

## MP Dennis Bevington, House of Commons

October 17, 2012

Mr. Speaker, on September 12, the **Minister of Aboriginal Affairs and Northern Development** issued offshore exploration leases to more than 9,000 square kilometres of the Beaufort Sea to Franklin Petroleum, a U.K. company, for \$7.5 million in promised work.

Franklin has no experience in the Arctic. According to its most recent corporate filing, it had \$220 in the bank and a corporate value of minus \$32,000. It is unlikely this company will actually do any work. Instead, it now has exclusive control over a vast area of the Beaufort Sea.

Now that Franklin has these leases, section 85 of the Natural Resources Development Act allows it to transfer the leases to anyone by only notifying the minister of the transfer. No approval is required.

Internationally, it is common that transfer of leases require ministerial approval. This is how things are done in the North Sea. Norway requires approval of the minister before licences can be transferred. Its law states:

Transfer of a licence or participating interest in a licence for petroleum activities may not take place without the approval of the Ministry.

Franklin Petroleum could just sit on these leases and do no work without any penalty. No jobs will be created while companies able to do this work will be excluded for many years. How does this help the economy or work in the national interest of Canada?

The oil patch is scratching its head as to why the minister did this when he could have decided to not issue any leases as per the Canada Petroleum Resources Act which states:

The Minister is not required to issue an interest as a result of a call for bid.

The *Canadian Business* magazine, on October 10, questioned this decision, stating:

How could a little-known British firm with two employees and no producing assets end up owning the largest oil lease ever issued in the Canadian Arctic?

Long-time oil patch analyst, Paul Ziff, said:

We're talking about one of the most environmentally sensitive areas in Canada.... This type of award flies in the face of public concern.

Nigel Bankes, professor and chair of Natural Resources Law, University of Calgary, said:

...I don't think that we have seen a give-away on this scale since the giveaways that occurred before the first major discovery of oil and gas resources in the Arctic in Prudhoe Bay (Alaska) in 1969. Following that discovery federal policy makers resolved to be more demanding of international oil companies. This most recent decision looks like a step back in time.

Professor Bankes has put forward three recommendations that the minister should have followed, if he were doing his job.

First, carry out a strategic environmental assessment before making the significant decision to open up a new area to exploratory drilling.

Second, develop and implement a scheme for the pre-qualification of bidders in an effort to ensure that those who are bidding on these blocks have the assets, the experience and the safety record to engage in this type of activity.

Third, tighten up the bidding system, either to change the standard practice to a cash bidding system, or to require that a minimum work bid must at least cover the cost of the estimated exploratory well that must be drilled during the first period of the licence.

Having a strategic environmental assessment actually follows the current cabinet directive on these types of development and is the process used in developing the off shore oil and gas off Newfoundland and Nova-Scotia.

Unfortunately, the minister did not do his job and failed to protect the national interests of Canada by not doing due diligence on these leases. This is a disgrace.

**Mr. Greg Rickford (Parliamentary Secretary to the Minister of Aboriginal Affairs and Northern Development, for the Canadian Northern Economic Development Agency and for the Federal Economic Development Initiative for Northern Ontario, CPC):**

Mr. Speaker, I appreciate the work the hon. member and I do together on the standing committee.

To respond to the question of the hon. member for the **Western Arctic** on this matter, he should know that the Government of Canada continues to deliver on initiatives under the northern strategy, including the issuance of exploration licences in the north, which encourage investment in northern communities.

The process to acquire the rights to explore for oil and gas on Crown lands in the north is called the rights issuance process. It is the result of an open and transparent process set out in the Canadian Petroleum Resources Act.

The process has four phases, which include: community engagement; call for nominations; call for bids; and the issuance of exploration licences. It is a public process through and through.

Rights issuances in Canada's offshore areas are market driven and awarded based on competitive calls for bids. Industry identifies parcels of interest which may be included in a subsequent call for bids. We have one bidding criterion, which is the highest bidder wins. The minimum bid is set at \$1 million and before a licence is awarded, a financial deposit is required, which represents 25% of the bid. Companies are required to come up with this financial deposit within 15 days of being announced as the highest bidder before any licence is issued.

Let me be clear. Lands are not sold in the process. Rights issuance does not provide permission to conduct exploratory activities. In fact, a licence is awarded for a specific period of time that affords the holder the exclusive right to apply for authorizations to undertake work. When companies get to the stage of seeking permission to conduct exploratory activities, they require authorization from the National Energy Board. Only after a rigorous review process and environmental assessments does the National Energy Board authorize exploration. By law, the company needs to demonstrate that it has the financial capacity to afford potential liabilities in the event of a major incident.

What is more, this exploration of Canada's offshore regions generates economic opportunities for communities and direct and indirect benefits to northern and Canadian economies.

We are getting things done in the north. Whether it is setting high standards for regulatory frameworks, increasing opportunities or making food more readily available, our government takes its responsibility to the north and to all northerners seriously. We are committed to working with our partners to ensure any future development takes place in a manner that protects the northern environment and is respectful of community interests.

**Mr. Dennis Bevington:**

Mr. Speaker, my colleague neglects to say that there is a cabinet directive to provide a strategic environmental assessment before any leases are handed out. As well, the process that he describes sounds great if it is being handled in a correct fashion by a company that can handle it. However, what we see now is a company that cannot financially handle this kind of investment in the Arctic and will undoubtedly pick other partners for it. If the company or the other partners are successful in finding a significant discovery in that area, the companies then have the right to that resource. That resource remains with them.

What we have is a situation where we do not have a clear future outlined in the handing out of this lease for such a low sum of money. I might add that a letter of credit is all that is required for the deposit that goes on these leases.

**Mr. Greg Rickford:**

Mr. Speaker, our government is committed to ensuring a strong and prosperous north to help shape the future of our nation. This includes meeting our responsibilities for ensuring sustainable and balanced development in the north. This includes oil and gas exploration in the Northwest Territories, Nunavut and the northern offshore areas through the rights issuance process. This process is open and transparent and abides by the Canada Petroleum Resources Act. Winning bidders must provide financial security for their bid. What is more, drilling can only take place after a rigorous review and environmental assessment.

Protecting the north and the interests of northerners is a priority for our government. The rights issuance process is carefully managed to ensure that the northern environment is safeguarded.