

**GOVERNMENT OF THE NORTHWEST TERRITORIES RESPONSE TO COMMITTEE
REPORT 6-17(3): REPORT ON HYDRAULIC FRACTURING STUDY TOUR:
TOWARD A POLICY FRAMEWORK
FOR HYDRAULIC FRACTURING IN THE NORTHWEST TERRITORIES**

Background

The Standing Committee on Economic Development and Infrastructure (SCEDI) presented their Committee Report 6-17(3) "Report on Hydraulic Fracturing Study Tour: Toward a Policy Framework for Hydraulic Fracturing in the Northwest Territories (NWT)" to the Legislative Assembly in November 2012. SCEDI identified eight recommendations with the eighth recommendation being that the Government of the Northwest Territories (GNWT) provide a comprehensive response to this report within 120 days that includes a plan to develop a policy on hydraulic fracturing.

Recommendation 1

SCEDI recommends that the GNWT develop a policy framework on hydraulic fracturing that will guide interim input into regulatory processes and form the basis of a future regulatory system post-devolution, and further that the GNWT consider the examples of other jurisdictions and adopt best practices where appropriate.

GNWT Response

In June of 2012, the Departments of Environment and Natural Resources (ENR) and Industry, Tourism and Investment (ITI) commissioned studies outlining the economic opportunities and environmental concerns related to the use of hydraulic fracturing techniques to develop non-conventional petroleum resources in the NWT. A paper on environmental concerns was developed using best practice information from other jurisdictions and other countries.

The paper specifically highlighted eight areas of concern:

- Groundwater Contamination from Below-Ground Activities.
- Wastewater Management and Disposal from Above-Ground Activities.
- Chemical Additives and Fuel Handling, Transport and Storage.
- Well Blow-Outs.
- Water Usage and Supply.
- Land Consumption and Disturbance.
- Air Quality.
- Induced Seismic Activity.

That paper is currently being used by the GNWT to provide interim guidance on hydraulic fracturing applications received. This approach and further work to be undertaken by the GNWT will further define the policy framework for the GNWT for future actions.

Recommendation 2

SCEDI recommends that the GNWT include in its policy framework on hydraulic fracturing a strategy to gather environmental and geological baseline information, with federal support.

GNWT Response

GNWT Departments (ITI, ENR), are collaborating with federal agencies (Aboriginal Affairs and Northern Development Canada (AANDC), National Energy Board – NEB, the Northern Projects Management Office - NPMO), and industry to address the need for adequate baseline and geological information collection in the Sahtu area in anticipation of expanded unconventional oil and gas development.

Current collaborative efforts include Environmental Studies Research Fund (ESRF) studies recently approved, including \$785,000 for two new regional monitoring programs in the Sahtu: \$275,000 for water baseline studies and \$575,000 for wildlife and wildlife habitat studies in 2013. A third proposal on cumulative impacts monitoring and water and wildlife funding for 2014 and 2015 is under development by the ESRF Northern Advisory Committee for submission at a later date.

Funding for these projects began to flow in January 2013 and will supplement the \$200,000 recently approved by the Financial Management Board (2013/2014 Omnibus Submission on Sahtu Pressures).

These collaborative efforts, among others, will help focus GNWT policy development, and are also anticipated to aid future NWT regulatory decisions for exploration and development of unconventional oil and gas.

Recommendation 3

SCEDI recommends that the GNWT adopt standards for all phases of the drilling process and includes these in its policy framework, and strongly recommends these standards be incorporated into regulation at the appropriate time.

GNWT Response

The process that is envisioned to develop the policy framework allows all regulators to provide input on the development of guidelines that could be used in reviewing applications that are brought forward by industry stakeholders.

Representatives from ENR, Health and Social Services, Natural Resources Canada, AANDC, NEB, the Sahtu Land and Water Board, and the Mackenzie Valley Land and Water Board will all be involved in the development and review of guidelines.

Once finalized, it is anticipated that guidelines will be incorporated into terms and conditions by land and water boards.

Recommendation 4

SCEDI recommends that the GNWT include in its policy on hydraulic fracturing the implementation of environmental monitoring and area management plans.

GNWT Response

The GNWT is working closely with the Sahtu Land Use Planning Board, Sahtu Secretariat Inc. and AANDC to finalize the Sahtu Land Use Plan. All parties recognize the importance of integrating Land Use Plans to the management of land use activities and resources in the Sahtu.

Environmental monitoring is a key piece of all project approvals under the Mackenzie Valley Resource Management Act. A regional monitoring approach needs to be considered under the Cumulative Impacts Monitoring Program or as a follow-up to a Regional Study.

Recommendation 5

SCEDI recommends that the GNWT include greenhouse gas (GHG) monitoring and mitigation measures in its policy on hydraulic fracturing.

GNWT Response

While hydraulic fracturing itself would not be a significant cause of GHG emissions, increased activity, particularly in the production stage, can be a source of GHG emissions.

The operation of a drilling program should be done in a manner that is the most efficient and minimizes the release of GHGs. Most companies would see this as appropriate and a more efficient way of conducting their programs.

GNWT recommendations, through existing regulatory processes, will help ensure this issue is addressed.

Environment Canada is currently consulting with industry and provincial and territorial governments on the GHG Regulations for the Upstream Oil and Gas industry. Draft regulations are expected in early 2013. There is no value in duplicating these efforts.

Recommendation 6

SCEDI recommends that the GNWT undertake meaningful public consultation in the development of a policy on hydraulic fracturing.

GNWT Response

The GNWT will continue to work with other regulators and stakeholders to ensure concerns are addressed either through the development of policy frameworks or through the regulatory process.

Recommendation 7

SCEDI recommends that the GNWT include in its policy on hydraulic fracturing requirements for fair and transparent communication and opportunities for public engagement throughout all phases of the development of shale oil and gas projects.

GNWT Response

The regulatory process and the development/implementation of a Regional Study (as noted in recommendations 2 and 4) help facilitate these objectives. These two avenues will present ongoing opportunities for full public engagement.

Recommendation 8:

SCEDI recommends the GNWT provide a comprehensive response to this report within 120 days that includes a plan to develop a policy on hydraulic fracturing.

GNWT Response

Working through the aforementioned group of regulators, it is expected that draft guidelines will be developed over the winter of 2012/2013. This timeline is designed to ensure that developers and regulators are fully informed of governments' expectations in this area prior to submitting applications.

GNWT Departments are currently reviewing oil and gas applications, and provide recommendations per their mandates to NWT regulators. At this point, proponents appear to be responding to the issues that GNWT has raised and we view this as the appropriate mechanism to ensure our concerns are met for specific drilling programs in advance of large scale unconventional oil and gas development in the Sahtu Region.