

# Mackenzie report could unlock N.W.T. potential

BY DINA O'MEARA, CALGARY HERALD    JANUARY 1, 2010

The Mackenzie Valley natural gas pipeline project, seen as the harbinger of economic independence for the Northwest Territories, will start the new year with a brighter outlook, according to industry insiders.

A report conditionally supporting the 1,200-kilometre pipeline gave the massive project and its proponents a bit of a belated holiday gift Wednesday, after years of compiling and analyzing testimony from community hearings and technical data.

The joint review panel, or JRP, concluded the proposed pipeline "would provide the foundation for a sustainable northern future" upon implementation of all of its 176 recommendations, a view much supported by a territorial government struggling to assert control over its nonrenewable resources.

"The entire focus has been on the JRP getting that piece done and everything else was secondary until that was actually before us, we knew which way they were going to go and if there was going to be clarity," Michael Miltenberger, the territory's environment and natural resources minister, told Reuters.

"I anticipate that work will begin anew to deal with that particular issue."

The review panel assessed environmental and socioeconomic impacts of the pipeline, which would run along the Mackenzie River Valley in the N.W.T. from reserves near the Beaufort Sea coast in the Arctic to Alberta and markets beyond.

Junior oil and gas producers International Frontier Resources Corp. welcomed the report as a step toward building the infrastructure needed to ship northern oil and gas resources to markets and users.

The Calgary-based company has been operating in the N.W.T. since 2001, making two discoveries out of nine exploratory wells, and has a number of licences and leases in the central Mackenzie Valley.

"The JRP report is an important step in opening the potential of Canada's northern frontier hydrocarbon basins," company president Pat Boswell said in a news release Thursday. "However, there are still many hurdles to cross before construction of a pipeline begins."

The panel's recommendations for governments and the companies backing the pipeline are as diverse as analyzing the impact of climate change on facilities in permafrost and assessing if alcohol and drug abuse programs in the sparsely populated region are adequate.

"It's relatively straightforward and positive for the joint review panel to issue the go-ahead it did," said analyst Steven Paget with FirstEnergy Capital Corp. "I think the NEB is likely to give the 176 recommendations all fair consideration. But the detailed cost analysis to implement the recommendations has yet to be determined."

Imperial Oil Ltd., the lead partner on the Mackenzie project, said it would be formulating a response to federal regulators within the three-week timeline allotted to stakeholders.

"We will be assessing the impact of the recommendations on the project," spokesman Pius Rolheiser said. "Plus, we are in ongoing discussion with the federal and territorial governments on benefit and access agreements with the Deh Cho (First Nation)."

About 40 per cent of the proposed routing of the pipeline goes through Deh Cho territory. The band is the last to reach an agreement with the proponents on the project.

Imperial filed an application in 2004 aimed at getting the line running this year. However, it has been beset with cost increases, regulatory delays and a transformation of gas markets due to the recession as well as development of massive shale gas reserves close to major U.S. markets.

The territorial and aboriginal governments are looking to the project's potential to create jobs and spinoff businesses.

Miltenberger said the 679-page panel report contained no big surprises, at least not on first read. The government will pore over it in detail over the coming weeks so it can prepare a response, he said.

The panel had been criticized for the time and cost to complete its assessment.

"There's conditional support for the project with a host of recommendations. We have to focus on that," he said. "We've been waiting a long time to do that and now we have to apply ourselves thoroughly over the next few months to keep this process moving at a much more timely pace."

The National Energy Board will use the report to help make its decision on whether the pipeline can proceed. That decision is expected in September 2010.

Environmental groups also applauded the report, which supported a national climate change policy promoting natural gas as a cleaner-burning fuel.

"The new federal laws and policies the JRP recommend would mean that Mackenzie gas would be used to transition to a low-carbon economy instead of fuelling or augmenting dirty energy projects, such as coal and tarsands," Lindsay Telfer, director of Sierra Club Canada's Prairie region, said in a statement.

The panel said in the report it couldn't see how specific end uses could be assigned to or excluded from the project natural gas volumes, but did support initiatives for a low-carbon environment.

"We didn't get everything that we had wanted," said Kevin O'Reilly, director of Alternatives North, which was concerned about the impact on land and people. "The panel recommended that the full environmental management system for the Northwest Territories should be implemented as it was negotiated in land claims agreements and federal legislation. That's something that people have been fighting for."

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