



May 19, 2020

MR. KEVIN O'REILLY
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Oral Question 96-19(2) Cameron Hills Oil and Gas Field Environmental Liabilities

This letter is in follow-up to the Oral Question you raised on February 26, 2020, regarding the Cameron Hills Oil and Gas Field and Environmental Liabilities.

You asked if the Government of the Northwest Territories (GNWT) could complete a RECLAIM estimate for the Cameron Hills operation. The RECLAIM model is a tool used in the NWT to estimate closure costs for resource projects, including mining and oil and gas projects. RECLAIM estimates are typically developed based on a closure plan which has been developed by the proponent, made available for public review, and approved by the applicable Land and Water Board. During the plan development and public review, the nature and timing of the actions required for closure of the project, and the planning assumptions are clarified and discussed with stakeholders. For the Cameron Hills site, there is currently no approved final closure plan in place, only a Conceptual Closure and Reclamation Plan that was conditionally approved in January 2020. The proponent, Alvarez & Marsal in its capacity as Receiver for Strategic Oil and Gas Limited's Northwest Territories assets, is responsible for submitting an updated closure plan to the Mackenzie Valley Land and Water Board for the Board's consideration.

If GNWT were to develop a RECLAIM estimate based on currently available information about the condition of the site, a significant number of assumptions would need to be made, which would limit the accuracy and usefulness of the estimate. The GNWT would have to use past inspection records and the conceptual closure planning documents provided by the proponent to date. These plans provide limited detail about what is actually on the ground. For example, at a camp, the size of buildings, fuel tanks, wastewater ponds, etc. are not described or quantified, and for a battery site, information such as whether there is a compressor, any buildings,

The GNWT would also need to understand if sites described by the proponent as inactive have been reclaimed or not.

As a result of these assumptions, any security estimate would be a high-level estimate based on available information and broad assumptions regarding "typical" components that "could be present" to be reclaimed.

Secondly, you asked whether the Cameron Hills site would be entered as a liability in the GNWT's Public Accounts. Liabilities as a result of contamination that exceeds an environmental standard are referred to as environmental liabilities.

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The GNWT recognizes environmental liabilities (in the Public Accounts) when all of the following exist:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Government is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability reflects the Government's best estimate of the amount required to remediate the site to the current minimum standard for its use prior to contamination.

To date, the GNWT has not accepted responsibility for the site and as a result, this site will not be reflected in the 2020 Public Accounts.

As part of the annual Public Accounts process, the Department of Finance compiles information from GNWT departments regarding environmental liabilities for contaminated sites.

Finally, you asked if the Department of Lands would commit to review the securities provisions of the *Public Land Act* (PLA). The PLA is the result of efforts to combine two completely different land administration models under the *Northwest Territories Lands Act* and the *Commissioner's Land Act*, which handled security quite differently. The security wording in the combined Act was developed with the goal of enabling best practices for securities, while minimizing barriers to economic diversification, job creation and efficient land administration. The PLA allows for mandatory securities to be established in regulation, and to have these securities apply across a much greater range of projects than either of the current Acts allow. These provisions allow the GNWT to create thorough and targeted rules for a system of mandatory securities which encompasses the full spectrum of environmental risk. The Department intends to engage with the public and others on the development of these rules for mandatory securities as part of its regulation development process. The Department does not intend to review the PLA at this time, but looks forward to hearing from the public and others on this issue during upcoming public engagement on PLA regulations.

Thank you for raising this important issue.



Shane Thompson
Minister
Lands

- c. Clerk of the Legislative Assembly
Legislative Coordinator, Executive and Indigenous Affairs
Deputy Minister, Lands