

**ORAL QUESTION—KEVIN O'REILLY, MLA FRAME LAKE**

**QUESTION 637-18(3): SIGNIFICANT DISCOVERY LICENCES**

**February 28, 2019**

**MR. O'REILLY:** Merci, Monsieur le President. In my Member's statement I outlined the great post-devolution resource giveaway through the issuance of 10 significant discovery licences by our government. Our government will get no revenues, generate no taxes, and ensure no employment and no benefits from these areas that are now tied up virtually forever. Can the Minister of Industry, Tourism and Investment explain what options he had available when applications for post-devolution significant discovery licences were received in his office? Mahsi, Mr. Speaker.

**MR. SPEAKER:** Masi. Minister of Industry, Tourism and Investment.

**HON. ROBERT MCLEOD:** Thank you, Mr. Speaker. When a significant discovery declaration is applied for by the proponent, we as a government, through the Office of the Regulator of Oil and Gas Operations, is required to review and identify the proponent's discovery and a declaration qualified as a significant petroleum find. Once they do that and it is deemed that, it has to come to my office, and as the Minister of ITI under the Petroleum Resources Act, I am obliged to issue an SDL, which is a significant discovery licence. Thank you, Mr. Speaker.

**MR. O'REILLY:** Thanks to the Minister for that response. I take it, then, that he had really no options. Prior to devolution, the federal government issued exploration rights in the Northwest Territories, including exploration licences. In converting these exploration licences to significant discovery licences after devolution, were there any provisions available to the Minister to charge annual fees?

**HON. WALLY SCHUMANN:** Given that the original exploration rights were issued by the federal government at that time, we had not yet begun our policy work on these types of things, on the Petroleum Resources Strategy, the PRA, and the Oil and Gas Operations Act, so the answer is no.

It has been the policy of our government to hold companies doing business here to the terms that they negotiated with the federal government, and future SDL rates were not stated in the terms and conditions of the original call-for-bid documents issued by Canada prior to devolution. The Government of the Northwest Territories would have been put at high risk for litigation and also communicated a message of uncertainty to industry if we had changed the rules without a transparent and open process.

**MR. O'REILLY:** Thanks to the Minister for that. I will pursue it with him a little later offline. It is my understanding that one of the ways to generate some benefits and revenues from significant discovery licences is to include terms and conditions in the original call for nominations and/or call for bids. Has the Minister considered this option, and are there any administrative policies or directives in place to allow for the imposition of annual fees for significant discovery licences that may be issued in the future?

**HON. WALLY SCHUMANN:** Now that we have put some advance work into our policy

and our direction of how we want to do this, we now have a fuller, more robust strategic framework on doing this. We will consider charging rental rates on future SDLs in the Northwest Territories. These things will be specified under the terms and conditions for future bids in the Northwest Territories when we do put out these documents for bids. Our administration policies allow us to do this going forward.

**MR. SPEAKER:** Masi. Oral questions. Member for Frame Lake.

**MR. O'REILLY:** Merci, Monsieur le President. I want to thank the Minister for that new information, and I would really urge that he share that with the public and potential interests who are looking for oil and gas up here. I am not aware of it ever being made public. Mr. Speaker, there are now 91 significant discovery licences that cover about 4,650 square kilometres, or 82 percent of the size of Prince Edward Island, onshore in the Northwest Territories. Another option open to the Minister is to issue a drilling order whereby rights holders would have to conduct a drilling operation under the terms and conditions set by the Minister. Can the Minister tell us when he intends to issue drilling orders for any of the significant discovery licences, to ensure that people of the Northwest Territories accrue some benefits from these resources that are now tied up forever? Mahsi, Mr. Speaker.

**HON. WALLY SCHUMANN:** I have no current plan to issue a drilling order on any SDLs in the Northwest Territories. It costs tens of millions of dollars to drill a well in the Northwest Territories, as many Members in this House know. There is no compelling reason to do it at this point. There is no way to even get this stuff to market. There are certain challenges around that, and we want to maintain a good relationship with industry moving forward. We want to be able to keep that leverage when we need it. Thank you, Mr. Speaker.