

Regional Details: Yukon Territory

Yukon Territory is thought to possess significant oil and gas potential, although at the present time there are only two producing gas wells in the southeast portion of the territory. The Yukon government assumed responsibility for oil and gas developments in 1998 and has a regulatory framework and royalty/tax regime to support and facilitate oil and gas production. In this section, we describe the methods the Yukon government uses to obtain revenues from oil and gas production in the territory. We also present quantitative estimates of revenue generation, cost of production and the value of the resources over the study period, and discuss the environmental impacts associated with oil and gas production in the territory. We begin by presenting background information on oil and gas production in Yukon Territory.

Background

In this section, we identify the government authorities that play a role in regulating, managing and/or facilitating oil and gas production in Yukon Territory. For each authority, we provide a brief description of its relevant responsibilities. We also present background information on the oil and gas sector, with figures for oil and gas production, employment in the oil and gas sector, and gross domestic product associated with oil and gas production in Yukon Territory.

Responsible Authorities

Yukon Territory gained responsibilities and powers over its land and resources through a process of negotiated devolution. In November 1998, the territorial government assumed responsibility for oil and gas developments. Since that time, the Yukon government has been granting dispositions (or authorizations) in the form of permits and leases, collecting royalties, regulating the industry, monitoring oil and gas activities, and enforcing regulations. The *Yukon Oil and Gas Act* was passed by the Yukon Legislative Assembly and received royal assent in November 1998. Oil and gas regulations are currently being developed pursuant to the *Yukon Oil and Gas Act* and are at various stages of completion. A royalty regulation was drafted in October 1999 and remains in draft form. Other regulations (the Oil and Gas Transfer Regulations and the Oil and Gas Disposition Regulations) have already been finalized and adopted.

Within the Yukon government, the Department of Energy, Mines and Resources is the main authority for regulating, managing and facilitating oil and gas developments in the territory, with two of its branches¹:

1. The **Department of Energy, Mines and Resources** is responsible for managing natural resources within the territory, with the exception of Settlement A lands (see discussion below).
2. The **Oil and Gas Management Branch** of the **Department of Energy, Mines and Resources** is mandated to regulate, manage and encourage the development of Yukon Territory's resource potential and emerging oil and gas industry, including issuing oil and gas rights and administering royalty regulations.

¹ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

3. The **Oil and Gas Business Development Branch** of the **Department of Energy, Mines and Resources** is mandated to encourage the development of Yukon Territory's resource potential and emerging oil and gas industry.²

While the Yukon government has the authority to grant dispositions to oil and gas companies, First Nations living in Yukon Territory also play a role in oil and gas developments. In recent years, through what is called the Umbrella Final Agreement (UFA), 14 Yukon First Nation's land claim agreements have been or are being resolved. So far, eight comprehensive land claims have been signed and four other First Nations have signed Memoranda of Understanding signifying that substantive negotiations have been concluded and the parties are committed to the next steps.³ Detailed legal drafting is underway to prepare a final land claims package for a ratification vote by each of those four First Nations.⁴ The conditions under which oil and gas developments on First Nation's land take place depend on the level of control a particular First Nation has over surface and subsurface rights. The First Nations own both surface and subsurface rights on lands categorized as "Settlement A." First Nation governments need their own disposition schemes and are able to pass their own oil and gas laws to regulate industry on these lands.⁵ Companies must consult First Nation governments and get their approval for any oil and gas development on Settlement A lands. Without First Nation approval, a project cannot proceed.

On land classified as "Settlement B," First Nations own only surface rights. The Yukon government owns the subsurface rights on these lands. Companies must consult and get approval from First Nation governments only if the First Nation has an "equivalent law" that states that the First Nation will consult with the government when it issues a Call for Bids on Settlement A lands. If the First Nation does not have an equivalent law, the First Nation government may still be consulted, in good faith, about proposed developments on Settlement B lands, but there is no requirement to do so and the territorial government makes the final decision, under the *Yukon Oil and Gas Act*.

If a First Nation has not settled an individual final agreement and does not own Settlement A or Settlement B lands, the First Nation can refuse any project in its "traditional territory." Traditional territories are defined in the Umbrella Final Agreement. However, if the federal government granted dispositions before the Umbrella Final Agreement was finalized, according to the *Yukon Oil and Gas Act*, "All oil and gas rights previously granted by the federal government remain in effect until they expire, are given back to the holder, or the holder and the Yukon government mutually agree."

Gas Production in Yukon Territory

Until recently, oil and gas development in Yukon Territory was limited. Exploration and some production occurred during the 1960s. Companies discovered and produced natural gas in southeast Yukon and on the Liard Plateau, and recovered oil in Eagle Plains. Seventy wells were drilled in Yukon Territory prior to 1985, with a more recent well drilled in 1991. Market

² Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

³ Op. cit.

⁴ Op. cit.

⁵ When First Nations do not have their own laws to regulate oil and gas activity on 'Settlement A' lands, the regulatory sections of the *Yukon Oil and Gas Act* apply to First Nations 'Settlement A' lands.

conditions, lack of pipeline access to southern markets, and unresolved land claim issues have discouraged industry interest in Yukon Territory in the past.⁶

Now developers are becoming more interested in developing oil and gas potential in the territory. They are attracted by rising prices, growth in the continental demand for natural gas, the potential development of a gas transmission pipeline from Alaska or the Mackenzie Valley in the Northwest Territories to southern Canada and the United States, and the settlement of most land claim agreements. Indeed, industry has committed to spend \$725 million in northern Canada and drill 22 wells.⁷ In the 40 years leading up to the autumn of 2002, companies discovered about 14.4 billion cubic metres of natural gas in Yukon Territory and about 1.5 million cubic metres of oil.⁸ Currently, the only producing wells are the two Kooteneelee gas wells operating in the southeast. Table 1 shows gas production from 1995 to 2002, inclusive. The figures demonstrate that production of natural gas in the territory has decreased slightly over this time period, with relatively higher production years occurring in 1999 and 2000. This increase in production in 1999 and 2000 coincides with higher prices for natural gas over the same period. Total production decreased by 16 percent between 1995 and 2002.

Table 1 Gas production, Yukon Territory, 1995 to 2002 (million BOE)

PRODUCTION	1995	1996	1997	1998	1999	2000	2001	2002
Natural Gas	2.78	2.68	2.54	2.84	3.95	3.58	2.99	2.33

Source: Statistics Canada, Publication 26-213-XPb

The Yukon government is anticipating a dramatic increase in oil and gas investment once construction is announced for either the Mackenzie Valley Pipeline or the Alaska Highway Pipeline. Yukon Territory has eight areas with oil and gas potential. Six of the eight areas are in the northern part of the territory. To date, only two of these northern areas have been the focus of oil and gas exploration: Eagle Plains in the north-central Yukon, and Peel Plateau in the lower northeast. The two southern areas, Whitehorse and the Liard Plateau, are contiguous with basins in British Columbia. In the south, only the Liard Plateau has been subject to exploration activity. Petroleum resource assessments have been completed for all eight of the areas.⁹ Yukon Territory's natural gas potential is estimated to be about 20 trillion cubic feet, while crude oil potential is estimated at 900 million barrels.¹⁰ The vast majority of this potential is located in two basins: the North Coast Basin and the Kandik Basin. The Kandik Basin straddles the Canada-U.S. border.¹¹

⁶ Wilson, Niki and Chris Severson-Baker. 2004. *Citizens Rights and Oil and Gas Development: Yukon Territory*. Alberta: Pembina Institute for Appropriate Development.

⁷ Canadian Association of Petroleum Producers Web site. See www.capp.ca.

⁸ Wilson, Niki and Chris Severson-Baker. 2004. *Citizens Rights and Oil and Gas Development: Yukon Territory*. Alberta: Pembina Institute for Appropriate Development.

⁹ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

¹⁰ Wilson, Niki and Chris Severson-Baker. 2004. *Citizens Rights and Oil and Gas Development: Yukon Territory*. Alberta: Pembina Institute for Appropriate Development.

¹¹ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

Gas Employment in Yukon Territory

Table 2 presents direct employment figures for gas production in Yukon Territory from 1995 to 2002, inclusive.¹² The table also presents total employment figures for the territory, as well as the share of total employment attributable to gas production. Both employment related to gas production and total employment in Yukon Territory increased between 1995 and 2002, by 33 percent and 65 percent, respectively. As the figures indicate, however, direct employment in the natural gas sector in Yukon Territory constitutes a small portion of total employment.

Table 2 Employment associated with gas production and total employment, Yukon Territory, 1995 to 2002

EMPLOY'T	1995	1996	1997	1998	1999	2000	2001	2002
Gas	11	11	12	2	1	9	7	16
Total	12,150	13,422	15,726	15,661	21,397	21,874	24,257	25,993
% of Total	0.09%	0.08%	0.08%	0.01%	0.00%	0.04%	0.03%	0.06%

Source: Statistics Canada, CANSIM Table 383-0009

To facilitate increased local employment from oil and gas developments in Yukon Territory, before any oil and gas activity that is expected to cost more than \$1 million over a 12-month period can proceed, a “benefits agreement” must be in effect. A benefits agreement is negotiated between three parties: the licensee, the Yukon government and the affected First Nation(s). In the benefits agreement, the licensee (or company with a licence) provides First Nations, community residents, and other people in Yukon Territory with opportunities for employment training, and the opportunity to supply goods and services to the licensee and its contractors.¹³

Gas Gross Domestic Product in Yukon Territory

Table 3 presents gross domestic product (GDP) associated with gas production, total provincial GDP, and gas GDP as a percentage of GDP generated by all industries. The figures in the table demonstrate that the growth of all industries combined has outpaced the growth of the gas sector quite significantly. Between 1995 and 2002, GDP associated with gas production declined very slightly. Over the same period, “all industries” GDP increased by 9 percent. Gas GDP as a percentage of “all industries” GDP declined by 15 percent between 1995 and 2002. These figures indicate that gas production constitutes a relatively small portion of the total economy in Yukon Territory.

¹² Employment figures for the oil and gas sector for 1995 and 1996 were not available in the same format as the 1997 to 2002 figures because of a change in industry classifications between 1996 and 1997 from the Standard Industry Classification System to the North American Industry Classification System. Employment figures for 1995 and 1996 were therefore estimated based on a correlation between employment and production in other years.

¹³ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

Table 3 GDP associated with gas production and territorial GDP, Yukon Territory, 1995 to 2002 (million 2000\$)

GDP	1995	1996	1997	1998	1999	2000	2001	2002
Gas	12	13	11	6	17	20	17	11
All Industries	1,135	1,203	1,154	1,143	1,111	1,188	1,206	1,207
% of Total	1.1%	1.1%	0.9%	0.5%	1.5%	1.7%	1.4%	0.9%

Source: Statistics Canada, CANSIM Table 379-0025

Oil and Gas Revenue Generation

Yukon Territory has adopted a system of permits and leases that convey oil and gas rights. A permit allows exploration, while a lease¹⁴ is required for production. Oil and gas rights are issued following a process that ends with a call for bids on a specific parcel of land. Rights are currently issued based on a work bid scheme (which does not recover economic rent). Rental fees are set contractually through the permit and announced with the call for bids. To date, the Yukon call for bids has stated that rentals are zero for the initial term of permits. In the second term of permits, rentals are \$5.00/hectare. The maximum term for a permit is 10 years; six years for the initial term, with the possibility of a four-year extension.¹⁵

The disposition process confers specific oil and gas rights for certain locations, but does not grant the right to undertake activity. Before any oil and gas exploration or development can occur, companies must obtain a licence. Once rights are granted and licences are issued, production begins and the Yukon government collects royalties from oil and gas producers as production takes place. The royalty regulation is still in draft form for Yukon Territory, but, as proposed, royalty rates vary with age and price, and range from a minimum of 5 percent for the initial production period to a maximum of 10 to 15 percent in the following years.¹⁶

In addition to territorial royalties, leases, licences and rentals, oil and gas producers in Yukon Territory must pay federal and territorial income taxes. Table 4 summarizes the fees paid by oil and gas producers in Yukon Territory.

¹⁴ Note that Yukon Territory has not granted any leases post-devolution. All production is occurring on grandfathered federal leases acquired pre-devolution.

¹⁵ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

¹⁶ Op. cit.

Table 4 Key means of revenue generation, Yukon Territory

COMPONENT	KEY ATTRIBUTES
Royalties	Yukon Territory's royalty regulations are currently in draft form. The proposed rates range from a minimum of 5% to a maximum of 15%. The minimum of 5% applies to the first three years of production, after which rates range from 10% to 15%, in accordance with a formula that is sensitive to oil and gas prices.
Dispositions	Under the <i>Yukon Oil and Gas Act</i> , rights to oil and gas are granted by the Minister in the form of work dispositions. Dispositions are issued following a five-step process that ends with a call for bids. A disposition grants oil and gas rights for a six- to 10-year term.
Rentals	During the initial six-year term of a permit issued under the current Yukon disposition process, no rental payments are due. In the second, four-year term, rentals are \$5 per hectare.
Leases	Grandfathered federal production leases exist in Yukon Territory despite devolution. To date, no leases have been issued by the Yukon government. Rentals and grandfathered production leases are \$1 per hectare.
Licences	This category includes grandfathered federal Significant Discovery Licences (SDL) and Exploration Licences (EL). There are currently no rentals or any grandfathered EL or SDL.
Corporate Income Tax	The Yukon Territory corporate income tax rate is 15%.
Federal Income Tax	The net federal corporate income tax rate for oil and gas companies is 28%, against which the government allows a number of deductions.

Oil and gas producers in Yukon Territory benefit from one of the lowest corporate tax rates in Canada,¹⁷ as well as an exemption from the territorial fuel tax and a number of federal initiatives described in Table 5.

¹⁷ Oil and Gas Management Branch/Oil and Gas Business Development Branch. *Yukon Oil and Gas*. Whitehorse, Yukon: Yukon Department of Energy, Mines and Resources, 2003.

Table 5 Key deductions and credits related to oil and gas, Yukon Territory

COMPONENT	KEY ATTRIBUTES
Fuel Tax Exemption	An exemption for fuel used in off-road commercial activities, including oil and gas production.
Federal Capital Cost Allowance	A deduction against income for depreciating property; Class 41 covers oil and gas equipment and allows a 25% writedown of equipment on a declining balance basis.
Federal Resource Allowance	A notional allowance in lieu of deduction of territorial royalties and freehold mineral taxes; over the study period, the deduction was 25% of taxable net resource profits.
Federal Exploration and Development Expenses	Exploratory and development expenses are grouped into one of three pools: Canadian Exploration Expenses (CEE), Canadian Development Expenses (CDE), and Canadian Oil and Gas Property Expenses (COGPE). The CEE balance of exploration expenditures is fully deductible against income, with any unclaimed portion carried forward indefinitely. Up to 30% of the CDE balance and up to 100% of the COGPE balance can be applied against income.
Federal Earned Depletion	An additional deduction from taxable income of certain exploration and development expenditures and other resource investments; the deductions for earned depletion are generally limited to 25% of the taxpayer's annual resource profits. ¹⁸

Quantitative Results of Revenue Generation

Table 6 demonstrates the trend in revenue generation obtained from oil and gas producers in Yukon Territory from 1995 to 2002. The major sources of revenue were royalties and income taxes. Revenue increased substantially between 1995 and 2002, from \$3.4 million to \$10.6 million.

¹⁸ While Earned Depletion is currently being phased out, federal government expenditures related to it continued until 2001.

Table 6 Revenue from oil and gas production, Yukon Territory, 1995 to 2002 (million 2000\$)

REVENUE SOURCE	1995	1996	1997	1998	1999	2000	2001	2002
Gas	1.7	3.7	3.1	3.1	2.1	3.3	10.0	4.2
Royalties								
Income Taxes	1.68	3.59	1.37	1.43	2.20	4.50	4.64	6.33
TOTAL	3.4	7.3	4.5	4.6	4.3	7.8	14.6	10.6

Source: Yukon Public Accounts, Public Accounts of Canada and the Canadian Association of Petroleum Producers

Table 7 compares trends in revenue generation with production to determine if the Yukon government is capturing relatively more or less revenue today than in the past. The figures in the table show that revenue increased between 1995 and 2002 and production decreased between 1995 and 2002. It is clear from the numbers presented below that the rate at which revenue generation increased is much more significant than the rate at which production decreased.

Table 7 Revenue generation and oil and gas production, Yukon Territory, 1995 to 2002

SUMMARY	1995	1996	1997	1998	1999	2000	2001	2002
Revenue (million 2000\$)	3.4	7.3	4.5	4.6	4.3	7.8	14.6	10.6
Production (million BOE)	2.8	2.7	2.5	2.8	4.0	3.6	3.0	2.3
Revenue/Production (2000\$/BOE)	1.2	2.7	1.8	1.6	1.1	2.2	4.9	4.5

Economic Rent in Yukon Territory

Table 8 presents data for the value of oil and gas resources and the cost of oil and gas production annually for Yukon Territory. Figures are shown as 2000\$/BOE, like the revenue figures in the previous section. The value of oil and gas resources in Yukon Territory almost doubled between 1995 and 2002. At the same time, the cost of production increased. In several years the cost of production exceeded the value of the resource resulting in zero economic rent. In other years the Yukon government did a poor job of capturing economic rent from gas developments in the territory.

Table 8 Resource value, production costs and economic rent (2000\$/BOE), Yukon Territory, 1995 to 2002

	1995	1996	1997	1998	1999	2000	2001	2002
Resource Value	16.5	20.4	19.4	16.0	20.0	34.7	33.4	30.0
Production Cost	7.4	13.6	70.3	136.6	5.5	32.3	115.9	316.8
Economic Rent	9.1	6.8	0.0	0.0	14.5	2.4	0.0	0.0
Rent Capture	13%	40%	100%	100%	8%	91%	100%	100%

Source: Value figures from the Canadian Association of Petroleum Producers Statistical Handbook, Cost figures derived as per the methodology section of the report.

Trends in Associated Environmental Impacts

Compared to the other regions we analyzed, oil and gas production in Yukon Territory occurs on a small scale. As a result, the environmental impacts associated with past exploration and current production of oil and gas have been relatively minor. However, evidence of seismic and exploration drilling activity conducted between the early 1970s and the mid-1980s in the northern part of the territory is still visible today, due to the sensitivity of Arctic soil to disturbance and slow-growing Arctic vegetation. If full-scale oil and gas development were to occur in an area of relatively pristine wilderness, characteristic of much of Yukon Territory, it would have a significant impact. Wildlife habitat and migration routes could be affected and, depending on the region, First Nations' traditional activities may also be adversely affected.

Construction of a large-capacity gas transmission pipeline to transmit gas from either Alaska (down the Alaska Highway) or from the Mackenzie Delta (down the Mackenzie Valley) to supply southern markets would encourage oil and gas companies to seek approval to expand seismic and exploration drilling activities in Yukon Territory. If those companies had successful exploration drilling programs, they would seek approval to conduct more seismic exploration followed once again by more exploration drilling. This pattern would be repeated until enough gas was found to justify the cost of building a lateral pipeline to connect Yukon gas development to the larger transmission pipeline. Once companies became confident that a lateral pipeline was going to be constructed, development would start to follow a pattern similar to gas field development in northern Alberta and British Columbia, described in the box below.

Typical Pattern of Oil and Gas Development

Starting with the most prolific reservoirs closest to the pipeline, companies begin to build permanent roads and wellpads and start to drill permanent production wells. Smaller diameter "gathering" pipelines are constructed to connect production wells to processing facilities. The processing facilities, in turn, are connected by pipeline to the large transmission pipeline. By the time pipeline construction has been completed, enough production wells, gathering system pipelines and processing facilities will also have been completed to generate enough gas to fill the pipeline for at least the first several years.

As the initial wells are depleted, new wells are drilled to maintain or increase the supply of gas for the pipeline. As a result, there is ongoing seismic exploration and drilling in producing areas, as well as in new areas on the edges of the producing area.

This pattern continues until the initial reserves of oil or gas, and any new oil or gas found after the decision to build the pipeline, are depleted or are no longer economically attractive to produce.

Land Disturbance

There are numerous environmental concerns associated with oil and gas activity, ranging from land disturbance and disruption of fish habitat to air pollution and damage caused by accidental spills. This section summarizes the land disturbance issues associated with oil and gas exploration and development.

Oil and gas exploration and production require extensive land clearing and infrastructure construction. Seismic cutlines, temporary and permanent roads, wellpads, camps, pipeline right of ways, processing facilities and airstrips or helicopter pads disturb the surface of the land and leave breaks or separations in ecosystems. Over the life of an oil and gas producing area, the

combination of repeated seismic surveys and land disturbances associated with drilling wells, operating well sites and constructing and operating pipelines can result in cumulative impacts. In areas where there are a lot of cutlines, right of ways and roads, wildlife and wildlife movement are affected. For example, although woodland caribou often cross cutlines to access adjoining habitat, they will generally avoid being within 250 metres of these lines.¹⁹ Oil and gas infrastructure, combined with traffic and the continuous noise associated with drilling rigs, well sites and pipeline compressors, can also disturb wildlife. For example, Arctic caribou in oil and gas producing areas in Alaska are more vulnerable to predators, are exposed to more stress, which can affect reproductive productivity, and are forced to modify movement patterns.²⁰

Seismic lines, roads and right of ways also provide extensive and long-term access to hunters, fishers, and industrial and recreational users, which can have a severe impact on wilderness areas and wildlife populations. While the impacts from a single well or road are relatively minor, the number of wells, roads and pipelines required to exploit a large oil or gas reserve lead to cumulative impacts.

Oil and gas development in Alaska started in 1960 with one producing oil field. By 2001, oil development comprised 19 producing fields, 20 pads with processing facilities, 115 pads with support facilities, 91 exploration sites, 13 offshore exploration islands, 4 offshore production islands, 16 airstrips, 1,395 culverts, 960 kilometres of roads and permanent trails, 725 kilometres of pipeline corridors, 353 kilometres of transmission lines, and gravel mines affecting 2,600 hectares.²¹

Summary

As in all other regions, the trend in revenue generation in Yukon Territory mirrors the trend in the price of natural gas. Figure 1 shows this clearly.

¹⁹ Dyer, Simon. *Movement and Distribution of Woodland Caribou in Response to Industrial Development in Northeastern Alberta*. Master of Science Thesis. Edmonton, Alberta: University of Alberta, 1999. Also available online at www.deer.rr.ualberta.ca/caribou/SD_MSc.pdf.

²⁰ Truett, J. and S. Johnson. *The Natural History of an Arctic Oil Field: Development and Biota*, 2000.

²¹ National Research Council of the National Academies. *Cumulative Environmental Effects of Oil and Gas Activities on Alaska's North Slope*, March 2003.

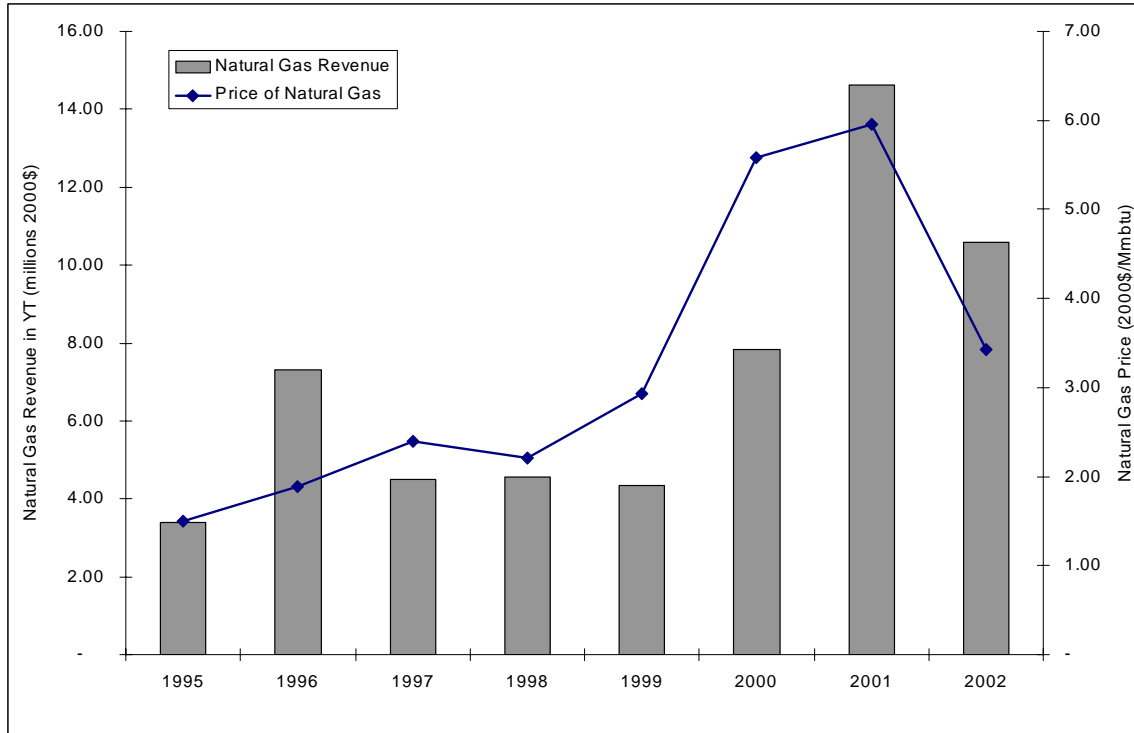


Figure 1 Trends in revenue generation in Yukon Territory and the price of natural gas (2000\$), 1995 to 2002

It is worth highlighting that revenue generation in Yukon Territory was lower than in any of the Canadian provinces included in this analysis. At the same time, in years where economic rent was available, the government in Yukon Territory captured a very small portion of it. Yukon Territory, with its relatively small population and economy, is more vulnerable than other regions. Smaller populations make for less diverse and resilient economies that are more sensitive to boom and bust economic cycles. The Yukon government needs to provide stability to affected communities so large developments do not cause significant, temporary and unsustainable spikes in economic performance. A key component in providing this stability is to develop appropriate resource management policies to ensure that the citizens of the region are appropriately compensated for the development of non-renewable resources.

Lower royalty payments in regions with high investment and operating costs are often justified as a way to provide incentive to oil and gas companies to undertake developments. However, in many regions, including Yukon Territory, development is motivated largely by factors beyond royalty rates and associated royalty regimes. For example, if Alaskan developers decide to build a pipeline down the Alaska Highway, production of some Yukon gas would become more viable. As well, construction of the Mackenzie Pipeline opens up the possibility of construction of the so-called Dempster Lateral Pipeline into Yukon Territory, if seismic and exploration drilling in the northern part of the territory resulted in the discovery of large proven reserves. Finally, the price of gas could continue to increase because of insatiable demand from the United States and eastern Canada, making Yukon gas more economically attractive to produce. Local governments have little or no control over these factors and the influence they will have on oil and gas developments. It is crucial, therefore, that resource management policies for any region do not focus solely on attracting oil and gas investment. Rather than designing a regime that

provides the best deal to developers, governments need to plan for future generations, protect against boom and bust economic cycles, maintain revenue streams into the future, and plan for a transition away from non-renewable resources towards renewable resources over time.