

SPEAKING NOTES
for THE HONOURABLE JOSEPH HANDLEY
PREMIER OF THE NORTHWEST TERRITORIES
TO THE
CANADIAN CLUB
TORONTO, ON MAY 3, 2006

Good afternoon. I am very pleased to be here and wish to thank the Chairperson, Rod Phillips and our hosts, the Canadian Club of Toronto, for inviting me to speak today.

I also wish to thank Ms. Cathy Wilkinson and the Canadian Boreal Initiative and Mr. James Villeneuve and Labatt Breweries of Canada for co-sponsoring this event.

As I was telling people over lunch it must be the unique magic of the north that could bring together a major Canadian beer company and a dynamic national conservation organization to partner in co-sponsoring a speaking engagement for a northern Premier. I hope this is a good omen of great and celebratory things to come!

I want to thank the Canadian Boreal Initiative for putting together the slide show that gave an excellent visual sense of the Northwest Territories. Now let me add to that “snapshot.”

I welcome the opportunity to share with you the exciting reality that is the Northwest Territories today and our desires and hopes for the future.

I hope to raise awareness with people of this great city and province of the opportunities and importance to YOU of what is happening in the Northwest Territories and of our place in the federation.

And, in the course of my remarks I want to address an important theme, that of “balance” or as I sometimes prefer to put it “getting it right”.

To me, “Getting it right” is the exercise of responsibility and leadership in finding the right balance between the development of northern resources for the benefit of our people, our communities and for all Canadians and the stewardship and protection of the land, forests, water and animals to ensure a healthy environment for generations to come.

OUR TERRITORY, OUR PEOPLE

Ours is a land of unparalleled beauty and abundant natural resources – both renewable and non-renewable.

But the beauty of our land is also matched by the harshness of the climate. This brings unique challenges to how we do business. We face the realities of providing services to a smaller population located in many small and often remote communities. We have some 45,000 people located in 33 communities – about 50% of our population is Aboriginal including, Dene, Metis and Inuvialuit with the majority of our Aboriginal people living in our smaller remote communities.

OUR ECONOMY

The Aboriginal people of the Northwest Territories continue to have a strong connection to the land. And since the earliest days of trade, our wealth has been inextricably tied to the land and its abundant resources. In those days, trade centered around fur – today it is diamonds and oil and natural gas

I am pleased to say that because of these new commodities our economy in the Northwest Territories is growing rapidly. Our challenge is to ensure this prosperity continues and to expand it so that more of our people reap the benefits from the responsible development of these resources.

THE DIAMOND INDUSTRY

The primary driver of our economy over the past ten years has been our diamond industry. The Northwest Territories is now the world's third largest producer of diamonds by value - after Russia and Botswana.

We currently have two operational diamond mines - BHP Billiton's Ekati Diamond Mine and Diavik Diamond Mine, owned by Rio Tinto and Aber Resources. A third mine at Snap Lake owned by De Beers' is scheduled for completion in 2007 and full production is anticipated by the third quarter of 2008. A fourth mine, Gah Cho Koe, owned by De Beers is in the environmental review stage.

In 2004, the two existing mines produced a total of 12.6 million carats at a value of \$2.1 billion dollars. When all four mines are in operation Canada's Northwest Territories will produce between 15 - 20% of the world's diamonds.

We are equally excited about the developments in our secondary diamond industry as well. In recent years, the Northwest Territories has moved beyond the role of diamond producer to developing a vibrant secondary diamond industry.

As part of an understanding between the producers and the Government of the Northwest Territories, our two operating diamond mines sell rough diamonds to manufacturers in the Northwest Territories to promote and support value-added diamond activity in the NWT.

Our region now has four established cutting and polishing facilities including Laurelton diamonds, owned by Tiffany and Co, which opened in October of 2003.

Our government has taken the lead in supporting this growing industry and the NWT is now recognized for its leadership in training, craftsmanship and producing high quality polished diamonds.

Our government has also partnered with industry to promote the diamond industry and related tourism opportunities. One of the most visible of these opportunities was the diamond and tourism sweepstakes that was held in conjunction with the release of jazz singer Diana Krall's recent Christmas album.

DEVELOPMENT OF NATURAL GAS

While diamonds have been the primary driver of our economy over the past ten years, the economy of the Northwest Territories will be powered over the longer term by the production of natural gas.

The proposed Mackenzie Valley Gas Pipeline, a \$7.7 billion project is crucial to the socio-economic future of the NWT's people and communities and is a cornerstone of our government's plan for present and future economic development in the Territory. For our people, the pipeline represents employment, investment and business opportunities and the pride of becoming a net contributor to nation's economic well-being.

What is good for the Northwest Territories is also good for Canada. The majority of workers filling the jobs this project will create will come from South of 60, as will most of the goods and services to support them. Everything from food to steel will be shipped from the south to the north. Between 71,000 and 159,000 person years of direct and indirect employment created will go to Canadians living outside the Northwest Territories.

Based on proven reserves to date alone, we are looking at over \$23 billion in revenues for governments. Tax revenues for provincial governments would range between \$578 million and \$1.1 billion. Provinces would also benefit from between \$4 billion and \$8.2 billion out of a total of between \$4.9 and \$10 billion in generated labour income.

The addition, this new supply of gas will help restrain gas price increases. For every 10 cents/mcf saving that is created by McKenzie gas coming on stream it means some \$350 million dollars in saving for Canadian consumers per year. In addition, the supply of cleaner burning fuel from this project could also save Canada up to \$2.1 billion dollars in greenhouse gas emission costs based on Kyoto or similar targets.

In terms of diversification opportunities, the pipeline and resulting exploration will lead to new business prospects for northern companies, new infrastructure - such as the potential for a Mackenzie Valley Highway - and a unique opportunity to develop our significant hydro potential to create cheaper and cleaner energy sources for our communities and reduce our heavy reliance on fossil fuel.

If we do it right, the pipeline will mean self-reliance and the opportunity to provide a good standard of living and quality of life for northerners and their families.

An excellent example of this is the opportunity that Aboriginal people in the Northwest Territories have secured for a minimum one-third equity interest equity position in this project.

The Mackenzie Delta Producers Group, the consortium developing this project, has entered into a business partnership with the Aboriginal Pipeline Group - a precedent-setting agreement that has Aboriginal people in on the ground floor, directly involved in project planning and implementation. We believe this partnership will result in significant Aboriginal participation and economic benefits.

In addition, the proponents of this project are negotiating access and benefit agreements with Aboriginal organizations affected by the proposed pipeline route. We support the negotiation of access agreements that are economical and fair to all parties.

A year ago, my government assisted in securing a commitment from the federal government of a \$500 million dollar Socio-Economic Fund to assist the communities in the Mackenzie Valley over the next ten years in preparing for and dealing with the impacts of the pipeline as it progresses.

I am pleased to say the completion of the access and benefits agreements was given real impetus yesterday by the decision of the new government to honour that important commitment. This is very good news for the communities and for the pipeline.

We are pleased that the regulatory review is proceeding and in a manner that allows for a comprehensive review of the entire project and, as importantly, allows all northerners along the pipeline route to participate in the hearing process.

Both the Joint Panel Review process and the National Energy Board hearings are expected to conclude the hearing process by the end of the year.

The potential of our Territory is enormous ... potential for development, for investment, for community and individual progress... potential for shared benefits and wealth unprecedented in our history, wealth to benefit all Canadians.

The key to unlocking this potential is an agreement with the federal government, the territorial and Aboriginal governments in the Northwest Territories that will finally see jurisdiction over our natural resources transferred to us along with a fair share of the resources they generate. A devolution and resource revenue sharing agreement will also facilitate the creation of a predictable regulatory and tax regime and will provide fairness and certainty to industry partners.

STRIKING THE BALANCE

As I said at the beginning of my remarks, I also want to stress my government's view of the crucial importance of "getting it right" and a balanced approach to the development of our resources. I spoke earlier about our commitment to the Joint Review Panel and NEB regulatory review processes that provide for a fulsome review of this project.

As northerners, we are acutely aware of the importance of the natural environment and our collective responsibility for environmental stewardship for this project and other resource development projects in the Northwest Territories.

While more and more Canadians are indicating that the environment is becoming a major concern, it is in the north that the effects of climate change are being felt most directly. We are facing the impacts daily from shortened seasons for the ice roads to supply the mines, to threatened caribou and polar bear populations.

While we must adapt to changing conditions, we must act to conserve and protect our environment. That's why we have taken a pro-active approach to stewardship by creating and implementing, with partners, initiatives to protect our natural heritage — initiatives such as the Protected Areas Strategy.

The Protected Areas Strategy is a community and land claimant-driven partnership to identify and establish protected areas in the Northwest Territories. It is innovative and community driven, and most important, recognizes these decisions must, and will, be made and implemented by northerners – by the people who will be directly impacted by the decisions made.

We realize that identifying and designating protected areas is not only important for wildlife and communities, but by identifying them in advance of development and working with the communities in moving forward it contributes to a climate of business certainty in the North.

The Protected Areas Strategy and land use planning efforts are increasing our ability to reconcile land use priorities in advance of development.

I want to take this opportunity to pay special tribute to the work of the Canadian Boreal Initiative in this regard. They have been instrumental partners in the Northwest Territories in the Protected Areas Strategy.

In 2004, I was pleased to attend a reception for the partners of the Boreal Forest Conservation Framework in Ottawa. It was and is encouraging to see the broad base of interests that have come together around the Framework – Aboriginal communities, resource companies and conservation organizations.

Although it is never easy to reconcile differing goals and priorities our government believes that working in partnership with Aboriginal governments, with the federal government, communities and organizations like the Boreal Initiative is the way to achieve lasting results.

Environmental management in the Northwest Territories is a shared responsibility of all levels of government, of industry and the public.

I want to reiterate the commitment of my government to completing the Protected Area Strategy, to conservation and sustainable development to ensure our children inherit a healthy environment that can support traditional lifestyles within a modern economy.

THE FUTURE

My government's overriding priorities are to build a strong and sustainable future for the people of the Northwest Territories, to achieve a Devolution and Resource Revenue Sharing agreement that gives northerners the tools to make wise decisions about the development of our resources and to ensure we reap the benefits of that development.

Negotiations towards a devolution agreement have been going on for a very long time. However, we are optimistic that within the near future we may finally achieve real progress.

We have been greatly encouraged by the statements of Prime Minister Harper and the Minister of Indian Affairs and Northern Development, the Honourable Jim Prentice that northerners should be the primary beneficiaries of the revenues generated by northern resource development.

Recently, the Council of the Federation Advisory Panel on Fiscal Imbalance – a panel mandated by all the Premiers to recommend solutions to the complex issues of fiscal federalism dedicated an entire chapter in its Report to the importance of addressing Canada's Northern Territories as a special responsibility in this regard.

The panel stated and let me quote;

“Few Canadians have visited the territories, and still fewer live there. Even so, most Canadians share a sense of ownership and national pride in these northern regions.

We know that the lands and their resources are the envy of other nations, and we claim sovereignty over Arctic lands and waters. We depend on Northerners as stewards and custodians of our North, yet we do not give Northerners a fair share of the wealth that comes from the land on which they dwell.

The dream of a Northwest Passage was pursued for centuries. That dream is now upon us. Canadians and their governments recognize the strategic importance of this northern frontier. Yet the social, economic and political challenges facing the territories and their people are complex and daunting.”

One of the Panel's key recommendations reads:

“...that the government of Canada and the territorial governments expedite negotiations to conclude agreements where territories assume province-like authority and responsibility for management of lands and natural resources and become the principal beneficiaries of revenues and royalties derived from these resources. Arrangements must take into account Aboriginal rights, needs and participation.”

I could not have said it better myself. This is our goal. It is the key to the future for the people of the NWT. With support, cooperation and hard work I believe we will achieve our goals and the Northwest Territories will take its rightful place as a self-reliant and contributing member of a Canadian federation that truly extends from “sea to sea to sea”.

Thank you.