

3/26/12

PRESENTATION:

CANADA'S

FEDERAL

NORTHERN

PIPELINE AGENCY

<TARGET><BILL></BILL><SUBJECT>3-26-12 PRESENTATION
CANADA'S FEDERAL NORTHERN PIPELINE
AGENCY</SUBJECT><COMM>HRES27</COMM></TARGET>

INTRODUCTION OF GUESTS

March 26

Joint Resources Lunch & Learn @ noon in Butrovich Room
Also appearing before both Resources Committees this afternoon

Chrystia Chudczak (Kris-tee-uh Should-Zak) is from Ottawa,

Ontario. She is the Assistant Commissioner of the Northern Pipeline Agency, and has held senior positions in a number of federal departments, including Natural Resources, Fisheries & Oceans, Finance, & the Privy Council Office.

Frank Richards, Deputy Federal Coordinator with the Office of the Federal

Coordinator for Natural Gas Transportation Projects - Frank is a professional engineer who joined the OFC in January 2011. Frank previously served as Deputy Commissioner - Alaska Department of Transportation and Public Facilities.

Consul Peter Taylor from the Consulate of Canada, Anchorage with

Canada's Department of Foreign Affairs and International Trade. Peter has been serving as Consul in Alaska since August 2010 and originally hails from Fredericton, New Brunswick.

Chrystia Chudczak (Kriss-tee-uh Should-Zak)

was appointed Assistant Commissioner, CFO & COO at Canada's Northern Pipeline Agency in September 2011.

Ms. Chudczak is a graduate of Carleton University in Ottawa, Canada. She began her Government of Canada career in the late 1980s as an economist at the Treasury Board (equivalent of OMB in the US federal government).

Later, she worked in progressively more senior positions in Revenue Canada, Finance Canada (NAFTA

negotiations) and Indian & Northern Affairs

Canada. Ms. Chudczak was subsequently Director of

Special Projects & of Oceans Policy at Fisheries &

Oceans Canada. From 2003 to 2005, she was the Officer

responsible for Economic & Regional Development

Policy in the Privy Council Office (the department that directly serves the Prime Minister of Canada).

Subsequently, she was Director General, Policy

Development Integrating Science at Science Canada.

Ms. Chudczak is an enthusiastic documentary

photographer. She speaks English, French and Ukrainian.



The Northern Pipeline Agency

- The Northern Pipeline Agency was created by the *Northern Pipeline Act* (the Act) in 1978. The Act gave effect to the 1977 Canada-United States Agreement on Principles Applicable to a Northern Natural Gas Pipeline (the Treaty) and set the terms of reference for the agency with respect to the Foothills Pipe Lines Ltd.'s (Foothills) Alaska Highway Gas Pipeline (the Pipeline).
- The agency's responsibilities under the Act include
 - carrying out Government of Canada responsibilities in relation to the Pipeline and facilitating the efficient and expeditious planning and construction of the Pipeline, taking into account local and regional interests, in particular those of Aboriginal people
 - maximizing the social and economic benefits from the construction and operation of the Pipeline while minimizing any adverse effects on the social and environmental conditions of the areas most directly affected by the Pipeline
- The minister responsible for the Act is the Minister of Natural Resources Canada (NRCan). The Deputy Minister of NRCan is the Commissioner of the agency and is supported by an Assistant Commissioner and other staff in Ottawa, Ontario and Calgary, Alberta.
- The agency was designed to provide a "single window" mechanism for coordination among Canada, the United States, provincial and territorial governments and others.
- In the late 1970s and early 1980s, the agency had more than 100 staff in offices in Ottawa, Ontario, Calgary, Alberta, Whitehorse, Yukon, and Vancouver, British Columbia, and developed detailed terms and conditions for different segments of the pipeline route. It regulated the construction of the "Pre-build" (Stage One) of the Pipeline in southern Alberta, Saskatchewan and southern British Columbia, pursuant to provisions in the Act.
- During the construction of the Pre-build, and pursuant to the terms of the Act, the agency undertook the regulatory responsibilities of some other federal departments in relation to the Pipeline. All of the agency's costs, are recoverable from Foothills under the Act.
- Some National Energy Board (NEB) responsibilities are delegated to the agency through a Designated Officer, who, under the Act, is also a board member. The Designated Officer's role during the Pre-build was to certify plans, profiles and books of reference (PPBoR) and perform certain powers, duties and functions as set out in the Act.



- The Governor in Council can also appoint an Administrator who, during the Pre-build, functioned mainly as a Chief Operating Officer in Calgary, where the main operational office was located. Pursuant to the Act, the Administrator performs such duties as the minister specifies. During the Pre-build stage, the agency had one Administrator and two Deputy Administrators, one of whom was also the Designated Officer.
- When the economics of the project became unfavourable in the 1980s, the agency was reduced to a small staff that maintained regulatory responsibility for expansions to the Pre-build, all of which occurred between 1988 and 1998. The latest expansion brought the Pre-build to full operating capacity, and it currently transports 3.3 billion cubic feet per day (Bcf/d) from Western Canada to American markets.
- Because of the revival of interest in commercializing northern gas, the agency is currently preparing to facilitate and regulate Stage Two of construction, which would run from Prudhoe Bay, Alaska, through Alaska, southern Yukon, and northern British Columbia to a point near Boundary Lake at the British Columbia-Alberta border.

For more information

Northern Pipeline Agency
412-615 Booth Street
Ottawa ON K1A 0E4
Tel.: 613-995-1150
E-mail: npa.apn@nrca-nrcan.gc.ca

Cat. No. M134-25/2011E (Print)
ISBN 978-1-100-18950-5

Cat. No. M134-25/2011E-PDF (On-line)
ISBN 978-1-100-18951-2

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The Alaska Highway Gas Pipeline: The Canada-Foothills Easement Agreement

- In August 1976, Foothills Pipe Lines Ltd. (Foothills) applied for a land easement through Yukon for the construction of the Alaska Highway Gas Pipeline (the Pipeline), one of three routes under review at the time by the National Energy Board (NEB).
- In July 1977, after 214 days of hearings, the NEB found that the Foothills project, although requiring further engineering design, environmental and socioeconomic information, offered the generally preferred route for transporting Alaska natural gas.
- The subsequent 1977 Canada-United States Agreement on Principles Applicable to a Northern Natural Gas Pipeline (the Treaty) outlines in general terms the route of the Pipeline and requires the Canadian government to issue permits, rights-of-way and other necessary authorizations.
- *Canada's Northern Pipeline Act* (the Act) of 1978 gives effect to the bilateral agreement and created the Northern Pipeline Agency. The Act deemed issued Certificates of Public Convenience and Necessity (CPCNs) pursuant to the *National Energy Board Act*. These certificates are subject to terms and conditions as set out in Schedule III of the Act.
- The Act also empowers the Governor in Council to authorize the grant of an easement to Foothills for the construction of the Pipeline. Foothills' application for an easement through Yukon led to an environmental assessment under an Environmental Assessment and Review Panel (EARP), which held hearings intermittently between 1977 and 1982.
- Canada and Foothills entered into an easement agreement on November 24, 1983, and a grant of easement (the Grant) was issued by Order in Council on November 28, 1983. A Certificate of Title for the easement was registered in the Yukon Land Titles Office in Whitehorse, Yukon, in July 1984, and the easement is a recognized property interest in certain First Nation Settlement Lands under Final Agreements. Comprehensive maps may be viewed at the Land Titles Office. The precise location is set out in Plans, Profiles and Books of Reference (PPBoR) submitted to the government by Foothills before the easement was granted. A copy of the PPBoR is filed in the Yukon Land Titles Office in Whitehorse as instrument #67550.
- The easement follows the Alaska Highway from the Yukon-Alaska border near Beaver Creek, Yukon, to the Yukon-British Columbia border near Watson Lake, Yukon. It is approximately 760 kilometres long and is generally 240 metres wide. The width will allow for minor adjustments of the Pipeline location within the easement, and after the Pipeline is built, a much narrower easement would be granted for its operation.



- The easement agreement allows Foothills to conduct investigative work on easement lands. However, the company requires the approval of the minister responsible for the Northern Pipeline Agency before it can begin construction.
- The Canada-Foothills Easement Agreement was amended by Order in Council (P.C. 1987-2000) to allow additional time to begin construction. It was again extended in 1992 (P.C. 1992-2400). Unless the term is once again amended, the agreement will expire on September 20, 2012. Foothills has requested that the expiry date be amended to September 20, 2022.

For more information

Northern Pipeline Agency
412-615 Booth Street
Ottawa ON K1A 0E4
Tel.: 613-995-1150
E-mail: npa.apn@nrca-nrcan.gc.ca

Cat. No. M134-26/2011E (Print)
ISBN 978-1-100-18952-9

Cat. No. M134-26/2011E-PDF (On-line)
ISBN 978-1-100-18953-6

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The Alaska Highway Gas Pipeline: Past Environmental and Socio-economic Reviews

- In the early 1970s, Canada and the United States began contemplating major pipelines designed to transport Alaskan and northern Canadian gas to southern markets.
- A Commission of Inquiry led by Justice Thomas Berger (the Berger Inquiry) was appointed to study the impacts of running a pipeline up the Mackenzie Valley. In 1977, Justice Berger concluded that no route through northern Yukon would be environmentally acceptable and recommended delaying a Mackenzie Valley route for 10 years. He also determined that a southern Yukon route would be acceptable.
- In 1976, the National Energy Board (NEB) received applications for various northern pipeline projects, including the Alaska Highway Gas Pipeline (the Pipeline) proposed by Foothills Pipe Lines Ltd. (Foothills) through Yukon, British Columbia, Alberta and Saskatchewan into southern markets. In July 1977, after 214 days of hearings, the NEB found that the Foothills project, although requiring further engineering design, environmental and socio-economic information, offered the generally preferred route for transporting Alaska natural gas.
- Also in 1977, the Lysyk Inquiry studied the socio-economic impacts of the Pipeline proposal, holding hearings in 17 Yukon communities over 51 days. Mr. Lysyk's report made several specific recommendations to minimize any potentially negative impacts.
- The Mair Inquiry was appointed in 1979 to study potential socio-economic impacts in British Columbia. Mr. Mair held hearings in 15 communities and issued a report recommending several specific mitigative measures.
- Foothills' 1976 application for a right-of-way through southern Yukon had in the meantime triggered a federal Environmental Assessment and Review Panel (EARP). The panel met intermittently between 1977 and 1982:
 - In 1977, the panel issued an interim report affirming preference for a southern Yukon route and requesting an Environmental Impact Statement (EIS) from Foothills. The panel also recommended a single mechanism for coordinating design and environmental approvals.
 - In 1979, after Foothills submitted an EIS for the southern Yukon portion of the project, the panel held public hearings in nine Yukon communities. The panel concluded that insufficient information had been filed.



- Between 1979 and 1981, the Northern Pipeline Agency participated in assessment activities, consulting with governments, public interest groups and communities to develop socio-economic and environmental terms and conditions. Also, in 1981, the panel reconvened to address additional information submitted by Foothills, specifically regarding the routing in the Whitehorse and Ibex Pass areas of Yukon.
- In 1982, Foothills submitted additional addenda to the EIS. The panel held public hearings in Whitehorse and submitted its final report, concluding that the Pipeline could be constructed and operated in an environmentally acceptable manner.

For more information

Northern Pipeline Agency
412-615 Booth Street
Ottawa ON K1A 0E4
Tel.: 613-995-1150
E-mail: npa.apn@nrcan-rncan.gc.ca

Cat. No. M134-28/2011E (Print)
ISBN 978-1-100-18956-7

Cat. No. M134-28/2011E-PDF (On-line)
ISBN 978-1-100-18957-4

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Stage Two of the Foothills Alaska Highway Gas Pipeline

- Stage One of Foothills Pipe Lines Ltd. (Foothills) project took place between 1978 and 1982 and consists of the “Pre-build,” which extends from Caroline, Alberta, to American markets. Stage Two of the project would link reserves at Prudhoe Bay in Alaska to existing Alberta infrastructure.
- In Canada, Stage Two would cross from Alaska into southern Yukon near Beaver Creek, Yukon, continue to a point near Watson Lake, Yukon, and proceed from there into northeast British Columbia. This phase of the pipeline would end in British Columbia at a point near Boundary Lake, at the British Columbia-Alberta border.
- In 2007, the Alaska legislature passed the *Alaska Gasline Inducement Act* (AGIA). This act was intended to encourage the commercialization of Alaskan Prudhoe Bay natural gas resources, to promote further oil and natural gas exploration in the region, and to maximize benefits for Alaskans.
- The Government of Alaska, through the AGIA, requested submissions for a pipeline project that would produce low tolls (transportation costs) and that would encourage further exploration and development. It also required provisions for regular expansions of the pipeline, local hire, in-state delivery service and a firm schedule.
- The AGIA also offered up to \$500 million in funds from the state to the successful project developer, and to designate a project coordinator to help facilitate permitting requirements.
- In 2008, TransCanada Alaska Co. received a license under the AGIA to pursue Stage Two of the Alaska



Highway Gas Pipeline (the Pipeline) in Alaska. The license includes an option of shipping the gas to Valdez, Alaska, where it would be liquefied and shipped by tanker to other markets. TransCanada Alaska Co. is a subsidiary of TransCanada Pipelines Limited (TCPL), which acquired complete ownership of Foothills in 2004.

- In the summer of 2009, ExxonMobil Corporation, the largest holder of natural gas in the Prudhoe Bay region, reached terms with TCPL on a gas pipeline development agreement. The companies chose the name Alaska Pipeline Project (APP) for this entity, which also includes the Alaska portion of the pipeline.

- The APP held its first “open season” or solicitation for commercial bids from gas producers in the Prudhoe Bay area, between April and July of 2010.

For more information

Northern Pipeline Agency
412-615 Booth Street
Ottawa ON K1A 0E4
Tel.: 613-995-1150
E-mail: npa.apn@nrcan-rncan.gc.ca

Cat. No. M134-29/2011E (Print)
ISBN 978-1-100-18958-1

Cat. No. M134-29/2011E-PDF (On-line)
ISBN 978-1-100-18959-8

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