



Northwest
Territories Industry, Tourism and Investment



NOV 30 2010

Mr. Gaétan Caron
Chair
National Energy Board
444 SEVENTH AVENUE SW
CALGARY AB T2P 0X8

Dear Chairman Caron:

**National Energy Board Public Review
of Arctic Safety and Environmental Offshore Drilling Requirements**

Thank you for travelling to Yellowknife to meet with Premier Roland and I with respect to your very important work in connection with the National Energy Board's Public Review of Arctic Safety and Environmental Offshore Drilling Requirements. I thought the meeting was very helpful in gaining an understanding of your objectives in conducting the review and confirm that the Government of the Northwest Territories (GNWT) will actively participate in the review to assist the National Energy Board (NEB) in this work.

The GNWT appreciates that the NEB will be preparing minutes of our November 24, 2010 meeting and making those publicly available. To assist in ensuring the views that we set out during the meeting can be captured easily, I thought it might be useful for me to provide a brief summary of the information we sought to provide during the meeting. Please attach this letter to the minutes of the meeting.

Our objective during the meeting was to provide the GNWT's high level policy perspective with respect to offshore drilling for oil and gas and what a public review of that activity might reasonably hope to accomplish. In gaining that perspective, I distinguished between drilling in the deep water that is well off shore and drilling close to shore in areas where the ice remains firmly attached to land. We think that distinction may be important as the NEB develops recommendations and approaches with respect to the regulation of the different aspects of the industry.

.../2

We were pleased to see that the NEB will be travelling to northern communities and that there will be northern representation on the Board itself. We believe that it is crucial that any plans developed under the NEB's jurisdiction correspond with the realities of the situation on the ground and the capacity of northerners to respond to the activities that are taking place in or near their communities. The GNWT does not want to see the Arctic used as a testing ground for unproven technologies nor for activities for which it will have no effective means of responding should things go wrong.

Another factor for the Board to keep in mind is the discussions that the GNWT has undertaken with the Government of Canada in connection with devolution. These discussions will result in responsibilities for aspects of the management of oil and gas resources in the Mackenzie Delta devolving to the GNWT. The NEB needs to be cognizant of the potential for this change in considering whatever regulatory requirements it establishes in areas of its jurisdiction. We also think the NEB could usefully express its views on the importance of clarity with respect to jurisdictional responsibilities between the different governments and government agencies that may have a role in regulating the oil and gas activity in the Arctic offshore.

From the GNWT's perspective, before any drilling should take place, there must be satisfactory measures in place to mitigate potential environmental and socio-economic risks associated with drilling offshore. The benefits to northerners from drilling must be sufficient to outweigh any residual risks that would result from the activity. This means that the GNWT would only consider supporting offshore drilling if it is satisfied that:

1. Appropriate infrastructure and capacity, (both physical and human), exists in connection with the activities.
2. The appropriate base line information and demonstrated effective impact mitigation and responsive measures have been identified.
- 3 An appropriate regulatory regime to support sustainable, responsible development of the petroleum resources is firmly in place and fully funded.

To elaborate on these requirements, human capabilities and systems are very significant issues in the context of activities as complex as offshore drilling. Accordingly, the GNWT's assessment of the desirability of offshore drilling will be heavily influenced by the reliability of the human systems that are designed to ensure compliance for safety and spill avoidance objectives. The GNWT acknowledges that risks may remain whatever systems are in place but believes that they must first be minimized by establishing as robust a management system as possible.

Once such a system is in place, the GNWT will need to be confident that potential economic benefits from offshore drilling for northerners are sufficient to warrant whatever residual risks remain.

In respect of benefits, the GNWT needs to be convinced that northerners can and will be trained to maximize opportunities from offshore drilling activities.

From the risk management perspective, the GNWT needs to be convinced that any plans developed by industry participants realistically take into account the challenges of infrastructure support in the Arctic environment. The GNWT and northern communities can simply not provide the frontline emergency assistance in the event of an incident which might be available in other jurisdictions and this needs to be acknowledged and taken into account in considering whether any activity should be permitted to take place.

The GNWT also believes it is fundamental that the Board have a clear understanding of existing environmental baselines in the Arctic offshore before permitting any activity to take place. Thus, current movements of marine mammals during the drilling periods, relationships between ice conditions, seal distribution and polar bear distribution and the responses of marine mammals to noises and ships are all examples of information which must be known before deep water drilling can proceed. Similarly, with respect to mitigation and response activities, basic knowledge of the toxicity of any dispersants on marine mammals or birds in the Arctic needs to be understood. The ability to track oil in ice and the effectiveness of oil recovery in ice needs to be demonstrated. The mitigation of shoreline impacts from spilled oil needs to be researched and tested and technology to reduce or eliminate contaminate releases to air needs to be identified.

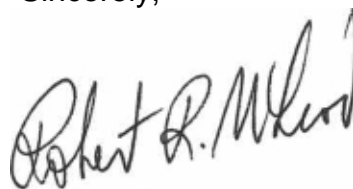
The regulatory regime which is set up to oversee such an activity must be involved in all aspects of the activity beginning with project application through to licensing, follow-up monitoring and compliance. As well, the GNWT must be confident that any regulatory regime that does exist, has the funding and institutional capacity to effectively play the role that has been assigned in connection with the activity.

The GNWT also emphasises that the protection of human health and safety during the process of offshore drilling is a paramount concern. Recent events in the Gulf of Mexico make clear the scale of tragedy that is possible if offshore activities go wrong and every effort must be made to prevent such an occurrence in the Arctic.

Finally, the GNWT wishes to ensure that response systems are developed that are realistic and take into account the challenging physical environment and limited responsive capacity that exists in the north. There is no coast guard and no fishing fleet standing by ready to pitch in to help should a spill occur in the north. In that respect, even if the GNWT is satisfied that the risk of a major event has been effectively eliminated, it must also be satisfied that the cumulative impact of minor incidents is not detrimental to fragile Arctic ecosystems.

I believe that this letter has summarized our contribution to our November 24, 2010 discussion and I want to again thank you for making that discussion possible. The GNWT applauds your initiative in establishing this review and is confident that it will make a significant contribution to the welfare of Northerners.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert R. McLeod". The signature is written in a cursive, flowing style.

Robert R. McLeod
Minister

c. Honourable Floyd K. Roland
Premier

Honourable Michael J. Miltenberger
Environment and Natural Resources

Mr. Peter Vician, Deputy Minister
Industry, Tourism and Investment