

Oral Question – Kevin O’Reilly MLA Frame Lake
STRATEGIC OIL AND GAS LTD. ENVIRONMENTAL LIABILITIES

December 12th 2019

MR. O'REILLY: Merci, Monsieur le President. In my statement earlier today, I noted that the publicly available end-of-life obligations for the Cameron Hills field as prepared by the court-appointed monitor appears to be over \$12 million. The actual figure is probably much higher, and that leaves a significant shortfall from the \$3 million held as financial security. My questions are for the Minister of Lands. Can the Minister explain how our government failed to ensure that financial security held for Cameron Hills does not at least equal the liabilities, and who will make up the difference? Mahsi, Mr. Speaker

MR. SPEAKER: Thank you, Member. Minister of Lands.

HON. SHANE THOMPSON: Thank you, Mr. Speaker. Strategic Oil and Gas was, at the time of devolution, transferred an operations site which has gone through an environmental screening and regulatory process and met the criteria for a release site. The site has an owner that is responsible for clean-up and environmental liabilities. Canada transferred the securities associated with all operating sites on April 1st, 2014. Adequacy of security is the subject of continual review and revision as part of the modern regulatory process in the NWT.

At the moment, Strategic Oil and Gas, although it is in creditor protection as it attempts to restructure its operation, is still responsible for remediation obligations related to its sites in the NWT. Under our current system, there are a number of authorities that address securities, including the independent Mackenzie Valley Land and Water Board. Security is required as part of the land tender authorization, and, in the case of oil and gas, operation securities operate to address operations and safety. I believe that the Member will agree with me that there is room for improvement to better ensure that the environmental liabilities are borne by the developer who is responsible for creating them and that adequate securities are put in place to address them when operators become insolvent and unable to continue their operations.

MR. O'REILLY: I want to thank the Minister for that detailed information. It didn't really still answer the question of how this happened under our watch. More than five years after devolution, it appears our government still doesn't have an early-warning system on operations like Strategic Oil and Gas, that place taxpayers at significant financial risk. The commitment to develop a financial security system to prevent public liabilities remains unfulfilled from the 18th Assembly. As GNWT is a big promoter of oil and gas development, can the Minister tell us what the plans are to prevent future public liabilities from these activities?

HON. SHANE THOMPSON: The Department of Lands, and Environment and Natural Resources prepared security estimates to cover environmental liabilities for new projects as well as existing operations. The process to review and amend securities is directed by the regional land and water boards, which have

the legislative responsibility to set the securities amount in water licences and land use permits. If there is change to the project or authorization, a new security review process is initiated by the regulatory boards. Making sure that the right balance between protecting the environment and allowing for investment is a challenge for all jurisdictions. I think it is fair to say that this is a particular challenge when we see industry like oil and gas struggle. While we will not always be able to anticipate when operations will run into difficulties meeting their obligations, efforts are made to review existing securities, to mitigate the risk associated with this development. This is something that I can say I believe we can work on as a government and improve.

MR. O'REILLY: I want to thank the Minister for that. This is something I have been working on for most of my adult life here in the Northwest Territories, over 30 years, so I look forward to working with this Minister to try to get this where it needs to be. Strategic Oil and Gas, in preparing its conceptual closure and reclamation plan, relied on something called "Guidelines for Closure and Reclamation of Advanced Mineral Exploration and Mine Sites in the Northwest Territories." More than five years after devolution, our government does not appear to have put in place a coherent policy and regulatory framework for closure and reclamation of oil and gas. Can the Minister tell me, Mr. Speaker, when we are going to have a robust framework for closure and reclamation of oil and gas development in the Northwest Territories?

HON. SHANE THOMPSON: The "Guidelines for Closure and Reclamation of Advanced Mineral Exploration and Mine Sites in the Northwest Territories" were developed jointly by the land and water boards of the Mackenzie Valley and the Government of Canada, now CIRNAC. These guidelines outline the requirement for closure and reclamation plans and stress that closure objectives and criteria be established for the site. Although these guidelines are designed to cover mineral explorations and mine closure, the concept of guidelines apply to all development projects in the NWT. These guidelines were used to guide development of the closure and reclamation plan for the Imperial Oil production facility in Norman Wells and have been used to guide the development of the revised closure and reclamation plan for the Cameron Hills facility. This was submitted to the Mackenzie Valley Land and Water Board in August 2019. Given the predominance of mining in the resource-extraction sector of the NWT, it is understandable that the early focus of the work between the Board and Canada was focused on mining. I believe we can continue to work on this with the board and Canada to provide more direct guidance related to oil and gas.

MR. SPEAKER: Thank you, Minister. Member for Frame Lake.

MR. O'REILLY: Merci, Monsieur le President. I want to thank the Minister for that. We have had devolution now for five years, and we don't have a proper, robust regulatory framework for closure and reclamation in place, five years, Mr. Speaker. It is my view that the government doesn't really have a great track record in managing resources in the post-devolution world. In an unprecedented move, the Minister turned back a decision on a water licence amendment, following a request from a diamond mining company. Then unilateral changes were made to measures arising from an environmental assessment of the Tlicho All-Season Road. Financial security gaps still exist for the Prairie Creek mine and

now for Cameron Hills. Can the Minister tell the House whether there has been a systematic review of all operations for which we are now responsible, to ensure that we have full financial security in place, and, if not, when is this going to happen?

HON. SHANE THOMPSON: Before I answer the question, I would like to thank the Member for Frame Lake for bringing these questions forward. I understand his passion as we try to work on these issues.

The GNWT conducts a review of reclamation securities when there is a new licence, a licence amendment, a revision of the closure and reclamation plans, or a change to the project that would result in changes to the environment securities. These reviews are meant to ensure that the liability associated with these projects are covered in the securities held by the GNWT. I think it is fair to acknowledge that the current system might be improved and that a more comprehensive review is something that should be considered in the future. Thank you, Mr. Speaker.