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Chair

Mr. Bruce Stanton

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• (0900)

[Translation]

The Chair (Mr. Bruce Stanton (Simcoe North, CPC)): Good morning everyone and welcome to the 26th meeting of the Standing Committee on Aboriginal Affairs and Northern Development.

We are continuing our study on northern economic development.

[English]

This morning we welcome an excellent panel representing the industries, particularly in the north, and the non-renewable resource sector, which we know is important to the northern economy.

Members, you'll recall that our consideration today is in anticipation of a more comprehensive study of northern economic development.

Our witnesses today represent four organizations. We'll go down the list. Each organization is welcome to provide a ten-minute opening presentation. Because there are four here today, we will try to be strict and adhere to the ten minutes, so try to gear it to that. I'll try to let you know if we're starting to get close or going slightly over. When we go to questions from members, we will try to stay with five-minute question and answer periods, if we can, to get more questions in, considering the size of our esteemed panel here today.

We'll start off with and welcome Mike Peters, representing the Canadian Association of Petroleum Producers.

Mr. Mike Peters (Manager, Northern Canadian Operations, Canadian Association of Petroleum Producers): Thank you.

I'd like to thank the committee for the opportunity to present today.

The topic of northern economic development is one of great interest to the oil and gas industry when considering the current and future opportunities before us. I'd like to share with you today what we see as some of the opportunities and challenges around doing business in the north.

The Canadian Association of Petroleum Producers represents 130 companies that explore for, develop, and produce more than 90% of Canada's natural gas and crude oil. CAPP members comprise the majority of companies that are active in the north, both exploring and producing.

CAPP believes this is a timely discussion. The oil and gas sector is poised to commit investment in the north, but it is still assessing returns and risks, among which regulatory risk is becoming the most daunting. Similarly, territorial and aboriginal regional governments

are poised to make the most of economic development. Efforts to improve the system now could have much more impact than if they are deferred, and continuing with the status quo carries serious risks for the expectations and aspirations of northerners and all Canadians for northern Canada.

The most recent estimates by the NEB indicate that there are potential resources of 122 trillion cubic feet of gas and 6.7 billion barrels of oil in the north. To put these numbers in perspective, they are comparable to the remaining conventional reserves in the western Canada sedimentary basin. There remains an ultimate potential of 140 trillion cubic feet in the WCSB, and the potential of oil in the north is equivalent to the remaining conventional reserves in Alberta. There are significant resources awaiting development in the north, and more to be found through increased exploration.

Despite this, the north continues to see low levels of activity. On average, about 15 wells per year have been drilled over the last decade, with a corresponding annual investment of roughly \$400 million to \$500 million. These numbers in some ways understate the problem, as many of these wells are on existing fields and not indicative of new exploration. Certainly the numbers are disproportionate to the potential and compared to the provinces, where thousands of wells have been drilled and billions invested right up to the NWT border.

To date, industry growth has been stymied by various risks of doing business in the north. The risks I'll speak to today are regulatory complexity, an imbalance between surface and subsurface rights, incoherence in policy and decision-making, uncertainty related to benefits and consultations, capacity challenges, and planning initiatives that foreclose future industry activity. There are, of course, other factors that will affect industry investment. Geology, commodity price, and access to markets are all important, but the ones I've highlighted are ones where government can exert the most positive influence.

The effect of the political and regulatory evolution of the north has been to move from a unified system of oil and gas administration to a fragmented one. Each region has a different array of authorities and processes involved in decision-making and co-management of resources. This places a heavy duty on operators.

We understand that many elements of the regulatory system are tied to land claim settlements. We do not want criticisms of the regulatory system to be understood as criticizing those settlements. CAPP supports the land claims settlement process and respects the rights that have been enshrined in the land claims. However, in considering the regulatory system that has been established to implement those claims, we believe there are opportunities for improvement.

It should be possible for an operator to gain familiarity with the process so that requirements can be understood and met, and authorizations approved, without undue effort by the operator, the community, or the regulator. Too often we find that this not the case. Similar applications receive different treatment, not only among regions but even within them, such that operators cannot anticipate how their applications will be handled and plan effectively. This increases the risk inherent in northern resource activities. This risk is out of proportion for a Canadian jurisdiction and is not contributing to better or more effective and efficient decision-making. The economic impact is magnified in northern Canada, because locating and monetizing non-renewable resources remains the primary and in some areas the only opportunity for wealth creation.

Current arrangements create an imbalance between surface and subsurface interests. Applicants have no recourse when negotiations come to an impasse, for example, over benefits or terms of access. Proponents are trapped in a process where there is no way to advance resolution, other than by making concessions. Dispute resolution was provided for in the land claims settlements in the Mackenzie Valley, but no such mechanism has been introduced.

Obviously northern governments serve a wide range of interests. However, there are risks created when resource management policy becomes a secondary concern in processes driven by other priorities and interests.

- (0905)

Both INAC and the Government of the Northwest Territories have stated positions in favour of sustainable economic development, with a prominent role for non-renewable resource activity. In many processes sponsored by government, however, resource considerations are absent, and decisions made at the operational level do not reflect the broader vision.

Proponents continue to face onerous and variable demands from the communities and from boards regarding benefits. We believe that a lack of transparency with respect to benefit arrangements does not engender confidence in the process nor a complete understanding of the overall burden placed on industry. Benefits accrue to communities and regions in multiple ways, through benefits agreements, direct and indirect employment, access fees, and revenue sharing under the terms of land claim settlements. Communities are not always well informed on the full range of benefits, and this leads to circuitous discussions and escalation of demand. At the same time, companies need to appreciate their obligations.

Further, consultation requirements are onerous and inefficient. Consultations are required for so many matters that communities are easily overloaded and confused; neither are consultation requirements in proportion to the scale of the proposed activity. A common complaint about northern processes is that the system does not have

the capacity to handle more than a few applications at a time. CAPP's view is that capacity is not simply a matter of resources, but has to do with available expertise, flexibility, timeliness, and how resources are deployed. Industry can attest to indications that capacity is inadequate, in that the time required to process applications is increasing rather than decreasing, as would be expected; there seem to be more frequent delays and interruptions attributable to problems of availability—for example, getting board quorum; and there is a poor understanding of industry practices among northern regulators.

Various planning processes are under way across the north, be it through land use planning or other initiatives. Industry supports the concept of land use planning, except too often in the north it has been framed as a conservation process, not as one about balancing land uses.

Various reports have been prepared recently that outline some of the solutions to the problems identified above, be they the Auditor General's reports or the recent McCrank report called *The Road to Improvement*. I'd be happy to provide your clerk with a copy of our submission to Mr. McCrank, which outlines some other actions that we feel are worth consideration. I won't repeat all the good recommendations that have been made over time with respect to improving the system, but the following are a few that I believe are worth highlighting.

First is a commitment to implementing a better and more functional system. A range of opportunities exist to improve the system through both small-scale change, such as administrative arrangements between regulators, and more fundamental change that may require legislative change. Various reports have identified them. What is needed is a commitment to the implementation of recommendations that have been identified over time and the accountability to deliver on them.

Balance surface and subsurface rights. There is an opportunity for the federal government to introduce surface rights legislation in the NWT, provided for in the land claims of the Mackenzie Valley, that will give companies increased certainty and confidence that they will be treated fairly and transparently.

Build coherence between objectives and practice, and create accountability within the system to deliver on those objectives. Too often the message of enabling economic development is lost, or the assumption appears to be that it will happen inevitably. This is not the case, as the last several years have demonstrated. Leadership is necessary to drive change and enable the opportunities for development that exist.

Clarify benefits and consultation expectations. Clarity of roles, responsibilities, and expectations for all stakeholders would be beneficial.

Address capacity challenges. In addressing capacity, the challenge is not only to provide additional resources through funding or training, though these are beneficial. What is needed is consideration of ways to consolidate and streamline such that the technical resources and expertise available are used to greatest effect.

Balance land use planning. Planning processes need to be as much about enabling responsible access and development as they are about conservation, if economic development is desired.

I'd like to thank the committee for the opportunity to present today. The resource potential exists for a viable and productive industry in the north that contributes to a sustainable economy while protecting the northern environment, contributes to the development of northern communities, and helps promote Canada's sovereignty in the north, but these opportunities may not be realized without addressing the challenges identified above.

I'd be pleased to take any questions from the committee.

Thank you.

• (0910)

The Chair: Thank you, Mr. Peters.

Now we'll go to Mr. Randy Ottenbreit. Randy is the development executive with the Mackenzie gas project.

Mr. Ottenbreit, did I pronounce that correctly?

Mr. Randy Ottenbreit (Development Executive, Mackenzie Gas Project, Imperial Oil Resources Ventures Limited): You're pretty close.

The Chair: Thank you. Please proceed. You have ten minutes.

Mr. Randy Ottenbreit: Good morning. As the chair said in his introduction, I am with Imperial Oil and working on the Mackenzie gas project.

Imperial leads the group of companies that have proposed this project. The subject of northern economic development and the opportunities and challenges associated with development are of particular interest to the proponents of the Mackenzie gas project. I'm pleased to be able to provide you our perspective on this subject, based on our experiences.

The Mackenzie gas project would develop natural gas found in the Mackenzie Delta region of the Northwest Territories and transport it to existing pipeline systems in Alberta for transport and use throughout North America. The project consists of five components.

The first three components are natural gas wells and field production facilities at three natural gas fields discovered in the 1970s. Natural gas production from these three fields would total 830 million cubic feet per day.

The fourth project component is the Mackenzie gathering system, which consists of 190 kilometres of buried gas-gathering pipelines, a natural gas processing facility near Inuvik, and a buried natural gas liquids line to Norman Wells that is 450 kilometres long and 10 inches in diameter.

The fifth and final component is a buried natural gas pipeline to northwestern Alberta that is 1,200 kilometres long.

The amount of natural gas transported through the Mackenzie Valley pipeline can be increased to 1.8 billion cubic feet per day to accommodate other discoveries of natural gas.

The proponents of the project are Imperial Oil, ConocoPhillips Canada, Shell Canada, ExxonMobil Canada, and the Aboriginal Pipeline Group, or APG.

The APG was formed in 2000 and represents the ownership interests of the aboriginal people of the Northwest Territories in the Mackenzie Valley natural gas pipeline. TransCanada Pipelines, which is funding the APG's participation in the current phase of the project, has an option to acquire a future interest in the Mackenzie Valley pipeline.

The Mackenzie gas project is an economic development opportunity that would provide a number of significant benefits. It would provide a new source of clean-burning fuel for North American consumers. It would open up a new geologic basin, the Beaufort Delta and central Mackenzie regions of the Northwest Territories, to exploration and development.

It would create an economic base in regions of the Northwest Territories that currently have none. It would provide future revenues to governments. It would create thousands of jobs across the country during each of the project's four-year construction periods and hundreds of jobs during each of the more than 20 years of operating life.

It would advance the interests of northern aboriginal people through the provision of preference for jobs and business opportunities as well as their participation in the project through the Aboriginal Pipeline Group. As well, it would increase gross domestic product during the life of the project, primarily in the Northwest Territories.

In advancing the Mackenzie gas project, we have dealt with a number of challenges. These challenges are not unique to the Mackenzie gas project and would be shared to some degree with other northern development projects. I shall speak to three of these challenges.

The first challenge to economic development in the north is the physical environment. The Northwest Territories is a remote, harsh environment that lacks infrastructure.

For the Mackenzie gas project, this means that a lengthy pipeline must be built to transport natural gas to southern markets. Over \$2 billion in infrastructure, such as camps, roads, docks, airstrips, and granular sources, must be built. Most construction activities can only take place during the winter when the ground is frozen, lengthening the construction period and increasing construction schedule risks. Also, workers and equipment must be transported great distances.

The implication of these physical challenges is that they make the Mackenzie gas project more costly. This is significant, recognizing that Mackenzie gas must be delivered to North American markets at a cost that is competitive with other supplies of natural gas, including liquefied natural gas, shale gas, and natural gas from Alaska.

• (0915)

A second challenge to economic development in the north is the regulatory process, which is largely the creation of federal legislation. It also reflects land claim agreement provisions. The regulatory processes that apply to the Mackenzie gas project overlap with one another. They are complex, and they have uncertain timelines. To address these concerns, 17 regulators developed a plan in 2002 to cooperate with one another and to coordinate their processes.

By way of example, they agreed to consolidate what would have been three separate environmental reviews of the Mackenzie gas project into one review conducted by a joint review panel. This was a positive development. However, while the time for the panel to conduct its hearings and write its report was to have been about 10 months, the panel's public hearings lasted 21 months and the writing of the panel's report looks like it will take another 24 months. As a result, the actual time for the hearings and the report writing will be more than four times what was originally expected.

In addition to environmental impact assessments, construction and operating activities will require thousands of permits from a number of regulatory authorities. The review processes for such permit applications range from simple and straightforward reviews to complex and time-consuming reviews. In addition, our experience with some of these permitting processes has been that they can be used to leverage non-regulatory matters such as the awards of contracts. On such occasions, a group dissatisfied with the award of a contract has initiated an environmental review of a permit application. This has delayed some of the planned activities. What this illustrates is that the northern regulatory review process can be used to leverage commercial matters, creating unique uncertainties and risks.

A third challenge to economic development in the north is the absence of surface rights legislation. Land claim agreements establish ownership of surface and subsurface rights. With respect to surface rights and the ability to access surface lands required for economic development, the land claim agreements provide for surface rights legislation and the establishment of surface rights boards. However, these provisions have never been put in place. As a result, proponents have had to negotiate agreements with private landowners, without access to a template or standard. The resulting process of obtaining surface access agreements can be protracted.

In summary, the Mackenzie gas project is a significant development opportunity for the north—it is located in a part of the Northwest Territories that does not currently have an economic base. Our experience in advancing the project highlights some of the challenges associated with pursuing economic development in the north.

Thank you.

I'm available to respond to questions.

• (0920)

The Chair: Thank you, Mr. Ottenbreit.

We will now proceed to the representatives from Yukon Chamber of Mines. Ms. Derome, are you leading off?

I welcome Mr. Kent as well. He's from the Yukon organization.

Ms. Derome.

[*Translation*]

Ms. Claire Derome (Vice President, Yukon Chamber of Mines): Thank you for allowing us to present these few comments on the situation of the mining industry in the Yukon.

[*English*]

The mining industry in the Yukon is experiencing a renaissance in 2009, which is expected to be the first year in a long time in which mining will be the number one private sector industry.

Mining now represents 6% of Yukon's economy, compared to 3% in 2006. Mining will continue to grow in the coming years.

We have only one operating mine, Minto, which exports copper and gold. There are two projects that are building their infrastructure in order to start production in 2010. Two more projects are very advanced and should be making production decisions in the next two years.

Placer mining continues to be a steady contributor to the Yukon economy, as over 100 operations provide employment for 400 to 500 Yukoners. There are a number of world-class deposits of coal, iron ore, precious metals, and base metals in the Yukon that are awaiting the right combination of proper market conditions and infrastructure to be developed.

There is significant employment in mining in first nations communities. The Minto mine, for example, has over 200 employees, and more than 30% of that workforce are first nations people. The Wolverine and Bellekeno mines currently being developed are also setting very good standards for first nations involvement.

Relatively speaking, mining is more important to Yukon's economic future and self-reliance than fishing is for the Maritimes, the auto sector for Ontario, or oil and gas for Alberta, but at the same time that mining is making a strong contribution to Yukon's future, the industry is facing important challenges. We will focus on two of them today.

Land tenure and regulatory certainty are currently diminished by the land use planning process that is under way. Lack of planning and lack of significant investment in economic infrastructure, mainly for energy, roads, railways, and ports, are also curtailing the potential of Yukon.

• (0925)

Mr. Scott Kent (Executive Director, Yukon Chamber of Mines): I'll just take over at this point.

My name is Scott Kent. I am a long-time Yukoner and a former cabinet minister with the Yukon government. As well, I currently am the executive director of the Yukon Chamber of Mines and the Klondike Placer Miners' Association.

As Claire mentioned, land use planning is an extremely important issue for our organizations right now, as two of the eight regions in the Yukon either have a land use plan recommended to the Yukon government or one that's at the draft stage at the planning commission. What we've witnessed is land use planning becoming a protected area strategy, leading to recommendations for large-scale withdrawal of land from responsible development.

With the North Yukon plan now before the Yukon cabinet, over 50% of the North Yukon region has been recommended for withdrawal from development. The plan for the Peel Watershed, an area the size of Scotland, currently recommends 63% of that land base being withdrawn from new mining exploration, which is of extreme concern to us.

We'd like to make sure that mining is respected in current and future plans and that it adheres to chapter 11 of the umbrella final agreement with first nations and the Yukon.

The YESAA process, or the Yukon Environmental and Socio-economic Assessment Act, is now undergoing a five-year review. It's important that class one exploration activities in the Yukon remain exempt from YESAA assessments, because this would continue to maintain a level playing field for Yukon mining companies. Canada is one of the three parties, along with the Yukon government and the Council of Yukon First Nations. We would like to ensure that any recommended changes are given full and fair consideration in terms of their ramifications for first nations, the environment, and the economy.

Now I'd like to speak a little bit about some of the infrastructure that is being planned or under way in the Yukon territory, starting with the electrical infrastructure, the electrification of Highway 37 in northern British Columbia, commonly known as the Stewart-Cassiar Highway. If we were able to connect the Yukon grid to British Columbia, that would certainly be ideal for us. It would allow the Yukon to develop power generation for a much larger market. It would also allow for the potential import of power to meet the needs of our expanding mining industry.

This current initiative to expand the B.C. grid to Dease Lake, if completed, would mean that connecting to the Yukon would become feasible; that is, a project that could be accomplished. The British Columbia government has committed \$10 million to complete the environmental assessment process for the power line, and has committed a further \$250 million to construct the line if additional partners can be secured.

I would expect the Government of Canada to hear from the project lead on that, the Mining Association of British Columbia. Canada could certainly play a significant role in helping the Yukon to partner with British Columbia in developing this key power infrastructure for the north.

I'd also like to speak briefly about the Alaska Highway pipeline project. About 760 kilometres, or 30% of the routes, would be in Yukon territory. There's a proposed 42-inch to 52-inch-diameter pipe, with a capacity to deliver 4.5 billion to 5.5 billion cubic feet per day of natural gas to southern markets, and also to gather Yukon gas along the route. Of course, we would be happy to see the Mackenzie

Valley project proceed as well, as some of our natural gas basins are close to the Mackenzie Valley pipeline.

The construction and operation of the Alaska Highway project are expected to generate up to 375,000 person-years of employment within the Yukon and Canada over a 24-year period, and pump billions of dollars into the Canadian and Yukon economies. This project could benefit the Yukon mining industry by providing a lower-cost, clean source of energy to mines along the route.

One of the issues identified by the Yukon government, and certainly one that's shared with the Mackenzie Valley project, is regulatory certainty in Canada. It needs to be addressed to ensure that this project, as well as the Mackenzie Valley project, can move forward.

Ms. Claire Derome: Thank you, Scott.

On road infrastructure, I have some comments. Planning for and investing in road infrastructure serving multiple users and multiple mines is a required next step for the development of key mining projects under review in the Yukon. The continuation of the Casino Trail, started in the late 1980s, would reduce the operating cost and ensure the development of large copper and gold reserves outlying north of Carmacks. Investment in these mining projects would exceed multi-billions of dollars in capital, provide jobs at the mines to over a thousand Yukoners for many decades, and create multiple economic spinoffs.

A similar economic case exists for the world-scale lead and zinc, and for the tungsten deposit accessible from the Canol corridor in north-central Yukon. Here again, thousands of direct and indirect jobs in economic spinoffs would result from the development of these projects, which all are constrained by road access at this time. We would hope that Canada would continue to support the Yukon's investment in key road-to-resource infrastructure. Investing today would help leverage and would help direct significant private investment towards Canada and the Yukon, because we're competing in a world market for this kind of investment.

A couple of years ago the Yukon government, with the State of Alaska, undertook a \$5 million study to look at the feasibility of a rail and port link from Alaska and B.C. to the Yukon. The economic impact combined for Alaska and Canada would provide a 50-year additional economic output exceeding \$170 billion U.S. and over 25,000 new jobs. One should not forget that distance-wise, the Yukon beats Brazil and is at a similar distance from China as Australia or British Columbia. Yukon could export coal or concentrates in metals competitively to that market through Alaskan ports.

We hope that the Canadian government would maintain contact with the U.S. administration and the Alaska congressional delegation for this project for potential U.S. government funding that is already under discussion.

I'd like to conclude by saying we hope to see broad support for investment in infrastructure. Investing in northern infrastructure is investing in the north's future and in Canada's sovereignty. This type of investment would provide long-term benefits not only to the north, but to all Canadians. It would change the face of the north, similar to what the Klondike gold rush, the construction of the Alaska Highway, or the discovery of diamonds in the Northwest Territories have provided. We will be submitting a proposal to the new northern development agency in conjunction with our counterparts from the Northwest Territories and Nunavut to fund a study on the economic impact of infrastructure investment north of 60.

Thank you for your time.

• (0930)

[*Translation*]

The Chair: Thank you, Ms. Derome and Mr. Kent.

We will now hear from Mr. Covello.

[*English*]

Mr. Covello and his colleagues are here representing the NWT and Nunavut Chamber of Mines. I presume, Mr. Covello, you're going to lead off. If you want to acknowledge and bring your other colleagues into the discussion, you're welcome to do that as well. You have ten minutes.

Mr. Lou Covello (President, NWT and Nunavut Chamber of Mines): Thank you.

My name is Lou Covello. I'm a consulting geologist and president of the NWT and Nunavut Chamber of Mines. I'll be addressing the first four points in the handout, and Pamela Strand, who is a director and vice-president, will handle the last three items.

In 2008 there were five producing mines in the NWT and Nunavut, with a gross value of production of \$2.16 billion. This represents about 45% of the GDP of the Northwest Territories. At the Ekati and Diavik diamond mines, direct and indirect employment totalled 2,250 people over the last four years. Of these workers, 70% are northerners, of whom 40% are aboriginal. Prior to 1996, none of these jobs existed.

Exploration and production within the mining sector spur education and economic development in the communities. An example of this is the community of Behchoko, one of those most affected through employment by the opening of the Diavik, Ekati, and Snap Lake mines. Prior to 1998, post-secondary education amounted to one or two high school graduates in that community. Ten years later that has grown to approximately 200 who are in one phase or another of post-secondary education.

The northern mining industry works to encourage northern aboriginal companies to participate in the mining business. One example is Tli Cho Logistics, a company that's wholly owned by the Tli Cho. It was formed in 1999 and is currently the recipient of the PDAC aboriginal achievement in mineral industry award.

In the 1920s and 1930s mining at Great Bear Lake and petroleum development at Norman Wells first opened up the north to industrial development. The development of most of the infrastructure is now in place in the Northwest Territories. The barge system on the Mackenzie River, which is the longest in Canada, the railway north from Alberta to Pine Point and Hay River, the highway to Yellowknife, and the Ingraham Trail east of Yellowknife were all built to serve the mines of the day. Currently there are no highways in Nunavut.

All the hydro power in the Northwest Territories—Bluefish, Snare River, and Taltson—comes from dams built by the mines to service their mines and the surrounding communities. Pine Point mine was responsible for the railway from northern Alberta and connects the port of Hay River. Pine Point also led to the development of the hydro dam on Taltson River and the distribution network that services the communities south of Great Slave Lake.

The Nanisivik mine on Baffin Island established a community, a jet airport, and a deepwater port. It is currently being used as a northern strategic base by the federal government. The Polaris mine was the most northerly mine in Canada and the most northerly metal mine in the world. It also flew the largest Canadian flag on its concentrator roof. Our ice flow technology is world-renowned and was developed to support northern mines at Great Bear Lake, Lupin, and the diamond mines. Port Radium mine on Great Bear Lake drove development of the Northern Transportation Company. It is now aboriginal-owned. It carries freight up the Mackenzie to the Arctic coast communities.

It's time for a new vision for transportation and power systems to serve the developing north. The few people who have it, the three northern territories, wouldn't fill a football stadium. They can't be expected to pay the cost of developing it. Imagine the north as the prairies in 1880. Only a few people had ever seen the prairies, but some saw the benefit of the railway as a way to join the populated east and west coasts.

• (0935)

There are currently over 30 undeveloped mineral deposits in Nunavut and the Northwest Territories. They have an aggregate gross value in excess of hundreds of billions of dollars. Some of these deposits could see production cycles lasting more than 100 years. All of these deposits would be in production today if they were located in Ontario or Quebec.

The north needs a major investment in hydro and nuclear power in order to facilitate the orderly development and maximize the benefits of Canada's northern mineral endowment. If we are ever to get beyond gold and diamonds and able to produce base metals, we need roads, ports, railways, and all of the other things that say we are joined to Canada. The NWT and Nunavut Chamber of Mines has met with the Yukon Chamber of Mines and we have agreed to jointly seek a study of northern infrastructure.

Pam.

Ms. Pamela Strand (Vice-President, Nunavut, NWT and Nunavut Chamber of Mines): Thanks, Lou.

I'm going to cover land claims and a few points on regulatory issues and then conclusions.

In Nunavut about 80% of the population is Inuit, and the land claim agreements were signed in 1993. Since then, industry has been actively engaged with the Inuit on their wholly owned lands, and several very successful benefit agreements have ensured employment, training, and business opportunities that flow to the Nunavut residents. We have seen a downturn in the major mining centres in Nunavut since 2000, such as the closure of the Nanisivik, the Polaris, and the Lupin mines. We have seen an exploration upswing. Last year more than \$200 million was spent in the Nunavut Territory alone. Of course we have had a recent meltdown, but exploration is continuing. The Hope Bay and Meadowbank gold mines as well as the Baffinland iron mine are currently being developed. There are lots of other new excitements on the scene in Nunavut. That's the settled part of the two territories.

In the Northwest Territories about half the population is aboriginal, and there are four settled land claims. There are still two areas that remain to be settled. The Chamber of Mines believe that this is an important initiative to make progress on these claims and reach fair settlements. Not only will this provide comfort to the aboriginal people involved, but it will also clarify land ownership issues and greatly assist both the residents and the mining industry to form the necessary agreements to move these territories forward.

In order to maintain a positive investment climate for northern development and aboriginal participation, we need to talk about the regulatory environment. In the north this regulatory environment is complex. The NWT and Nunavut Chamber of Mines have consistently made it a priority to take a useful role in bettering the regulatory process for mineral exploration and mine development in the NWT and Nunavut by actively participating in a development and review of the applicable legal and regulatory structures.

Examples include our submissions to the northern regulatory improvement initiative study, authored by Neil McCrank, plus the recent Nunavut Land Use Planning and Assessment Act. I'd like to highlight a few of our conclusions that were included in the joint industry submission to the McCrank review.

Firstly, on board capacity, we need to ensure that the boards have structured plans for orientation, training, and continued education for each board member who is appointed.

Also, on aboriginal and community consultation, there is a need for clarity with respect to this issue.

Impact and benefit agreements continue to present significant challenges for proponents, communities, and regulators alike. The chamber believes an official policy on the scope, nature, and purpose of these agreements would clarify the overall process.

Also, adequate resources should be made available for legislative processes. We've recently seen a draft of the Nunavut Land Use Planning and Impact Assessment Act. We're very happy to see this move ahead, but we need to qualify that due consultation and consideration for the necessary amendments need to be included. This will need time and resources allocated, because the process is complex and challenging.

We also support what the previous speakers have talked about with respect to land use planning. Government needs to take a balanced approach. This is a multi-stakeholder process, and we believe there should be adequate representation from industry in this process from day one.

Let's talk a bit about Arctic sovereignty and Canadian northern sovereignty. We believe that industry can play a key role in Canada's northern sovereignty. This comes at no cost to you, because industry is pretty much self-funding. We bring our own funding once a deposit is proven. The Polaris and Nanisivik mines, as we've heard, were some of the most northerly mines in the world. Believe me, these are ordinary Canadians doing ordinary things in Canada's north. It's part of our job.

In order to keep the companies there, we do have to address the regulatory issues I spoke about, but we also do need ongoing geoscience funding. We were happy to see the Government of Canada's investment in the gem funding, which amounts to about \$100 million over five years for northern geoscience activities.

• (0940)

The Chair: Ms. Strand, can you wrap up, please?

Ms. Pamela Strand: In conclusion, we believe that the mining industry will be a sustainable industry for the north and that at this time it is the best opportunity for economic viability.

Thank you for your attention.

We welcome any questions.

[Translation]

The Chair: Thank you to all of you for your presentations.

We will now go to a first round of questions and answers. I would remind the members that they have only five minutes. The first question will be asked by Mr. Bagnell.

• (0945)

[English]

Hon. Larry Bagnell (Yukon, Lib.): Thank you all for coming.

I'm the official opposition critic for the north, so you all fall within my territory—all three territories. It's great to have you here.

Last fall, when people were talking about the budget, all they were talking about was manufacturing and the auto industry. I wrote to the Minister of Finance and said that in the north, mining and tourism are important, and I was delighted that those showed up in the budget. So it's great that you're all here.

I have one question for each group, so try to make your answers not too long so that I can get all my questions in within my five minutes.

Trevor and Lou, the day before yesterday, the Government of the Northwest Territories and the federal Minister of the Environment had a big conference announcing the Nahanni National Park. In fact, there's a celebration today at 5 p.m. at the Chateau Laurier and at 7:30 at D'Arcy McGee's, across the street. You should probably go.

Should we rush that through this week? Do you have any concerns about that? We haven't heard anything negative about it.

Mr. Lou Covello: I believe that the expansion of the park is a mistake. I believe that in the future we're going to regret it. We have to realize that national parks are forever, and they're taking an area away from the local people that is roughly two-thirds the size of Nova Scotia. Part of that area, at least, has a very high potential for mineral deposits. I think we've rushed into this.

Right now, the Northwest Territories has about 28% of its land area permanently alienated through parks or protected areas. The next highest jurisdiction is B.C., at 9%.

Hon. Larry Bagnell: Thank you.

Mr. Peters and Mr. Ottenbreit, a number of years ago the independent gas analyzers, the people who analyze demand, suggested that there was more than enough demand for both the Mackenzie Valley and Alaska Highway pipelines, especially with the demand in the U.S. for power. I'm assuming that the situation remains the same. As long as they're not both built at the same time, it doesn't matter. Whoever gets through the process first should just build their pipeline, and we should have both of them. Is that the opinion of both of you?

Mr. Randy Ottenbreit: We're of the opinion that the North American market is sufficiently large to accommodate gas from both northern sources, yes.

Hon. Larry Bagnell: What do you think, Mr. Peters?

Mr. Mike Peters: I would agree with that.

[Translation]

Hon. Larry Bagnell: Mr. Kent and Ms. Derome, can you tell us about taxation? What can the federal government do to help the mining industry?

[English]

I am thinking particularly of adding such things as consultation, the cost of environmental preparation for exploration, eligible exploration expenses, and other things the federal government could do, related to taxes, to help mining.

Ms. Claire Derome: As you know, in the north we have a very small base, and in the north we cannot provide a significant tax advantage to the people who live in the north, as Ontario or Quebec can. They can supplement flow-through, for example. At the start, when we're raising flow-through money for the north, we're at a bit of a disadvantage. Because consultation and the regulatory process are such a large part of the cost now of doing business in the north, if they were eligible for flow-through funding, that would certainly be a big help.

Hon. Larry Bagnell: Thank you.

Could you comment on the Alaska Canada railway?

Mr. Scott Kent: Well, as Claire mentioned in her presentation, there was a joint study done by Alaska and the Yukon, completed a couple of years ago. Certainly what we would hope the Government of Canada could do would be to continue to work with the U.S. government. Premier Fentie and the Yukon government continue to work with Governor Palin on this initiative, and any work our parliamentarians can do with the U.S. administration and the Alaska congressional delegation in Washington would be helpful.

Estimates for this pipeline... It has the potential to unlock some of the world's largest deposits of iron ore, tungsten, lead, and zinc, so it would have a very huge impact. We plan on including results of that study in our joint infrastructure presentation with the NWT and Nunavut Chamber of Mines.

• (0950)

[Translation]

The Chair: Thank you, Mr. Bagnell.

Now, Mr. Lemay, you have the floor for five minutes.

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Thank you for being here.

First, I do not want to be disrespectful, but I will have to leave at 10 o'clock. The proceedings of the House begin at 10 o'clock, and I am scheduled to speak about an agreement with the Aboriginal communities of British Columbia.

That being said, I see that you are all prominent business people. I hope that you received the McCrank report. If you did not, I would suggest that you obtain a copy and read it attentively. This report seems to lay the groundwork for what the Canadian government wants to implement.

I will just read you the following:

Northern Canada has the potential to manage its non-renewable resources in the public interest [and here is where it becomes interesting] if it balances the economic and social benefits of development with the need to provide for the protection of the environment.

I have a very simple question. How will you comply with this very important recommendation from the McCrank report, that is, how will you balance the economic and social benefits of development with the need to provide for the protection of the environment?

That is my only question, and you have the remaining four minutes to reply. You can go one by one, in the order you wish. Who wants to go first?

[English]

Mr. Lou Covello: Okay, I'll go first.

I don't think this is a problem as far as the mining industry is concerned. The mining industry has traditionally been conservation-minded, and the footprint that's used by a given mine is much smaller than even a small village in the Northwest Territories right now. The benefits can be enormous, and the area we have to work with is a huge area. Collectively, Nunavut and the NWT represent one-third the area of Canada, and we have pretty well no development there at all. We will never see the degree of development we've seen in northern Quebec and northern Ontario.

Mr. Randy Ottenbreit: Mr. Lemay, I would comment or respond this way.

In October of 2004, proponents of the Mackenzie gas project submitted a number of applications for approval by the National Energy Board, and in support of that we submitted something called an environmental impact statement. In the course of that document there are a number of commitments made by the proponents to ensure environmental integrity is maintained, to address any adverse social impacts that may arise from the project, and to enhance both social and economic benefits associated with the project.

We have put that information forward before the joint review panel, and at this point in time we're waiting for them to respond. We believe the proposal put forward does strike an appropriate balance that respects environmental, social, and economic matters.

[Translation]

Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): I would just like to point out that you don't have to press the button. Just signal, and the gentleman in the corner will turn your mike on.

[English]

Mr. Mike Peters: I would agree with my colleagues that striking that balance is not something that scares industry. This is something we believe we're very capable of, and I think a lot of the elements of the system are in place with the land claims, which established certain rights and certain socio-economic expectations. The legislation is in place from an environmental assessment point of view.

Industry has a long track record of innovation in terms of driving our performance and new technologies we use to reduce our footprint. I think industry is willing to bring that know-how to the north.

When we suggested there are problems with the regulatory system, it's not that there are problems with these requirements. What we're looking for is clarity from governments and from the communities in terms of how they want us to do business under that framework and how to meet their expectations on both environmental and socio-economic performance.

● (0955)

The Chair: Go ahead.

Mr. Scott Kent: From a Yukon perspective, since 2003 we've had devolution of control over our land, water, minerals, forests, that type of thing. We are in a bit of a different situation from our northern neighbours. We have the YESAA process, the Yukon Environmental and Socio-economic Assessment Act, which has been well tested on a number of smaller projects. There are also two executive committees that deal with larger projects—a transmission line as well as a mining project with Claire's company. The Carmacks copper project has gone through the process, and it provides a strong balance between the environmental and socio-economic issues, as well as significant involvement with local first nations and local communities affected by those projects.

The Chair: Mr. Bevington, it's good to see you again.

Mr. Dennis Bevington (Western Arctic, NDP): Thank you, Mr. Chair.

My thanks to all the delegates and the witnesses.

Mr. Ottenbreit, you described the gas and oil industry and its potential in the Northwest Territories. I've heard the presentation from the mining industry, and they are basically talking about an industrial strategy. Do you think it would be appropriate to have an industrial strategy for the Mackenzie Valley, where you have a resource that's equivalent to what is now available to Alberta?

Mr. Mike Peters: That is what we're referring to when we talk about the need to bring balance to the land use plans. I would suggest that we don't need separate industrial and protected-area strategies. We need to have one conversation about how to enable development and reach our conservation goals. We ought to deal with this in one conversation rather than in separate processes. Problems can arise when conservation interests are advanced separately from industrial interests. I would suggest that an individual industrial strategy is not the way to go.

Mr. Randy Ottenbreit: I'm here talking about a specific project, as opposed to the industry at large. Our experience with the Mackenzie gas project suggests that there are sufficient measures in place that provide a framework within which development can occur. The land use plan, in the case of the Gwich'in territory, is in place. The land use plans are moving forward, though we recognize that a land use plan with the Sahtu is not in place. We have tried to integrate those kinds of considerations into our plans. I would say that the environment now exists within which development can proceed.

Mr. Dennis Bevington: We've seen the Alberta oil sands development done individually, and we've seen the result of lack of industrial planning there. With respect to the negotiations with the federal government, what are you looking for? The U.S. Congress has announced a potential \$30-billion loan guarantee. What are you looking for from the federal government to support the pipeline?

Mr. Randy Ottenbreit: Mr. Bevington, I would like to make one comment on the last question. The issue is not a concern about too much development; it's about the lack of development. People are anxious to have development. We are in discussions with the federal government about the fiscal framework within which the Mackenzie gas project would proceed. Those discussions are confidential, and we're not at liberty to talk about them.

Mr. Dennis Bevington: You're not at liberty to talk about what you'd like to see.

Mr. Randy Ottenbreit: We're not at liberty to talk about the content of the discussions we're having with the government.

• (1000)

Mr. Dennis Bevington: Mr. Covello, we have a number of properties available for development, but the key thing is that we're concerned about the rate of exploration for new properties. Can you elaborate on that? I think it's a significant issue in the Northwest Territories today.

Mr. Lou Covello: You could look at exploration as the R and D of the mining industry. Without exploration, you don't have mines, or you don't have mines to replace the mines that are in production and will eventually cease production.

In the Northwest Territories now our exploration expenditures have declined from \$192 million three years ago to a projected \$28 million this year. Part of that, probably about one-third, is due to the economic downturn. The rest of it is due to the inability of, in particular, junior mining companies to obtain land use permits. The reason they can't obtain land use permits is largely political. Mining companies, I think, are being used as political footballs by the various people involved in the land claims process and in the parks and protected areas processes.

I think it's going to take ten years to recover. It took that long in B. C., when the government of the day there decided to make it difficult for mining companies to explore there.

The Chair: We'll have to leave it there, Mr. Bevington. These five-minute rounds go rather quickly.

Now we're going to go to government members, and the first question is to Mr. Rickford, for five minutes.

Mr. Greg Rickford (Kenora, CPC): Thank you, Mr. Chair.

Welcome, witnesses.

I'm Greg Rickford, member of Parliament for the great riding of Kenora. We have some similarities. It's a big riding of more than 320,000 square feet and some Goldcorp and Placer Dome.... I mean square kilometres, not square feet. It's starting to sound like some of these southern Ontario ridings.

Voices: Oh, oh!

Mr. Greg Rickford: Mr. Covello, just another remark that all is not so great in northern Ontario. We have some real struggles with Ontario's Mining Act and some of the municipalities benefiting, like Red Lake, from one of the best gold mines in the world, quite frankly.

I want to talk a little about infrastructure, and, if I get a chance, to build on Mr. Bevington's question. Anecdotally, infrastructure has become a pretty big word. I spent the last two weekends refinishing my canoe, and I was telling one of my friends about it. He said, "I bet you can't wait to get out on the water with it". I said, "Yes, but I don't have any of the supporting canoe infrastructure". I was referring to paddles and a life jacket.

In all of these infrastructure announcements we're making, I want to get a little bit clearer on that. To that end, Randy, you were talking about infrastructure around camps. I was wondering if you could briefly elaborate on what you see as the federal government's role in infrastructure as far as camps are concerned, given the stakes of creating camps for mines, etc.

Mr. Randy Ottenbreit: Mr. Rickford, I don't think we're making any particular requests.

Mr. Greg Rickford: I realize that, but I think you can comment overall on what kinds of supporting infrastructure would be required for those.

Mr. Randy Ottenbreit: What my comments were intended to indicate is that the absence of infrastructure in the north is something industry would end up paying the cost for, and it ends up increasing the costs associated with—

Mr. Greg Rickford: So what kind of infrastructure would you be talking about?

Mr. Randy Ottenbreit: An example would be that camps, probably 20 to 30 different camps, some of them housing thousands of people, would be required for the project to move forward. There are a number of large landing sites that would need to be constructed, recognizing that the equipment would be moved north on the Mackenzie River, and in order to get to the pipeline right away that would need to be offloaded at a barge landing site. There are airstrips on some locations that would need to be constructed in order to transport people and light equipment to those locations. So those are all examples of infrastructure that in total add to the costs associated with the Mackenzie gas project proceeding.

Mr. Greg Rickford: Thank you.

Claire, you similarly mentioned infrastructure at least twice. You were more specific with respect to roads, but in terms of development, I just wrote "infrastructure development." What kinds of infrastructure did you have in mind as you spoke in the context of the chamber?

•(1005)

Ms. Claire Derome: I think the two main issues for our industry developing mines in the Yukon are related to road access. The basic reality in mining is that we need to move stuff, whether we're bringing a large quantity of components to extract ore, or, once we've concentrated that ore, if we need to ship it somewhere.

Mr. Greg Rickford: Are you talking about primary and secondary roads?

Ms. Claire Derome: In the Yukon I think we have a good network of primary roads that are well used, but there have been more built to link communities and to allow for the movement of people. What I'm talking about are the roads that give access to those resources and those new emerging mining camps, which tend to congregate in specific areas in the Yukon, like elsewhere, from a geological perspective. If you build a road in an area that is very prospective for a mining development, you will see an increase in exploration activity and you will diminish the cost of operating a mine, and you'll have a much better likelihood of seeing these mines being built and developed. That's the first thing.

The second thing is access to cost-effective power or energy sources, which is a critical component in the Yukon. Actually, we have maxed out our capacity on the electrical grid in the Yukon, so there is no existing capacity there.

Mr. Greg Rickford: I want to ask about the U.S. stimulus announcement last week. It's open to anyone, in fact. What kind of impact do you see that having? Where are we at? What does that mean for us?

The Chair: We don't really have too much time left—maybe 15 seconds or so. Does anyone wish to jump in and respond?

Mr. Randy Ottenbreit: I don't have any particular response, Mr. Rickford.

Mr. Lou Covello: I think it will mean that a lot of Canadian consultants will have more work in Alaska. Right now we do a lot of our work in Alaska.

Mr. Greg Rickford: That's interesting. Thank you, Mr. Covello.

The Chair: Thank you very much, Mr. Rickford.

Now we'll go to the second round. We'll begin with Mr. Bagnell for five minutes.

Hon. Larry Bagnell: Thank you.

It's great when the three territories come together on a plan. I notice you're presenting us with a plan to do a northern infrastructure study. Coincidentally, it's serendipitous that there's actually a private member's bill before Parliament right now that we might vote on in the next couple of days to do exactly such a study with the federal, territorial, and first nations governments. I assume you would all like us to vote for that.

Mr. Scott Kent: Having not seen the private member's bill and having sat as a legislator before, I would have to take a look at it before we could comment on that from a Yukon perspective. Anything to encourage the funding of a northern infrastructure study would be welcome. We were planning on using the new northern economic development agency that was announced, I believe, in the last throne speech as the vehicle to do that. Anywhere we could get some money to conduct such a study would be great.

Mr. Mike Peters: This is my first committee appearance, but I'm not so naive to recommend that you vote for a bill I'm unaware of.

Hon. Larry Bagnell: I basically read the whole bill. The whole bill is one sentence, to do a study in the north.

Is there any comment from the Northwest Territories?

The whole bill is basically one sentence, to do a study on infrastructure in the north.

Mr. Lou Covello: We've been thinking about this a lot. In the last two pages of our handout, one page is a map and the other is a synopsis of those 30 mineral deposits I was talking about and the game plan there. I guess it's a little too late to incorporate that in the bill.

Hon. Larry Bagnell: To the Northwest Territories and Nunavut Chamber of Mines, it's the same question I asked the Yukon chamber. Can the federal government help with taxes?

I assume you would like us to extend the flow-through shares mechanism—it's going to expire next year—and to continue future years with geoscience funding. Also, maybe give more credits for drilling close to a mine site so that we don't expand into the environment. That would be a benefit for mining and everyone else.

Ms. Pamela Strand: Yes, the NWT and Nunavut Chamber of Mines would definitely like the renewal of a flow-through, and a super flow-through. And additional components, such as environmental and consultation, which are required even from a very grassroots exploration, would definitely help the industry.

•(1010)

Hon. Larry Bagnell: To the oil and gas industry, I have two questions. First, would you prefer these pipelines to be regulated through the NPA, the Northern Pipeline Act, or the National Energy Board? Secondly, if we hem and haw and regulate for too long, do you think that someone will liquefy the natural gas and take it all out and then Canada will lose the benefit of both pipelines, which could be huge benefits for Canada?

Mr. Randy Ottenbreit: With respect to the Mackenzie gas project, the regulation that applies to that is the National Energy Board Act. It's not that we have a choice with respect to what the rate is going to be.

With respect to alternative ways to get that natural gas to market, we evaluated that early on and determined that a gas pipeline, as opposed to something like liquefied natural gas, was the preferable way to get natural gas to market.

Mr. Scott Kent: If I could comment briefly on the Alaska Highway pipeline, it is subject to either of two regulatory vehicles if it is a TransCanada or Foothills project. TransCanada has recently partnered, I believe, with ExxonMobil. It made an announcement last week. And it is working, of course, with the State of Alaska. That would be an NPA proposal. But there's also Denali, which is a combination of BP—British Petroleum—and ConocoPhillips, which would be an NEB or CEAA type of proposal. I think from a Yukon perspective, whichever one goes first will be a commercial decision. There won't be two pipelines built. We would welcome whichever one is preferred.

Hon. Larry Bagnell: I've been fighting for years saying that infrastructure funding and other funding in the north can't be on a per capita basis, because there are so few people. We need special arrangements for the north and extra money. I assume that you would all agree with that.

A witness: Definitely.

Mr. Lou Covello: Yes.

The Chair: Thank you very much, Mr. Bagnell.

Now we'll go to Mr. Albrecht for five minutes, followed by Mr. Lévesque.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Mr. Chair.

Thanks to our witnesses for being here.

I just wanted to clarify a couple of things. Mr. Covello, you made a comment about the increased number of job opportunities resulting in a dramatic increase in post-secondary education interest and follow-through. Could you just give me those numbers again? I wasn't able to get those down. I thought you said 100 to 200. Is that right?

Mr. Lou Covello: That's right. In 1998 I think there was one secondary school graduate from Bishop Cove who went on to post-secondary education. Over the last three or four years, it's been closer to 200.

Mr. Harold Albrecht: I think that's good news for the future.

I want to come back to Mr. Ottenbreit and some of the comments you made relating to the economic development challenges. Before I get to that, you gave some figures, as well, regarding capacity. The current amount is 830 million cubic feet, but the capacity is 1.3 billion.

Mr. Randy Ottenbreit: I indicated that the three anchor fields could cumulatively produce 830 million cubic feet per day. The size of the Mackenzie Valley gas pipeline is for 1.8 billion cubic feet per day, which is more than twice the size of the three anchor fields. The point of making that comparison is to indicate that room has been provided for other supplies of gas to be shipped from the north.

Mr. Harold Albrecht: Okay. Thank you.

Back to the challenges you outlined—the physical environment, infrastructure, long distances, and so on—you spent a lot of time on the regulatory challenges you have there. I think you said that there were previously 17 regulators trying to now cooperate on one common environmental review, but in the process, it really hasn't seemed to speed things up very much. There were 21 months of

study and a 24-month period for the report. How can we address that? That's a concern to me.

Mr. Randy Ottenbreit: The reference to the 17 regulators and the work they did goes back to the years 2000-2001, which led to the issuance of a report called the cooperation plan in June 2002. The work done in 2000-2001 was intended to facilitate or simplify the process of going through regulatory approvals. The environmental assessment is one part of that. The other part is getting the permits the regulators process.

On the environmental assessment side, we had understood from the cooperation plan that it would take about ten months for both the hearings and the report. But yes, it is taking longer. We're in the midst of that process, so it is unfolding. As it is, I think it's not at a point where things can be done. We're awaiting the result. Our understanding is that a report from the joint review panel will be issued in December of this year. Yes, it is a lengthy process.

•(1015)

Mr. Harold Albrecht: On that lengthy process, you made a comment—and I may have misunderstood you, so I'll stand to be corrected—that sometimes there's leverage exerted upon the applicant to do something that's outside the environmental part of it to get special recognition, possibly. I'm not sure what the actual end result or end goal of applying the leverage is. Could you clarify that?

Mr. Randy Ottenbreit: This refers not to the environmental assessment process, but we talked about this—

Mr. Harold Albrecht: Permit part.

Mr. Randy Ottenbreit: This is more the permitting side. The legislation is such that if certain parties were to request an environmental assessment, an environmental assessment would be conducted. We have run into some instances where an individual community was upset about the awarding of a particular contract. Since they didn't get the contract, they issued a request for an environmental assessment. An environmental assessment is done, which slows down or stops the work from proceeding. So it's really a dissatisfaction with contract awards that sometimes can show up in the regulatory permitting process.

Mr. Harold Albrecht: Thank you.

Back to the Yukon and Ms. Derome, or possibly Scott, as I'm not sure which one of you discussed this, in terms of the infrastructure and the importance of connecting to the B.C. power grid, I was wondering if you could comment at all on B.C.'s application for funding from the green fund. Could you comment on what the impact would be on those first nations communities that currently rely on generators for their electrical power, not only in reducing greenhouse gas emissions but also with it probably being a better and reliable source of electricity?

Ms. Claire Derome: I will comment from the Yukon perspective, because I don't think it's very different in northern B.C. If you are not connected to the grid, you're on diesel generation. Now that we are almost at the point where all the capacity on the grid has been used, there is very little spare capacity, even with the newly announced project for the Mayo B upgrade. That will add some capacity, but it is really not providing a long-term expansion of the grid.

So yes, in regard to the green fund, anything that can help the generation of electricity—from hydroelectric or any of these renewable resources—will bring immediate benefits. B.C. has applied for it. I think the Yukon has also applied for it. It's certainly a worthwhile alternative to pursue.

[*Translation*]

The Chair: Thank you, Madam.

Mr. Lévesque, you have five minutes.

Mr. Yvon Lévesque: Thank you, Mr. Chair.

I will address Scott first. In your presentation, if I understood correctly, you said that 75% of the territory is exempt from potential mining and gas prospecting and harvesting. I thought that that was perhaps with a view to the creation of parks. Is the creation of these parks a prerogative of the territory or of the federal government?

[*English*]

Mr. Scott Kent: Certainly what I had mentioned is that there is a land use planning process under way. It was part of the umbrella final agreement, which is the overarching federal legislation for our land claims settlements up there.

We've had two regions undertake land use plans to this point. In the north Yukon region, we've seen 50% of the land withdrawn from mineral exploration, and a significant amount, I believe, withdrawn from oil and gas exploration as well. Moving down to the Peel watershed area, which is currently under review, a draft plan is before the Yukon public and comments are being made as we speak. It recommends that 63% of that land mass, which I believe is almost 10,000 square kilometres, be removed from new mineral exploration, new staking, which is of course a big concern to us.

We rank third behind the Northwest Territories and British Columbia as far as land mass that's protected is concerned. It's a suite of different protected areas, from national parks—Kluane, Ivvavik, and Vuntut—to territorial parks such as Tombstone and Fishing Branch, and then there are some of the first nations special management areas that are currently being developed.

So with what we've seen in the north Yukon and the Peel watershed, we could be upwards of having 25% to 30% of land withdrawn from mineral exploration, and that's with six more plans to go, which is a very big concern to our industry. It's precedent-setting with regard to these land use planning processes that have become protected area strategies.

• (1020)

[*Translation*]

Mr. Yvon Lévesque: I understand that it's different from Quebec. I'm not really familiar with the regulations that apply to the territories. In Nunavut, it's a little bit different. I spend some of my time in Nunavik. Nunavut is a territory, where Nunavik is not.

Ms. Strand, you referred to training and education in Nunavut. Are people in Nunavut trained in Nunavut in their field, or are they sent to Montreal, Quebec City or Ottawa to be trained?

[*English*]

Ms. Pamela Strand: Yes, it's a bit of both. At the present time that is something that occurs in southern Canada, but there is a new

initiative now with the Arctic College and the Government of Nunavut. They're building a trades school in the community of Rankin Inlet that will replace some of the southern training that currently occurs. There's a mines round table for training, and that's number one on their priority now, so that the Inuit can take advantage of the future mine jobs that are on the horizon.

[*Translation*]

Mr. Yvon Lévesque: Do businesses contribute to the training of these people in their area by providing funding?

I would like to remind Mr. Covello that it is logical that young Inuit or aboriginals are more inclined to study when they have a vision of the future. That's why development is important in the territories. Young people need to be able to look to the future to be encouraged to study, instead of taking drugs or consuming alcohol. That gives them hope and broadens their horizons, often for the first time.

Ms. Derome, the Quebec government, the federal government and businesses plan to contribute matching funding to build a road to the Otish Mountains to operate diamond mines. Are there similar plans for the Yukon?

Ms. Claire Derome: That may be the case in future, but currently, no program exists to study this component.

I am part of a group of corporations that have gotten together to discuss the extension of a road in a sector that interests us in particular, and that is certainly something that we would be prepared to discuss with the government.

At this stage, the opportunities are fairly limited. Yukon Territory is different from Nunavut and the Northwest Territories, because it has obtained jurisdiction over natural resources. They come under territorial jurisdiction, as does road development and other areas. In addition, the budget we have for this purpose is very limited.

The Chair: Thank you, Ms. Derome and Mr. Lévesque.

Mr. Bevington, do you have another question?

[*English*]

Mr. Dennis Bevington: There are still a few people to go yet.

The Chair: I jumped ahead. I was back on the round one order there.

Let's go to Mr. Clarke.

Mr. Bevington, I will ask, though, do you want to be on the list for the next question after Mr. Clarke?

• (1025)

Mr. Dennis Bevington: Okay.

The Chair: Let's go to Mr. Clarke, then, for five minutes.

Mr. Rob Clarke (Desnethé—Missinippi—Churchill River, CPC): Thank you, Mr. Chair.

Thanks to the witnesses for being here today.

I hope I'm not off topic here, but economic development in the north for northerners, and specifically also for aboriginals, is very important. What I'm curious about is the component of aboriginals for the development of natural resources in northern territories. I'm hoping to get some clarification from each of the territories.

How many people, percentage-wise, are actually employed in the territories from the resource sector? Second, what percentage of that population is aboriginal? Third, what is the long-term range for aboriginals working in this resource sector? What percentage are we looking at as future goals?

Mr. Lou Covello: I can give you the figures I indicated in my talk earlier. For two mines in the Northwest Territories—that's Ekati and Diavik—the total payroll was 2,250 people last year. Of that, 70% were from the north. Of that 70%, 40% were aboriginal.

There are an additional two mines there in the Northwest Territories. In Nunavut, there are two mines in the development stage that will see production within the next two years. I think we can expect similar numbers, if not better numbers, with respect to aboriginal employment there.

Ms. Pamela Strand: These are all numbers that are negotiated in the IIBAs, the Inuit impact and benefits agreements, as goals for the companies to initially start with their various training programs, and increase through time.

Mr. Lou Covello: This also doesn't include exploration. Exploration in Nunavut now is around \$200 million this year—I think it's planned—and much of that money is spent in Nunavut on local employment.

Ms. Claire Derome: I'll simply speak about the Yukon situation. There are about 15,000 people in the total workforce in the Yukon, and the majority of them work in Whitehorse. That's not where mining is happening. If you go into the outside communities and you look at where mining and exploration are happening, in fact they are capturing a large part of the first nation employment, either at the government level, for self-governing first nations that are managing their lands and resources—so there are government jobs that are related to the natural resources sector—or working directly for industry.

A very good example is Minto mine. About 25% of the population in the Yukon is aboriginal, and as we speak, in excess of 30% of the workforce is first nations, going up to 40%. We're going to see the same situation at the Wolverine mine, near Ross River, as well as other mines under construction.

So it's a very important component of first nation employment in the Yukon.

Mr. Randy Ottenbreit: With respect to the Mackenzie gas project, it's not under construction or under operation right now, but we have negotiated benefits agreements with a number of regional aboriginal groups. Those benefits agreements provide preference for qualified aboriginal people for future jobs. They also provide a mechanism whereby aboriginal businesses will get the first opportunity for certain types of work. So there are mechanisms within those agreements that are directed towards providing support to aboriginal employment and aboriginal businesses.

In addition to that, there are some training initiatives, some of which have been under way for a number of years already, partly through funding from HRSDC. A number of training programs were delivered under something called the aboriginal skills and employment partnership.

I would say, in terms of some of the work we've done in the field, where we've been gathering data, I don't remember the precise number, but about 80% to 90% of the dollar value of contracts that were done to gather baseline information went to businesses on aboriginal business lists.

• (1030)

The Chair: That's really it, Mr. Clarke. Sorry about that. There will be some time at the end if we still need more questions.

Now we will go to Mr. Bevington for five minutes.

Mr. Dennis Bevington: Thank you, Chair.

There are so many questions that we could keep you here all day.

Regarding the geoscience funding, I went to a presentation on some of the work that was done. The \$100 million that's been identified, is that really enough money to accomplish what's needed in the north with geoscience work?

Mr. Lou Covello: No, it isn't. If you look at it in terms of the equivalent amount of work that's been carried out in the south—and particularly comparable are Ontario and Quebec, which have similar geology—the amount spent per unit area to the south is something in the order of, right now, ten times what's been spent in the north.

Right now, in the north, we even lack basic topographic maps. The best place to get topographic maps for some of the far north is either from the Russians or the Americans. That's how far behind we are.

Mr. Dennis Bevington: So enhancing this geoscience funding would be a great way to build exploration capacity within the north.

Mr. Lou Covello: The experience is that the return on geoscience funding is for every one dollar spent, you get five dollars in investment.

Mr. Mike Peters: I would just echo that from the oil and gas industry. There are always opportunities for more funding. That type of funding is very productive in terms of encouraging future development in areas like the north that are largely underexplored, really priming the pump in terms of building up some sort of base knowledge of the regions and helping encourage the private sector investment that follows.

Mr. Dennis Bevington: Another issue that's come up about exploration in oil and gas in the Dehcho and mineral exploration in Akaitcho and in other places is that the minister has an exemption for impact benefit agreements for exploration operations. Do you see that we should look at making a more formal structure for impact benefit agreements for exploration projects to take out some of the troubles we've been having in that respect?

Mr. Lou Covello: As far as exploration is concerned, there's virtually no possibility that you're going to get junior mining companies to sign impact benefit agreements, because the order of magnitude of exploration funding in the mining industry is about one tenth of what it is in the oil and gas industry, for instance, or even one one-hundredth. A big program can be a couple of hundred thousand dollars, and by the time you've finished your consultation it's eaten up 10% of that already. At the exploration stage, you're not going to get any impact benefit agreements; people will simply go elsewhere.

Mr. Mike Peters: Mr. Bevington, my belief in the oil and gas sector is that exploration projects are not exempt from impact benefit agreements. Even when you're dealing with an exploration licence, you still have to reach an agreement with the local groups.

My apologies if I'm confusing you.

Mr. Dennis Bevington: The minister has the right to exempt you, and that exemption has been carried in a number of cases.

Ms. Pamela Strand: I echo what Lou has said. And I think you have to understand that with the exploration projects, to get the required different land use licences and water licences, there's already a process in place for consultation that already engages the communities. We do abide by best practices and guidelines for operating. To have a formal IBA at the exploration stage, depending on the scale of the project, can sometimes be quite an onerous document. It is in place in certain instances.

Mr. Scott Kent: I guess, just from the Yukon's perspective, through the YESAA process, those smaller exploration projects, the companies are certainly encouraged to consult and engage at the community level—and these are the smaller exploration projects. As we get into the bigger mine developments, like the Carmacks copper project that went through the YESAA board, it's a requirement before the proposal is deemed adequate to proceed. The impact benefit agreements aren't necessarily part of it, but often they end up being part of it.

Maybe Claire can comment a little bit further, specifically on her project.

•(1035)

Ms. Claire Derome: IBAs are a way to put into a contract what the commitments of a company are, so whether they are captured or not in a legal document is something that needs to be negotiated between the parties. The experience we have with YESAA is a very positive one, because not only does it look at the environmental impact, but also the socio-economic impact and benefit of the project. During that process, the company is clearly stating what it's proposing to do to alleviate or mitigate negative social impact by providing benefit.

The Chair: Okay, we'll leave it at that. Thank you, Mr. Bevington.

I have a couple of what I hope will be quick questions, and then we'll continue.

I think Ms. Strand and also Ms. Derome mentioned the flow-through issue as it relates to development. I wonder, just for the record, if you could briefly describe that issue. I think it was Ms.

Derome who mentioned that as well. Perhaps we'll take Ms. Strand and then Ms. Derome.

Ms. Claire Derome: What issue are you referring to?

The Chair: The flow-through. It was in a response to Mr. Bagnell's questions. We just want to get on the record.... What I would like to see on the record is the description of that issue as it relates to your area.

Ms. Claire Derome: There are costs in exploration that do not qualify for flow-through funding, but they are still the costs of doing exploration. Part of that is consultation, community engagement, and environmental assessment.

So what we are suggesting, and I think it's the position of the PDAC as well, is to make those dollars that we are investing as part of eligible expenses under the flow-through.

Ms. Pamela Strand: Yes. The Income Tax Act would have to change what are qualifying expenditures and add those on to what qualifies for the flow-through.

The Chair: Mr. Bagnell also mentioned that there would be some termination of that existing benefit, or it was going to expire at some point.

Ms. Pamela Strand: Yes, the flow-through and the super flow-through do have expiry dates.

The Chair: So these are provisions in the income tax code you're referring to?

Ms. Pamela Strand: Yes. So it's our position to have those renewed. I'm not sure when the next expiry date is.

Do you know, Claire?

Ms. Claire Derome: I think it has been reallocated for next year, so we know that 2010 is.... It's quite short term.

The Chair: Okay, I see that. That explains it.

I have a little bit of time left here. Could each of the four representatives here today provide a brief comment on what your best advice would be to the committee if we were to undertake a closer examination of the issues around economic development in the north? What would you say would be the most important gap we could focus on that would give the greatest benefit in terms of our examinations of that issue?

Who would like to begin? Mr. Ottenbreit?

Mr. Randy Ottenbreit: I will begin.

Thinking back to the opening remarks of all the parties, if there was a common theme, it was the challenges associated with the regulatory process. I think that's a very fruitful area for improvement as a common theme in terms of all of our opening remarks. So that would be my suggestion.

The Chair: Mr. Peters.

Mr. Mike Peters: I would agree with Mr. Ottenbreit, certainly from an association perspective. When considering the challenges in the north, we believe that's one of the fundamental challenges holding back further development in the north and one where we see opportunity for improvement.

Mr. Scott Kent: From the Yukon perspective, as Claire and I have both mentioned before, we have had devolution in the Yukon since 2003 and have had a very positive experience with that on the regulatory and the decision-making side of things, having the deputy minister and the minister and the decision-makers reside right in the Yukon. So from our perspective, land use planning seems to be our concern right now, and I know our colleagues with the NWT and Nunavut Chamber share some of those concerns.

The Chair: Would you go so far as to say that there certainly could be some lessons taken from the Yukon experience in respect of this regulatory reform issue?

• (1040)

Mr. Scott Kent: I think the new regulatory regimes, the YESAA and hopefully the regulation of the Alaska Highway pipeline project, have learned some lessons from our predecessors in the Mackenzie Valley with their pipeline and that act. We were able to take the YESAA legislation, which I have some experience with, and improve upon it based on some of the hard lessons learned in the Mackenzie Valley.

The Chair: All right. And finally....

Ms. Pamela Strand: I guess we believe that we already have a lot of the recommendations in place through the McCrank report, and we think that some of those recommendations should be followed through on. A lot of the recommendations don't require any changes in legislation. We really haven't seen a lot of action on those recommendations since the middle of last year.

The Chair: Thank you very much.

Now we will go to Mr. Bagnell for five minutes.

Hon. Larry Bagnell: Thank you.

You all mentioned power. One way you could help out, actually, and it wouldn't cost you anything, is we've been lobbying for a special increased wind incentive for the north. In the south, where it's seven cents a kilowatt-hour, if you add one cent, then it's a significant proportion. But in the north, where it's thirty cents and you get a one-cent incentive, it doesn't do anything. So we need a higher incentive in the north.

My question for the Yukon delegation is about placer mining, which you mentioned briefly in your opening remarks. Are you happy with the federal regime in placer mining, and is there anything you would like the federal government to do to make sure placer mining continues to exist as a very viable and important industry in the Yukon?

Ms. Claire Derome: I think it's important that the federal government continue to support the Placer Secretariat. There was dwindling support there, but it's really a place where all parties can come to the table to monitor the effect of that regime on the industry. So support there is important.

Hon. Larry Bagnell: On the pipeline, I think you alluded to this, but I want to make absolutely sure. There would be no problem with anyone putting gas into the MacKenzie Valley pipeline in the big fields to the east and west in the Yukon, and to the east in the Northwest Territories. There'd be room for all the different local pots of gas.

Mr. Randy Ottenbreit: We designed the capacity to accommodate additional gas. The economics are such that the more gas, the better for everyone. We have defined terms under which other natural gas could be transported through the pipeline. So there is room, and we look forward to additional volumes of gas.

Hon. Larry Bagnell: Sometimes people think the two biggest industries in the north are tourism and mining, at least in the Yukon. Some people think they're incompatible, but in the Yukon there's an exciting arrangement where the Chamber of Mines has signed an agreement with the Tourism Industry Association of the Yukon. Maybe you could let people know about that as a best practice.

Ms. Claire Derome: That agreement was signed last fall. It's been tested with the current land use planning process, but it has provided the opportunity to maintain a dialogue between the two industries. Basically it's a cooperative memorandum of understanding where the parties bring their issues to the table and discuss them before hitting the paper. They try to find common ground.

The Klondike is still very much part of what we are in the Yukon. It's now driving a lot of the tourism industry in Dawson, but it's still also part of what we do for a living by placer mining. I think it's something to look at there. If you were going to look at cooperation between tourism and mining, maybe you could look at the Yukon as an example.

Hon. Larry Bagnell: Can you talk about what the federal government could do to help with ports and navigation in Nunavut and the Northwest Territories? Are there sufficient navigation aids to get your ships and supplies up there, which of course is cheaper than flying? Secondly, are there any ports for you to land at, and would you like help there?

Mr. Lou Covello: I pointed out in my talk that Nanisivik, which had a lead-zinc mine that produced from 1974 to 1998, I believe, has recently been designated by the federal government as a fuel resupply facility. The town and the port facility will be re-occupied. They're still connected to the runway that was built partway between Nanisivik and Arctic Bay.

As far as port facilities are concerned, the best thing to do, as Pam said, is encourage exploration in the far north. We'll see new mines found and new developments, and it won't cost the people of Canada an awful lot of money. It will be paid for by industry.

The other initiative that the mining industry has taken on is the BIPAR. It's the Bathurst Inlet-Contwoyto Lake plan to take ore concentrate from the Izok Lake lead-zinc deposit, which is one of the richest in Canada, to a deepwater facility on Bathurst Inlet.

The northern coast of Canada, particularly the eastern part of it, has abundant ability to support ports. There's a lot of deep water.

• (1045)

The Chair: We'll have to wrap it up there, Mr. Covello.

We'll now go to Mr. Weston.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): I'll defer to my more senior member.

The Chair: Okay, that's perfectly all right by me.

I guess we'll have Mr. Payne, and then we'll go Mr. Pomerleau.

Mr. LaVar Payne (Medicine Hat, CPC): I'm glad I'm senior.

Some hon. members: Oh, oh!

Mr. LaVar Payne: Anyway, I will share whatever time I have with my colleague, Mr. John Weston.

Thank you, witnesses, for coming. It's very nice to see some folks here who are really interested in the development of the north. I really only have one question, so I'll give everyone a shot at responding to this.

In your view, what is the single biggest issue over which the federal government has jurisdiction that stands either as an impediment or as a potential benefit to resource development in the north?

Whoever wants to start....

Mr. Mike Peters: I'll take a first crack at it.

I think the answer, once again, is the regulatory environment. Certainly in the Northwest Territories, where a good chunk of our industry is located right now, the federal government still has jurisdiction and there is a range of opportunities for what it can do in terms of looking not just at federal legislation, but also at federal policy. If you look through some of the recommendations from the McCrank report, there are lots of opportunities to provide clarity in terms of policy, extra guidance, and what the expectations are for operators up there.

So I would say that the regulatory environment is one thing where the federal government is well positioned in the Northwest Territories.

Mr. Scott Kent: I think for the Yukon it would be support for infrastructure development. That could be for any number of things, from the regulatory environment I mentioned for the Alaska Highway pipeline to work with the Alaskan and U.S. governments to fund the rail, and the issues Claire talked about in support of some of the secondary roads, as far as roads to resources are concerned.

So I think that would be the one area. It's three-pronged, but there are a number of different ways the federal government could participate without cost in some cases, and cost in others.

Mr. Randy Ottenbreit: I would echo Mr. Peters' comment with respect to follow-up on the regulatory recommendations made in the McCrank report. Those recommendations are broad in scope, encompassing surface rights legislation and the need to complete land use planning, etc. So we are, as mentioned by Pamela Strand, looking forward to the government's response to the McCrank report, given the breadth of matters addressed in his report.

Mr. Lou Covello: In Nunavut, I would say the most effective use of the federal presence is in infrastructure development. In the Northwest Territories, again, it comes back to the regulatory environment. There, the feds have the greatest ability to either expedite the process or act as an impediment to development.

• (1050)

Mr. LaVar Payne: Thank you.

Is there any time left?

The Chair: Yes, you have about two minutes.

Mr. Weston.

[*Translation*]

Mr. John Weston: You come from one of the largest and most magnificent regions in the world. You have travelled a long way to come here, and we thank you for that.

[*English*]

I wonder if you could go back decades and reflect on Thomas Berger's commission, which originally nixed this very project. What one thing in his report would you say is your greatest concern today?

Alaska is doing another huge pipeline that I believe Sarah Palin has been very instrumental in getting going. I wonder how that competes with your project.

Mr. Randy Ottenbreit: With respect to Justice Berger's report, going back to the 1970s, the essence of his recommendations was that the north was not ready for development. I would say a lot of the same people who made those recommendations to Justice Berger are of the view that it's now ready.

In January of 2000, aboriginal leaders got together in a community called Fort Liard and passed a resolution essentially saying they wanted to be part of the future development of a Mackenzie Valley pipeline. Aboriginal people are in fact part of the development through their participation in the Aboriginal Pipeline Group.

So I would say the big change has been that the people in the north who previously said they weren't ready now want to be part of development. I think that's the biggest change. That's a fundamental change in the attitude of the north: they want development, and they want to derive benefits from it. That's why we spent a lot of time developing benefit agreements with them.

With respect to the development of the Alaska pipeline, Imperial Oil is not part of that. I guess we would have to see how it unfolds. It's probably a little bit early to see what impact it would have. If those developments did occur at the same time, it would raise concerns as to whether there was sufficient capacity for pipelining and what not.

[*Translation*]

The Chair: Thank you, Mr. Weston and Mr. Ottenbreit.

And now we go to Mr. Pomerleau, member for the riding of Drummond.

Mr. Roger Pomerleau (Drummond, BQ): Thank you very much, Mr. Chair.

Thank you very much for having come to meet with us here today. When I arrived earlier, I thought I heard Mr. Kent refer to chapter 11. I imagine that he was referring to chapter 11 of NAFTA.

If that was indeed the case, to what extent can the application of chapter 11 of NAFTA help or hinder mining and gas development in the north?

[English]

Mr. Scott Kent: No. Actually, I was talking about chapter 11 of the umbrella final agreement, which is our land claims agreement. That's the land use planning chapter in that agreement.

[Translation]

Mr. Roger Pomerleau: Fine, thank you.

Ms. Derome, you are certainly aware of the flow-through funding that exists in Quebec. Do you think that the use of flow-through funding in the rest of the far north, at the same level that exists in Quebec currently, would help in mining and gas development, especially mining?

Ms. Claire Derome: As I said earlier, the north does not have the capacity to offer any specific incentives for mining exploration. So I think that anyone who does prospecting in the north would be very pleased to see action taken in this regard by the federal government to allow for improved flow-through funding for mining exploration north of the 60th parallel.

Mr. Roger Pomerleau: Okay, but it should come from the federal government because...?

Ms. Claire Derome: Because we do not have the capacity to do so in the north. There are 34,000 people who live in the Yukon, perhaps 15,000 of whom pay taxes. We are therefore unable to amass the millions of dollars required for exploration. This year in the Yukon, investment in exploration and development will exceed \$220 million.

Mr. Roger Pomerleau: Fine.

My other question goes to Mr. Peters.

Ms. Claire Derome: I think that Ms. Strand would just like to finish.

Mr. Roger Pomerleau: Okay, go ahead.

[English]

Ms. Pamela Strand: Maybe there is a way. Since we raise our investment dollars from the south because of the incapacity of the population in the north, could the committee or the federal government look at incentives, so that the money is spent in the north, some flow-through top-up? I don't know whether inter-boundary laws will permit it, but maybe some consideration could be given to that.

• (1055)

Mr. Roger Pomerleau: Maybe a third question, Mr. Peters.

[Translation]

I believe that you said, and I may have misunderstood, that there would probably never be two pipelines built in the far north, but that one certainly would be. It may have been Mr. Kent who referred to this. I want to know if I understood correctly that it is whoever begins first that will determine where the pipeline will be built, in Alaska or on Canadian territory. Is that correct?

Mr. Mike Peters: No. I'm sorry, I did not say that. In the case of the two pipelines, my answer is as follows:

[English]

Let the markets decide. It will be the proponents who will be able to best judge that and what the market realities are for the product.

[Translation]

Mr. Roger Pomerleau: My colleague has a supplementary question.

The Chair: Fine. He has two and a half minutes.

Mr. Yvon Lévesque: Do you pay royalties to the territories for development activities? We know that these royalties are subject to tax credits, but couldn't the territories use these royalties to help you carry out development activities, in part? If they help you carry out development, then at the same time you would be creating more activity and in turn, more royalties, that is for sure. That is where I think you have a certain negotiating power with the territories.

Ms. Claire Derome: Yes, that's true.

[English]

That's true if the royalties that companies are paying were staying in the Yukon, but they're clawed back. So the revenues that are generated by royalties are collected by the territory. Some of it is shared with first nations, and it's capped at quite a very low level. Excess of that is then taken into account by the federal government for transfer payments, so at the end of the day the territory doesn't really keep that additional income from resource exploitation.

Mr. Scott Kent: One of the programs the territorial government does run right now is called the Yukon mining incentive program, where they provide close to \$2 million for low-level prospectors and small-scale exploration companies to conduct exploration work.

Mr. Yvon Lévesque: Merci.

The Chair: Did you have something to add, Mr. Peters, very quickly?

Mr. Mike Peters: With the oil and gas industry on the exploration side, the way that companies are awarded licences is on the basis of a work commitment. It's not a fee that's paid, but it's a commitment to spend a certain amount of money, and that, in the case of the Northwest Territories, would be to the federal government. Certainly the expectation on companies is that as much of that as possible be spent in the north on local businesses.

[Translation]

The Chair: Thank you, gentlemen.

[English]

Just before we adjourn, on behalf of all members, I thank you all for this very informative presentation this morning.

Members, before you get away, you'll recall that this evening at 6:30 in the reading room, 237-C, there is a briefing on the question of the McIvor decision. The department will be providing a briefing to all interested members, not just committee members. So if you know colleagues who might be interested in this topic, please invite them to come by at 6:30.

We'll be back here on Thursday morning at nine o'clock for the Huron-Wendat. I'd draw your interest to the fact, members, that the Huron-Wendat committee will be an in camera committee, as will tonight's. The briefing is not open to the public. Your staff are also welcome to the session this evening. With that, we'll see you this evening.

Thank you again, all of you, and safe travels home.

The meeting is adjourned.

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