1.2 billion cubic feet (bcf) per day, expandable to 1.8 bcf/day. With the changes in the project description filed by the Proponents in May 2007, initial capacity would be approximately 0.9 mcf/day, which would be expanded to 1.2 bcf/day immediately preceding the major pipeline construction period and could be expanded to 1.8 bcf/day in the future, if warranted.

Imperial Oil Resources Venture Limited (IORVL) owns a 100% interest in the Taglu natural gas field. IORVL is planning to construct and operate the gathering system and the Mackenzie Valley pipeline on behalf of the other producers: Shell Canada Limited (RDS), which owns a 100% interest in the Niglintgak natural gas field; ConocoPhillips Canada (North) Limited, which owns a 75% stake in the Parsons Lake field; and ExxonMobil, which holds the remaining 25% interest.

The Aboriginal Pipeline Group (APG) is another partner in the project and was established to represent the ownership interest of the Aboriginal peoples of the Northwest Territories in the proposed Mackenzie Valley Pipeline. According to their commercial arrangement with the producers, the APG could own up to one-third of the pipeline.

APG's current members include the Inuvialuit Regional Corporation, the Gwich'in Development Corporation and the Sahtu Pipeline Trust. The Dehcho ownership is still in negotiation, with a 34% share being currently reserved for the Dehcho First Nations. Also, eight ownership units have been set aside for the three non-corridor Aboriginal groups who were signatories to the 2001 Memorandum of Understanding between APG and the Producers Group: the Tłı̨cho, Government, the Akaitcho Dene First Nations and the North Slave Métis Alliance.

## Mackenzie Gas Project Proposed Route and Major Infrastructure



## GNWT Position

In 2004, the GNWT produced a 10-year, government-wide strategic plan entitled “Self-Reliant People, Communities and Northwest Territories – A Shared Responsibility”. This document included policy direction on preparing for the anticipated MGP. The overall government objective in this plan was to ensure that the residents of the NWT are prepared, to the greatest extent possible, to take advantage of the opportunities that the MGP will offer.

In its public position statements and submissions to the regulatory review process, the GNWT has consistently stated that, because of the potential benefits of the MGP to the people of the NWT, the GNWT has been fully supportive of the project under the following conditions:

- That the construction and operation of the project will be undertaken in a way that is environmentally and economically sustainable;
- That, over time, the benefits of northern development will accrue to NWT residents; and
- That the project is undertaken in a way that encourages exploration and development of the basin on as broad a basis as possible. This will result in sustainable economic growth and the establishment of a new and important industrial sector in the NWT.

These conditions are in full accordance with the 16th Legislative Assembly vision, which speaks of “strong individuals, families and communities, sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories”.

