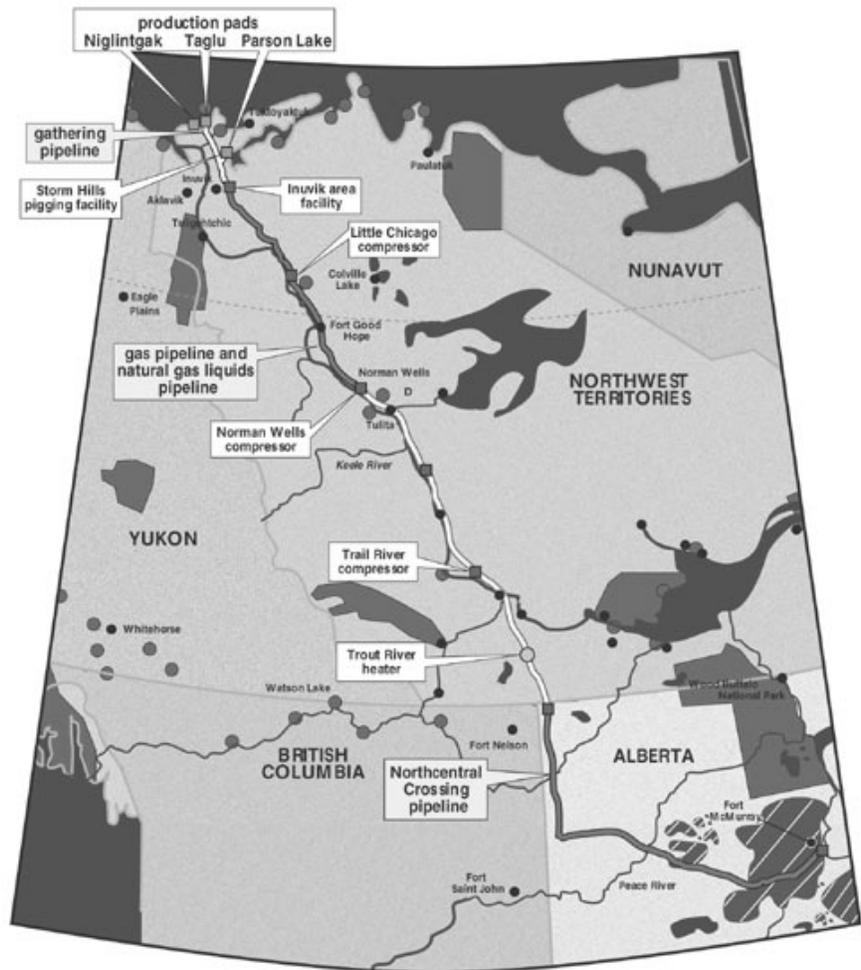


# Company Profits and Government Revenue

Will NWT people get a fair share of the money from the Mackenzie Gas Project (MGP)?



Some results from an independent financial study



## Will NWT people get a fair share of the money from the Mackenzie Gas Project?

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### Alternatives North studied government revenue and company profits to the year 2050, for five scenarios:

- 1) The MGP: 3 anchor fields, gathering system, and pipeline, based on Imperial Oil's numbers as of October 2006.
  - 2) 'All fields': MGP plus possible future gas field development in the Mackenzie Valley, based on a study done for Imperial Oil.
  - 3) 'All fields' with 30% increase in construction costs.
  - 4) 'All fields' with 10% increase in natural gas prices.
  - 5) 'All fields' with higher royalty rates, based on a Norway-type system.
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#### What is government revenue?



- Government revenue = taxes and royalties that gas companies pay.
  - The federal government collects royalties from companies that own and sell natural gas. The royalty is a % of the value of the gas.
  - The federal government does not collect royalties from any pipeline.
  - Right now the federal government collects royalties in the NWT, not the GNWT.
  - Government revenue from NWT gas is low compared to Alberta, Alaska, or Norway.
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#### What are company profits?

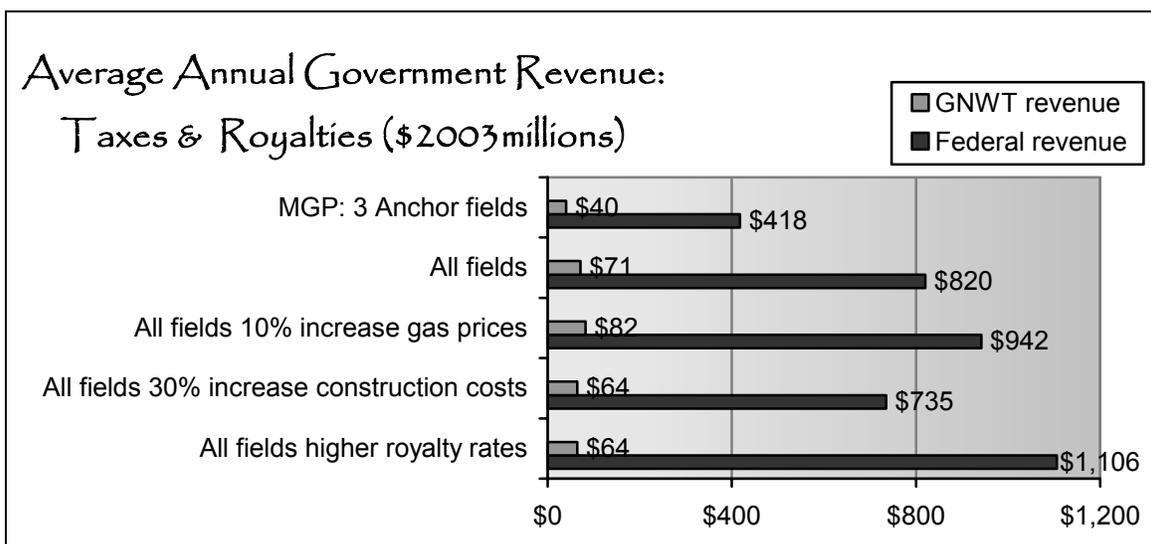
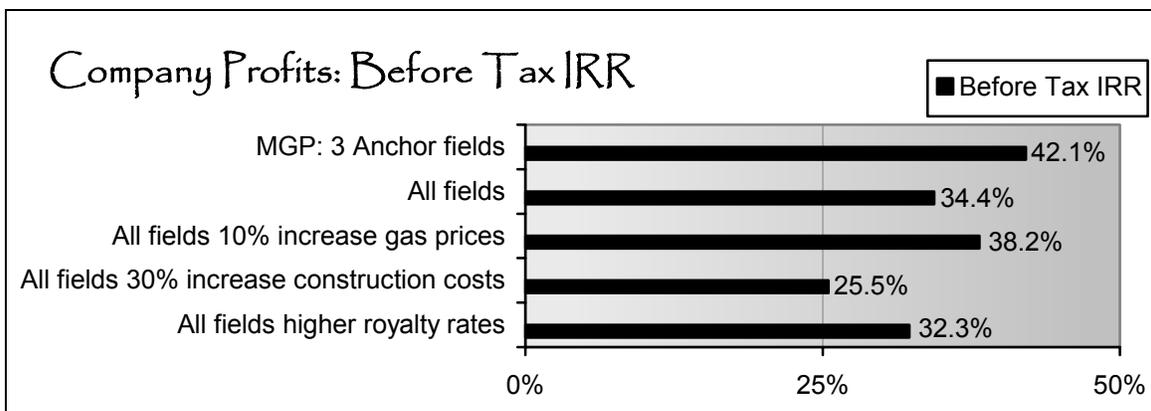


- Company profits = revenue from gas sales minus expenses, taxes, and royalties.
  - Internal rate of return (IRR) = the average profit per year as a % of the money that a company invests.
  - For example, Canada Savings Bonds pay 4%. If you invest \$100 you get back \$104.
  - NWT mining operations have an average 15% IRR.
  - The Mackenzie Valley pipeline has a guaranteed IRR of about 18%.
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# Will NWT people get a fair share of the money from the Mackenzie Gas Project?

The study shows the MGP produces high company profits, low revenue for GNWT, and potential for higher royalties.

- 1) 42% before tax IRR for 3 anchor fields – \$664 million/year.
- 2) 34% before tax IRR for ‘all fields’.
- 3) 4% increase in before tax IRR with 10% increase in gas prices.
- 4) Only 9% decrease in before tax IRR with 30% increase in construction costs.
- 5) Only 2% decrease in before tax IRR with the higher royalties, based on the Norway-type system. Gives 31% more government revenue.



# Will NWT people get a fair share of the money from the Mackenzie Gas Project?

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## Talk to your government leaders Speak up at Joint Review Panel hearings

- ? Should the GNWT collect royalties, not the federal government?
- ? Does the GNWT need more revenue from our gas to help pay for social services, infrastructure, education, health care, housing, and the impacts of the MGP?
- ? Should the NWT have a fund, such as a Heritage Fund, to save some royalties for future generations?
- ? Should we have higher royalty rates, to get more revenue from the production and sale of our gas?
- ? What is a fair profit for companies that develop gas fields in the NWT?
- ? Should any government provide financial help to companies involved with the MGP, considering how much profit they will make?



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Alternatives North is a northern social justice coalition based in Yellowknife. The information in this summary comes from an independent study we did about the finances of the Mackenzie Gas Project (MGP).

The study provides a detailed look at financial issues and questions for the Mackenzie Gas Project. We presented the study findings to the Joint Review Panel and National Energy Board.

Thanks to the Canadian Environmental Assessment Agency and the Canadian Boreal Initiative for funding this important work. Thanks to Jim Johnson, Pacific Analytics for doing the study and to Mary McCreadie, NWT Literacy Council for doing this summary.

Please contact us if you have comments or questions. Look on our website for the full report and other info we have about the MGP.