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## Imperial, Ottawa in talks over Arctic pipeline

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By Jeffrey Jones

CALGARY, Alberta (Reuters) - Imperial Oil Ltd and Ottawa have resumed talks over a financial support package for the Mackenzie gas pipeline in the Far North, but the company would not say on Friday if it was any closer to proceeding with the C\$16.2 billion (US\$15.4 billion) project.

Discussions aimed at making the long-delayed development economically viable restarted some time in the second-half of this year after the two sides took a "hiatus" before the last federal election in May, Imperial spokesman Pius Rolheiser said. He declined to offer details.

"I'm not going to go any further in terms of what may or may not be under discussion except to say that we continue to be in discussion," Rolheiser said.

The pipeline, which would carry up to 1.2 billion cubic feet of natural gas to southern markets from the Mackenzie Delta on the Beaufort Sea coast, is several years behind schedule.

It won regulatory approval nearly a year ago, but is pressured by high construction costs and questionable returns due to weak gas markets as the industry develops cheap shale reserves across the continent.

Imperial and its partners have sought a multibillion-dollar support package to improve the economics. It would include public funding for roads, airstrips and other infrastructure in the sparsely populated and largely undeveloped Northwest Territories.

The territory's premier and one of the project's biggest champions, Bob McLeod, told Reuters on Friday that he understood there were positive moves on that front. Communities across the region have been hoping for years that the project would proceed so they could win economic benefits.

"The updates that we've been getting are that there is activity in the area," he said. "I don't know the details, but from what I hear it's very promising."

McLeod said the next few months were crucial to the eventual success of the project, which was first envisioned in the 1970s and has been started and stopped several times.

Under the approval, Imperial and its partners have until the end of 2013 to

make a go-ahead decision.

But before that, the company must be convinced it has secured a fiscal package that would allow it to restaff the project and resume detailed studies and engineering, Rolheiser said. Such work was suspended in 2007.

The most recent start-up estimate for the pipeline is 2018, although some partners have said any further delay would push that back again.

Mackenzie's last setback was in July when Royal Dutch Shell Plc put its share of the development on the auction block. It has yet to announce a deal.

The other partners are ConocoPhillips, Exxon Mobil Corp and native-owned Aboriginal Pipeline Group.

(\$1=\$1.05 Canadian)

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