

Address to the Arctic Gas Symposium

Honourable Dennis Fentie, Premier

March 3, 2009

Introduction

- Good morning. Thank you for the opportunity to speak with you today about what the Yukon is doing to realize the potential of northern natural gas.
- It's always a pleasure to come to Calgary to discuss the challenges and opportunities of northern resource development.
- Let me begin by thanking our conference co-chairs, Brendan Bell and Stephen Kakfwi for the warm welcome. I also want to recognize this morning our partners in government and the private sector who share our desire to unlock the potential of the north, to create economic opportunities for our communities, and energy security for the continent.
- The partnerships we form, coupled with the cooperative efforts we share, are essential for successful northern resource development.
- Today, I want to highlight what's new in Yukon.

CHECK AGAINST DELIVERY

- Despite the challenging economic times remain focused on the long term. Economic cycles come and go.
- The north enjoys an enviable endowment of natural resources that attracts interest today, and will no doubt attract interest tomorrow.
- And Yukon's oil and gas potential is being noticed. Interest in our successful disposition process is evidence of that.

Oil and Gas Rights Dispositions and Processes

- With input from First Nations and industry, Yukon revised its oil and gas rights disposition process to make it more efficient.
- This revision has spurred industry interest – most notably over the past three years.
- The Yukon government is presently conducting its spring 2009 Oil and Gas Rights Disposition.
- I'm very pleased to say that our latest Request for Posting has generated more interest in the Eagle Plains Basin, where most industry activity in northern Yukon has occurred in recent years.

CHECK AGAINST DELIVERY

- We're currently seeking public comments and input on the posting requests.
- On the basis of comments and input received, Yukon will post the requests and proceed with a Call for Bids in May and June.
- I invite all companies to review the posting and to consider investing in Yukon oil and gas prospects – as we fully expect there will be northern pipelines built to move this gas to southern markets.
- There is also a Yukon market for Yukon natural gas. Natural gas could provide some of the energy we need for our mining sector. For example, just one project in central Yukon needs 100 megawatts of power, that's almost the entire capacity of the Yukon's current energy mix.
- Northern Cross (Yukon) Ltd. already holds 13 exploration permits in the Eagle Plains basin and three well licenses.
- The company has also been through Yukon's unique environmental assessment process for two additional wells and to re-enter an existing well.
- We look forward to the commencement of their drilling program.

YESAA

- I mentioned Yukon's unique environmental assessment process under the *Yukon Environmental and Socio-economic Assessment Act*. We call it the YESAA process.
- YESAA is unique in Canada. It is a single window environmental assessment process with specific triggers for various levels of project assessments with fixed timelines.
- The devolution of decision making over natural resources from Canada to Yukon makes us unique in the North, and YESAA makes us unique in Canada. Both are sources of advantage for Yukon's investment climate.
- A recent newspaper headline declared "Shovels at the ready, but no where to dig", citing lengthy approval processes and delays for projects. Well I can tell you that is not a problem in the Yukon.
- We are getting more and more inquiries about YESAA from other jurisdictions because it works and can be a model for the rest of country.

Southeast Yukon/Liard Basin

CHECK AGAINST DELIVERY

- We continue to receive many inquiries about the possibility of opening the Liard Basin to oil and gas exploration and development.
- We have developed a strong partnership with the Liard First Nation aimed at initiating new exploration and development in the Liard basin which already has producing gas wells and a pipeline.
- Together we believe we can strike the partnerships and collaboration necessary to make that happen. I can assure you that we are making progress to open this region in a mutually beneficial way for First Nations, industry, and Yukon people.
- And we believe there is a critical role for the federal government to provide the capacity First Nations need to participate effectively in this opportunity. We will be talking with Ottawa about that in the next few weeks.

The Offshore

- Like the oil and gas industry, Yukon also remains interested in the Beaufort Sea. In 2008, BP Exploration successfully bid \$1.2 billion for offshore rights – and in 2007 Imperial Oil/ExxonMobil successfully bid \$585

million. Chevron has also acquired acreage. Northern pipelines will only accelerate this interest.

- I am pleased to note that building on the provisions of the 1993 Canada-Yukon Oil & Gas Accord that Yukon and Canada recently signed a Memorandum of Understanding in relation to the Offshore.
- This MOU provides the opportunity for Yukon to be actively involved in many aspects of offshore oil and gas management, such as input into industry-produced Benefit Plans and the 'call for nomination' process for new exploration rights.
- With respect to Benefit Plans, we expect, and look forward to discussions with offshore proponents regarding training, employment and business opportunities
- More specifically the MOU will provide the opportunity for both governments to review call for nomination areas, including waters immediately adjacent to Yukon's coastal jurisdiction.
- The MOU also provides for Yukon input into offshore policy and planning matters and ensures that all data regarding resource revenues from offshore licenses from

CHECK AGAINST DELIVERY

1993 forward are provided to Yukon as we will ultimately receive a share of these revenues.

- Yukon also continues to participate in a number of Beaufort Sea initiatives which will help lay the foundation for future exploration and development of offshore oil and gas.
- Yukon is also working collaboratively with federal regulators, the GNWT, the Inuvialuit and industry to prepare for offshore activity.

Northern Pipelines

- We remain encouraged about the prospects for an Alaska Highway Pipeline Project and the Mackenzie Gas Project. Both offer tremendous benefits to the North, to Canada, and to the United States.
- We recognize that northern pipelines are necessary to develop the north's natural gas industry and we are doing what we can to make sure both projects move ahead with our interests firmly on the table.

CHECK AGAINST DELIVERY

- We also recognize that while these projects present challenges, they also present tremendous opportunities for Yukon and all affected jurisdictions.
- Yukon supports the federal government's recent efforts to ensure that northern pipelines become a reality.
- Construction of these pipelines will enhance our collective interests in terms of northern sovereignty, greener 'clean-burning' fossil fuel, economic stimulus and more stable sources of energy.

Alaska Highway Pipeline

- I want to assure both Mr. Palmer, and Mr. Fackrell, that an Alaska Highway Pipeline Project remains a high priority for the Yukon government. I also look forward to the day when these two gentlemen and their companies are business partners, rather than competitors.
- We recently asked the federal government to reactivate the Northern Pipeline Agency to help properly prepare for TransCanada's open season next year.

CHECK AGAINST DELIVERY

- We're confident there will soon be an announcement concerning the reactivation of the Agency.
- In addition, we are also working with the Denali project proponents as they prepare for their open season next year as well.
- In the U.S., we are encouraged by President Obama's continuing support for the Alaska pipeline.
- In his recent speech to Congress, the President again emphasized his desire to reduce U.S. dependence on oil. He has many good economic, environmental and security related reasons for wanting to do that.
- The President's agenda and our federal government's desire for some form of harmonized continental energy and environmental policy, bodes well for natural gas markets and northern projects.
- Yukon is working hard to ensure we are "pipeline ready" and we continue to work to achieve greater certainty in regulatory reviews and environmental assessments for the project on the Canadian side of the border.

CHECK AGAINST DELIVERY

- To accomplish this, Yukon is engaged with our neighbouring jurisdictions to speak with one voice – and to underline the need for regulatory certainty.
- In this regard, we continue to work closely with the governments of Alberta, BC, and Alaska.
- The Yukon government also continues to support First Nations to facilitate a coordinated approach to the development of the Alaska Highway Pipeline Project.
- We've fostered and financially supported the Aboriginal Pipeline Coalition, or "APC" – representing those Yukon First Nations whose traditional territories lie along the proposed pipeline corridor in Yukon.
- The APC helps provide First Nations with knowledge and understanding of the proposed Alaska Highway pipeline so that each affected First Nation can make informed decisions about the project.
- Yukon strongly supports the APC's request for long-term stable federal funding in order to maintain its capacity to assist affected First Nations – a capacity that promises to produce dividends when these First Nations get more involved in the development of the project.

CHECK AGAINST DELIVERY

- On this point we recognize that early First Nation engagement will be essential for promoting regulatory certainty for this project.
- Moreover, we recognize that continued cooperation with the federal government and industry are also essential to create regulatory certainty.
- That means the Yukon government will continue to do its part by working hard now to prepare for the Alaska Highway Pipeline Project.

Mackenzie Gas Project

- As with the proposed Alaska Highway pipeline, the Mackenzie Gas Project offers many benefits and opportunities to Yukon and Yukoners, and that's why we continue to support it.
- The Mackenzie Gas Project will provide training, employment and business opportunities for many

northerners – and will also provide an option for bringing stranded gas in North Yukon to market.

- For this reason, the Government of Yukon actively intervened in the National Energy Board and Joint Review Panel hearings on this project.
- We urged the proponents and panels to adopt pipeline tolling and extension policies that encourage the development and connection of natural gas supplies from adjacent basins.
- We also advanced our interests regarding employment, training, and business opportunities.
- As it now stands, the decision to proceed with the project, if approved, is expected to occur in 2010.
- We strongly support those calling for a speedier delivery of a decision. This process has dragged on far too long. And we must ensure this process is not repeated for the Alaska Highway project.

Legislation

- With respect to Yukon's oil and gas legislation, Yukon last year enacted new *Oil and Gas Royalty Regulations* that govern royalties payable to Yukon on oil and gas

production. These regulations are simple, competitive, and based on the value of the resource.

- Yukon is currently developing its *Oil and Gas Pipeline Regulations* as part of our continuing efforts to build a territorial oil and gas regime that's clear, concise, stable and certain. To this end, we've adopted the National Energy Board's approach to 'goal-oriented' regulation.
- In contrast to a traditional 'prescriptive' approach, goal-oriented regulations allow for alternative ways of achieving compliance.

Conclusion

- We realize these are challenging economic times, but we are optimistic the return to economic growth and stability is not far away.
- Governments have a role to play in managing this cycle and our government is doing its part.
- This spring our government will table the largest budget in Yukon history, but it will also be prudent, giving our government its 7th consecutive surplus.

CHECK AGAINST DELIVERY

- Our budget will focus on green energy, highways, bridges and other public structures that will keep our economy strong and provide the kind of infrastructure Yukoners and industry need.
- We look forward to doing business with you.
- Thank you for your attention today and enjoy the rest of the symposium.