



N.W.T. UPGRADES INFRASTRUCTURE TO ATTRACT RESOURCE DEVELOPMENT

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Project Overview

With a land mass of almost 1.2 million square kilometers, which is over 10% of Canada's land mass, the Northwest Territories has considerable transportation needs. Majority of N.W.T. roads are not up to the standards required to sustain existing, or facilitate future industrial development. Increasing industrial traffic has accelerated the deterioration of the highway system, resulting in the need for massive reconstruction and increased maintenance efforts.

The Northwest Territories has announced a \$600-million infrastructure plan to upgrade roads, bridges and ports in the next decade in an effort to attract energy investment and reduce costs for resource companies operating in the remote region.

Scarce infrastructure keeps exploration costs high as energy companies struggle with spotty access to remote sites even in the coldest months of winter when bad weather can delay schedules. Because of this, costs in the exploration phase are estimated to be between five and seven times the cost to do the same projects in northern Alberta or northeastern B.C.

The territory has also discussed funding agreements that would see Ottawa cover between 50% and 75% of the total infrastructure costs according to N.W.T.'s industry minister David Ramsay.

Size and Scope

At a glance, N.W.T. has approximately 2,200 kilometers of all-weather roads and an additional 1,450 kilometers of publicly-constructed winter roads. There are also several privately-constructed winter roads in the region for oil and gas development and mine re-supply, including the 570-kilometre winter road that provides access to the diamond mines north of Yellowknife.

It is estimated that N.W.T. has 7-billion barrels of potentially recoverable oil reserves and 81 trillion cubic feet of gas. The Territories announced in the fall of 2013 that with the help from the federal government, some \$222-million was allocated for upgrading infrastructure that would give energy companies an easier access to development sites.

Work has begun in late 2013 throughout the territory with a plan to build an all-weather road alongside the entire Mackenzie Valley south to Wrigley, N.W.T. The territory has already spent \$120-million on improvements to the corridor and pegs the total cost of the highway at \$1.7-billion.

None of the funding however, addressed the lack of a highway connecting the Sahtu region with the northern part of the territory, where almost all of the territory's oil and gas development is occurring.

Opportunities

Exploration in the Canol oil shale could certainly change the dynamic in the central Mackenzie and farther North by encouraging investment in badly needed road infrastructure, as investors become more attracted to this resource base of unconventional gas.

The Northwest Territories geography does not demand a host of high-altitude crossings for roads and pipelines and is therefore seen as having an advantage for transportation infrastructure development.

The regulatory regime governing onshore oil and gas activities that came into effect on April 1, 2014 does suggest that the Territories will be open for business in much the same way as Saskatchewan, Manitoba and the Yukon.

Some investors are already taking an initiative, such as Husky Energy which is currently building its own all-weather road to access exploration leases.

Best Perspectives

The commitment to investing in infrastructure will very much assist in making project development in the Northwest Territories more attractive to investors that wish to exploit the resource base of Northwest Territories.

Investment in infrastructure projects of the Northwest Territories will also encourage domestic job creation and economic growth, as well as allow people and goods to move freely, increase the potential for innovation and economic development, improve the environment and support stronger, safer communities.

For More Information

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