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Staff Report

Applicant: Imperial Oil Limited	
Location: Jean Marie River, NT	File Number(s): MV2021L1-0009
Date Prepared: June 22, 2022	Date of Board Meeting: July 21, 2022
Subject: Security - Water Licence	

1. Purpose

The purpose of this Report is to present to the Mackenzie Valley Land and Water Board (MVLWB/the Board) a request submitted by the Government of the Northwest Territories – Environment and Natural Resources (GNWT – ENR) regarding the timing of the submission of security.

2. Background

- November 21, 2021– Issuance of Licence MV2021L1-0009;
- March 10, 2022 – Request received;
- April 13, 2022 – Request forward to Imperial Oil Limited (Imperial) for comment;
- May 4, 2022 – Comments received from Imperial;
- May 20, 2022 – Request and Comment distributed for review;
- June 10, 2022 – Comments and recommendations due and received;
- June 17, 2022 – Responses due and received;
- **July 21, 2021 – Request presented to the Board for decision; and**
- November 11, 2028 – Expiration of Licence MV2021L1-0009.

3. Discussion

On November 12, 2021, Imperial received a Licence for the re-abandonment of well site B-48 at Jean Maire River, NT.

On March 10, 2022, the Board received a request from the GNWT – ENR which is as follows:

“Our main concerns are related to the security deposit condition language and submission requirements (timing and activity triggers) which has resulted in unsecured liabilities to the Government of the Northwest Territories. Many of the identified Type B Water Licences relate to oil and gas activity renewals for existing Projects (or undertakings) recently issued by the Board. Due to the current Licence conditions, ENR cannot compel the proponent to submit the security deposits to cover existing liabilities.

My office is requesting that the Board revise the listed Water Licences to address concern with the language and timing of security posting. We are asking that the Board revise the proponent’s security deposit conditions and/or security deposit submission requirements.

ENR’s position, consistent with the federal Mine Site Reclamation Policy (CIRNAC 2002), is that where historical liabilities exist security should be posted and held to cover on-site liability. It is our position that security deposits should be submitted to ENR for the noted projects within a defined timeframe (e.g. within 90 days) to avoid security shortfall and NWT taxpayers being exposed to these liabilities. We respectfully ask that Water Licence schedules be updated in the public interest.”

On April 13, 2022, the request submitted by the GNWT – ENR was forwarded to Imperial for their response. On May 4, 2022, the response was received.

Board staff have reviewed the cover letter, Licence and the Schedule as well as the request submitted by GNWT – ENR. Table 1: Summary of Request and Current Authorization is below which outlines the differences and the request submitted.

Table 1: Summary of Request and Current Authorization

	Currently in Authorizations	GNWT – ENR Proposal	Imperial Proposal
Letter to Proponent	A security deposit is required prior to the commencement of Project activities, as per Part C, Condition 1, POST SECURITY DEPOSIT and Schedule 2 of the Licence.	<u>Within 90 days following the effective date</u> of the administrative update of the Licence, the Licensee shall deposit with the Minister a security deposit in the amount of \$2,512,462.00.	Imperial has reviewed the letter and as drafted by GNWT-ENR regarding the water licence conditions and security deposit, and their perspective on this matter. At this time, Imperial has no comment regarding the Jean Marie approval conditions to submit at this time
Licence	The Licensee shall post and maintain a security deposit with the Minister in accordance with Schedule 2. The Licensee shall not commence Project activities until the	<u>Within 90 days following the effective date</u> of the administrative update of the Licence, the Licensee shall deposit with the Minister a security deposit in the	Imperial has reviewed the letter and as drafted by GNWT-ENR regarding the water licence conditions and security deposit, and their perspective on this matter. At this time, Imperial has no

	security deposit has been accepted by the Minister.	amount of \$2,512,462.00.	comment regarding the Jean Marie approval conditions to submit at this time
Schedule	<u>Prior to the commencement of the operation</u> , the Licensee shall deposit with the Minister a security deposit in the amount of \$2,512,462.00	<u>Within 90 days following the effective date</u> of the administrative update of the Licence, the Licensee shall deposit with the Minister a security deposit in the amount of \$2,512,462.00.	Imperial has reviewed the letter and as drafted by GNWT-ENR regarding the water licence conditions and security deposit, and their perspective on this matter. At this time, Imperial has no comment regarding the Jean Marie approval conditions to submit at this time

4. Comments

Not applicable.

5. Public Review

On May 20, 2022, the Request and Comments were distributed for public review on the Online Review System (ORS). By June 10, 2022, comments and recommendations were received from the Government of the Northwest Territories – Environment and Natural Resources (GNWT-ENR) which state:

“ENR has reviewed Imperial Oil Limited (Imperial's) May 4, 2022 response to ENR's March 10, 2022 letter. ENR understands Imperial has no comments ENR's request to address language inconsistency between cover letter, water licence condition, and schedule, leaving unsecured liability. ENR appreciates Imperial's understanding of the matter. As such, ENR has no comments or recommendations on this review.”

Imperial responded by June 17, 2022 stating:

“Imperial has reviewed ENR's response and has no additional comments.”

The Review Summary and Attachments (attached).

6. Security

The request would not alter the amount of security but to adjust the timing of when the security is to be posted.

7. Conclusion

Based on the information provided in the application and the public review, the proposed development is not likely to have a significant adverse impact on the environment or be a cause of public concern.

8. Recommendation

Board staff recommend that the Board **make a motion to update Schedule 2 of Water Licence MV2021L1-0009 to state “No later than October 19, 2022, the Licensee shall deposit with the Minister a security deposit in the amount of \$2,512,462.00.**

9. Attachments

- [MV2021L1-0009](#)
 - [GNWT – ENR Request](#)
 - [Imperial Oil Limited - Response](#)
- Review Comment Summary Table and Attachments
- Draft Water Licence Cover Page
- Draft Water Licence Conditions
- Draft Decision Letter from the Board

Respectfully submitted,

A handwritten signature in blue ink that reads "Tyree Mullaney". The signature is written in a cursive style and is positioned above the printed name and title.

Tyree Mullaney
Regulatory Specialist

Reviewer Comments and Proponent Responses

Project: Imperial Oil Limited - Jean Marie River
Board: Mackenzie Valley Land and Water Board
Organization: Imperial Oil Limited

No.	Topic	Reviewer Comment	Reviewer Recommendation	Proponent Response	Board Decision
GNWT-ENR - EAM (Environmental Assessment and Monitoring) - Erin Goose					
1	General	ENR has reviewed Imperial Oil Limited (Imperial's) May 4, 2022 response to ENR's March 10, 2022 letter. ENR understands Imperial has no comments ENR's request to address language inconsistency between cover letter, water licence condition, and schedule, leaving unsecured liability. ENR appreciates Imperial's understanding of the matter. As such, ENR has no comments or recommendations on this review.	None.	Imperial has reviewed ENR's response and has no additional comments.	The Board has updated the language of the Schedule.