



40 Years of Business Advocacy: 1973-2013

October 31, 2013

National Energy Board  
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### **Draft Financial Viability and Financial Responsibility Guidelines**

The following comments represent the views of the NWT Chamber of Commerce with regard to the Draft Financial Viability and Financial Responsibility Guidelines.

We wish to open with the Board's Vision Statement: *The NEB is active and effective in Canada's pursuit of a sustainable energy future.*

The NEB believes that carefully designed and well-implemented management systems are the best way for industry to keep people safe and protect the environment. We agree. However, you cite recent reports on the causes of major incidents such as the Michigan oil pipeline rupture and the Gulf of Mexico blowout as examples of ineffective management systems, exponentially increasing the negative effects of these incidents. These incidents did not happen in Canada where the NEB provides effective industry oversight, among the best in world.

The Board often refers to its expectation that companies must develop "safety first" cultures, where safety is always top of mind. Again, we agree. Then you cite findings of your own Arctic Offshore Drilling Review in 2011 as "a disturbing pattern of organizational cultures that did not put safety first." Instead of redoubling efforts to monitor and penalizing non-compliant companies, the NEB has issued guidelines that promise to punish a large proportion of companies regardless of overall performance.

In our view, the proposed Financial Viability and Financial Responsibility Guidelines are likely to incapacitate a large portion of the industry and render Canada's energy future unsustainable. Investment goes where it can grow. Canada's oil and gas industry has a choice regarding investments and may simply shift its resources to jurisdictions that enable them to operate under reasonable oversight with less onerous requirements.

More specific to the NWT, the Chamber believes the proposed guidelines will further discourage on-shore exploration activities and put hundreds of jobs at risk. We are already among the most expensive jurisdictions in Canada in which to operate and the costs of the proposed guidelines will likely price our region out of the development market. Additionally, the guidelines do not appear to be scalable to the scope and nature of the activity (off-shore versus on-shore or the magnitude of operation/potential impact for on-shore activities). This, combined with the requirement for unfettered access to funds "*equal to or greater than the estimated cost of stopping and containing a worst case scenario*", will likely eliminate the ability of smaller operators/explorers to work in Canada's North.

“Worst case” should not be left to discretionary interpretation. Rather, **the Board should establish a reasonable, maximum limit** on Financial Responsibility; one that enables the industry to invest with certainty around its obligations. “Worst case” is a hypothetical scenario that does not reflect the industry’s record in the North, or in Canada.

The Board states on its website that it: *“believes the Financial Responsibility and Financial Viability requirements contained in these Guidelines rank among the best in the world.”* We ask on what basis? From our perspective onerous guidelines don’t qualify as the best guidelines.

Lastly, the Chamber believes the adoption of any new guidelines for on-shore activities covered by COGOA are inappropriate given the pending transfer of regulatory authorities to the Government of the NWT. Perhaps it is the NEB’s intention to continue with regulatory responsibilities for oil and gas exploration and activities on frontier lands not otherwise regulated under joint federal/provincial accords. However, we respectfully submit that the GNWT should be allowed the opportunity to develop legislation as it deems necessary and that all parties collaborate to ensure policies are consistent with the transfer of authorities as a result of devolution.

As the largest voice of business North of 60 we have appreciated our long-standing relationship with the National Energy Board. The introduction of these guidelines is inconsistent with the reasonable and responsible role the NEB has played in the North and across Canada.

The NWT Chamber urges the NEB to proceed with solutions that reasonably reflect its balanced and strategic commitment to *“economic, social and environmental considerations,”* which has been your hallmark for decades.

For additional information please contact Kathy Gray, President, or Mike Bradshaw, Executive Director, NWTCC at the coordinates below.

Sincerely,

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