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Federal-State  
Land Use Planning Commission  
For Alaska

May 9, 1977

Honorable John L. Rader  
President of the Senate  
Alaska Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Rader:

At its budget hearings before the House Appropriations Committee and during its report to the Alaska State Legislature Joint Resources Committee, the Federal-State Land Use Planning Commission was requested to develop a briefing document on the Canadian land claims situation and the effect the claims settlement would have upon possible pipelines for the transportation of natural gas from Alaska to the contiguous United States. In the process of developing this briefing paper, there have been several discussions with Canadian officials in Ottawa and Anchorage. The following perceptions are a result of those discussions.

There are two major thrusts in Canadian land claims that affect the construction of a natural gas pipeline. One of these is the negotiations being conducted with the Council of Yukon Indians in the Yukon Territory, and the other is the discussions being conducted with various groups in the Northwest Territories. The background to these discussions is covered at length in our briefing memo which will be forthcoming within two weeks.

In Yukon Territory, a formal negotiating structure has been instituted and discussions are well underway. With some luck, the Council of Yukon Indians and the government negotiators could reach agreement in the fall of 1977. This agreement would then have to be considered by the Canadian Cabinet and then passed as legislation by Parliament. Thus, the critical factor is whether the initial agreement between the Council and the government would be sufficient to allow pipeline construction to go forward or whether Parliamentary action would be required. The latter case would probably lengthen the time of decision from one to two years.

There are still three groups with which to negotiate in the Mackenzie Valley. The Committee for Original People's Entitlement (COPE) representing the Inuit peoples in the Mackenzie Delta is expected to submit

a proposed negotiating arrangement at any time, the METIS organization is planning to come in with such an arrangement around July 1, 1977, and Indian Brotherhood of Northwest Peoples brought an arrangement to the government in October of 1976. Thus, three arrangements at this time must be negotiated in the Mackenzie Valley.

A strong feeling was gained from several discussions that Canadian polar gas either from the Arctic Islands or the Beaufort Sea would not be available for export. The published oil and natural gas resources of Canada for 1976 reveal the following possibilities. The reserves run from a high 90 percent probability of 229 trillion cubic feet to a low 10 percent probability of 378 TCF. The 50 percent probability figure of 277 TCF would take Canada to the year 2055 if one expands present natural gas utilization at a rate of two percent per annum. This growth rate is probably somewhat conservative and is based upon some major shifts in energy sources during the next half century.

Some energy planners in Canada are advancing proposals to transport the gas from the Sverdrup Basin and the Arctic Fold Belt region via LNG tankers in the early years of production. A pipeline could then be constructed at a later date when sufficient financial reserves had been accumulated. Thus, the discovered natural gas reserves could be utilized to serve Eastern Canada fairly soon. With the Western Canadian reserves taking care of the rest of the country's needs, it would not be necessary to begin construction on a Mackenzie pipeline until the first quarter of the next century.

The three major options for relating Canadian Beaufort Sea and Mackenzie Delta natural gas development to Prudhoe Bay development are, as identified thus far:

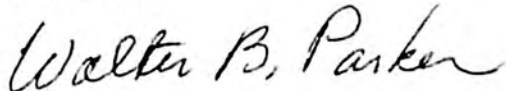
- o The Arctic Gas proposal
- o A pipeline from the Mackenzie Delta westward to Prudhoe Bay
- o A pipeline from the Mackenzie Delta southward to join the Alcan route in the vicinity of Whitehorse

All three of the above options are impacted heavily by both Yukon and Mackenzie Valley Native claims. The Council of Yukon Indians has said consistently that no pipeline across northern Yukon is acceptable to them at this time. Both COPE and the two Indian groups in the Mackenzie Valley are making similar statements regarding pipeline construction in their areas. Thus, at this time, it would appear that intensive negotiations would be necessary in order to make any of the three options acceptable to the Native groups involved. The first option involves all the Native groups. The second and third would involve COPE and the Council of Yukon Indians.

In summary, it appears that strategies are possible for developing Arctic natural gas provinces in Canada over the long term without export of natural gas being necessary to amortize those projects. Polar gas development is not dependent upon Native claims settlement if the LNG option is utilized but it is virtually impossible for any Beaufort/Mackenzie Delta development to avoid some resolution of the claims settlement. The impetus to a quick claims settlement in Canada is dependent upon support for a policy based upon future export of natural gas. There are also the strong desires of many Canadians to resolve the issue quickly on its own merits.

The above observations are my best personal perceptions at this time. They have no particular foundation in any official statements.

Sincerely,



Walter B. Parker  
State Co-Chairman

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