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NEB/ONE

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

OCT 24 2013

Dear Mr. Caron:

Draft Financial Viability and Financial Responsibility Guidelines

I am writing to provide you the position of the Government of Northwest Territories (GNWT) with regard to the National Energy Board's (NEB) Draft Financial Viability and Financial Responsibility Guidelines (the Draft Guidelines). I understand that the NEB has released the Draft Guidelines pursuant to the input obtained during the Arctic Offshore Review on financial responsibility requirements for the activities authorized by the NEB under *the Canada Oil and Gas Operation Act*.

The GNWT strongly supports and promotes the responsible development of non-renewable resources in the Northwest Territories (NWT) and agrees that financial viability and financial responsibility are key elements of any oil exploration operation. However, because of the pending transfer of responsibility for the majority of onshore oil and gas management, we would have expected a significantly higher level of consultation and interaction from the NEB in development of specific elements of the guidelines than has been the case and as we consider whether to adopt these guidelines post-devolution.

The GNWT has significant concerns with the guidelines as proposed. Specifically, we note the following:

Requiring applicants to define a worst case scenario is an extreme case of risk management and clear direction on what scenarios to be considered in this analysis should be provided.

- 1) There are fundamental differences between offshore and onshore activities. This needs to be recognized and applied to any financial viability provisions. Also, such guidelines need to recognize differences in actual drilling and production operations and ancillary support activities such as seismic operations.

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- 2) The requirement for an irrevocable line of credit could also have a significant impact on ability of companies to dedicate available resources to their exploration programs, particularly in relation to smaller operators. This could preclude small northern companies, including Aboriginal joint ventures, becoming more actively involved in exploration and development, which is something the GNWT strongly encourages. In addition many companies in Canada will be unable to qualify against the Guideline proposed "investment-grade" credit rating.
- 3) The draft Guidelines appear to require actions by industry that may be duplicative of those same activities but required under other regulatory processes. This is contrary to our interests and certainly contrary to the federal objective of streamlining and avoiding regulatory duplication.
- 4) An additional requirement of consultation with potentially affected third parties in regards to definition of the "Worst case scenario" may create undue anxiety and cause a backlash against any development activities.

We feel that as we are on the eve of devolution in addition to the above concerns, the Draft Guidelines should not be finalized. Legislative authority for oil and gas operations in most of the onshore NWT will rest with the NWT Legislature as of April 1, 2014. We believe that implementing the proposed Guidelines as an interim step is inappropriate and will be detrimental to the emerging Oil and Gas play in the Sahtu.

The GNWT requests that the NEB suspend consideration of the draft Guidelines immediately.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Ramsay', with a stylized flourish at the end.

David Ramsay
Minister

c. The Honourable Robert R. McLeod
Premier

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