

The Benefits of Oil & Gas Activities

Resource Development in Canada

Unlike some other countries where natural resources are privately owned, Canadians enjoy the benefit of [resource ownership](#).

When the territories were created, the federal government managed the benefits from resources found in the North. Devolution gave the Yukon government responsibility for the administration and control of Yukon's natural resources for our collective benefit.

Most public discussions on resource development benefits centre on the potential for new jobs. [Job creation](#) may be limited depending on the scale, duration, and nature of the resource development project and will only grow as development within the natural resources sector grows.

Economic benefits also come in the form of rental of oil and gas rights, benefit agreements, exploration expenditures, and production royalties.

Government also benefits by advancing our knowledge of the resource through science and innovation. Research and resulting adapted operations practices demonstrate the benefit of science and innovation. The knowledge gained helps to make better informed decisions.

Oil & Gas Rights for Rent

Under Yukon's [Oil and Gas Act](#) and [Disposition Regulations](#), the right to explore for and develop resources in Yukon is obtained through a rights disposition process.

Companies who obtain these rights must make a [work bid](#) deposit.

If the exploration leads to production of oil or gas, royalties are then paid to the Yukon or First Nation government. (See the Royalties section below.)

Benefits Agreements

Benefits agreements are a requirement under the [Oil and Gas Act](#) to ensure Yukoners and communities benefit from oil and gas development projects.

When work related to an oil and gas activity is anticipated to cost more than \$1 million in any 12-month period, the company must enter into a benefits agreement with Yukon government and affected First Nations who would like to participate.

A benefits agreement commits a company to provide training, employment and the supply of goods and services opportunities for Yukoners and First Nation citizens. The nature, scale, duration, and cost of the activity affect the level of benefits in the agreement. They are tailored for each individual project.

The Yukon government provides [Benefits Agreement Guidelines](#) to companies interested in oil and gas development.

Exploration Expenditures

[Services associated with oil and gas exploration](#) projects are varied and extensive.

In their [benefits summary report](#), Northern Cross (Yukon) Limited tracks the more than \$80 million spent on the initial phase of an exploration-drilling program in the Eagle Plain area from 2011-2013.

About 20 per cent of the total expenditure, or more than \$16 million, went to Yukon citizens and/or businesses. In total, Northern Cross (Yukon) used the services of 87 Yukon businesses in its exploration-drilling program.

Figure 1 below summarizes the value of employment and goods and services purchased through Yukon-based companies for this one program.

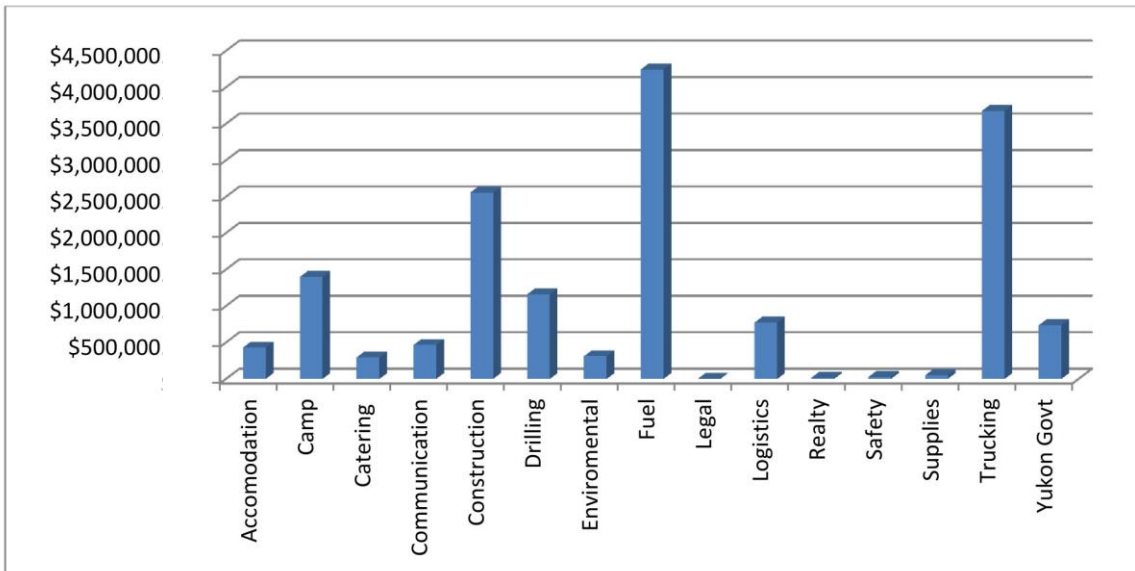


Figure 1: Total capital expenditure benefitting Yukon citizens and/or businesses broken down by sector.
 Source: Benefits to Yukon Summary from Northern Cross (Yukon) Ltd.

Another example how Yukoners benefit from exploration projects is outlined in Northern Cross (Yukon)'s [seismic project report](#) for work that occurred between October 2013 and April 2014.

The \$20 million seismic program sent sound waves into the subsurface rocks to allow the company to better understand the area's geology. Almost \$4.5 million or 22 per cent of this money benefited Yukon citizens and/or businesses.

Examples of Yukon services hired include: mapping, field management, seismic line cleaning and slashing, surveying and modelling, recording operations, fuel management, and camp operations.

The territory has an established industrial service sector. Money paid to purchase goods and services ripples through the community and the territory, spreading the benefits to people and businesses that may not seem directly connected to the oil and gas industry.

Setting the stage for developing our natural resources and creating opportunity for growing our existing service sector is something that can benefit many.

Yukon has a significant resource service sector and skilled labour force which is already supplying oil and gas operators.

Many of these skills are transferable to other industries. Some jobs require specialized training which may not exist in Yukon now, but may be developed once the industry is established.

Royalties

When production of oil or gas is achieved, companies contribute royalties to the Yukon government. This is income the government can invest in the infrastructure and services Yukoners rely on, such as roads, schools and hospitals. Improved community wellness results in broader social and economic well-being.

Production (1971-2012) from the Kotaneelee gas field in southeast Yukon provides an example of how 4 natural gas wells produced \$696 million worth of natural gas and paid \$46 million in royalties over 30 years.

The energy equivalent of the gas produced at Kotaneelee was almost 200 million GJ, which is enough to heat 2 million Canadian homes for one year according to Natural Resources Canada.

Learning and Knowledge

The oil and gas sector uses technology and science for investigation and adaptation throughout all the stages of a project.

The knowledge gained from exploration tells us a great deal about the environment, and potential operating conditions. A commitment to science and research leads to new innovations and more investment. New knowledge aids in making better, more informed, decisions each step of the way.

Yukon government's role is to ensure that benefits are maximized while carefully mitigating and managing any potential effect on people and the environment. History has demonstrated that resource development benefits reach further than creating a few direct jobs. Benefits = jobs + services + economic diversification + expanded tax base + royalties + innovation + healthy communities.

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