



Aboriginal Participation and Ownership

Mackenzie Gas Project provides opportunity for aboriginal participation and ownership on all levels. The Memorandum of Understanding signed in 2001 outlines that the Mackenzie Valley natural gas pipeline will be constructed and operated in a way that will give significant economic benefits to northerners. The funding and participation agreements signed in 2003 enhance the rights of the Aboriginal Pipeline Group as defined in the Memorandum of Understanding and chart a course for the Project to move forward in a way that will create real and lasting benefits for the people of the North.

MEMORANDUM OF UNDERSTANDING

The Memorandum of Understanding (MOU) is an agreement between Mackenzie Valley Aboriginal Pipeline Corporation (MVAPC) and the Producer Group. (See "Who We Are" information sheet.) Signed in October 2001, the MOU describes how the Aboriginal Pipeline Group and the Producer Group will work together during the planning phase and later phases of a Mackenzie Valley Pipeline. It also provides an opportunity for MVAPC to acquire up to a one-third interest in the Mackenzie Valley Pipeline.

MAJOR MILESTONES

January 2000

Aboriginal leaders representing First Nations groups throughout the Mackenzie Delta and Valley met in Fort Liard. They resolved to establish a business relationship to maximize ownership of, and benefits from, a Mackenzie Valley natural gas pipeline.

Summer 2000

Aboriginal communities of the Northwest Territories established the Aboriginal Pipeline Group (APG).

January 2001

The APG established the Mackenzie Valley Aboriginal Pipeline Limited Partnership to represent aboriginal business interests in the Mackenzie Valley Pipeline. MVAPC is the general partner of the Mackenzie Valley Aboriginal Pipeline Limited Partnership.

October 2001

MVAPC and the Producer Group signed the Memorandum of Understanding.

January 2002

The Producer Group and MVAPC announced their plan to begin preparing regulatory applications needed to develop onshore natural gas resources in the Mackenzie Delta, including the Mackenzie Valley Pipeline.

June 2003

Funding and participation agreements were reached between the Producer Group, the APG and TransCanada PipeLines Limited. These agreements further enhance the rights of the APG. The Preliminary Information Package for the Mackenzie Gas Project, outlining project plans, was submitted to the relevant regulatory authorities.

FUNDING AND PARTICIPATION AGREEMENTS

The funding and participation agreements between the APG, the Producer Group (the Producers) and TransCanada PipeLines Limited (TransCanada) address APG financing, enhance the rights of the APG as defined in the 2001 Memorandum of Understanding, and chart a course for the Project to move forward in a way that will create real and lasting benefits for the people of the North.

Terms of the agreements signed by the parties include the following:

- TransCanada has agreed to lend about \$80 million to the APG for its share of "project definition phase" costs. If the Mackenzie Valley Pipeline proceeds, the APG will repay the loan from its share of future pipeline revenues.
- The Producers have agreed to potentially reduce their share of the pipeline ownership by five percent of anchor capacity. They would provide TransCanada an option to obtain this interest in the Project in consideration for TransCanada funding the APG's project definition phase costs. TransCanada has the option to acquire their interest after the decision to construct is made by the other pipeline owners.
- If any of the Producers sells or reduces its ownership interest in the pipeline, TransCanada will have the opportunity to acquire 50 percent of any such opportunities, with the APG and other owners sharing the opportunity to obtain the remaining 50 percent. If all of the sold interest is not subscribed for in the first round, the APG can obtain all the remaining available interest in the second round.
- If firm shipping commitments above anchor field capacity or future expansions to the pipeline are required, the APG will have the first right, for 10 years after start-up, to increase its interest up to one-third. Once this level of APG participation is reached, the APG, TransCanada and other owners will each have the opportunity to obtain a one-third interest in additional expansions.
- In the unlikely event no firm shipping commitments other than anchor field capacity are available at the time of the decision to construct, the APG has the right to convert its pre-development expenditures into an equivalent ownership interest in the pipeline:
 - Producers will reduce their pipeline ownership by this amount.
- This interest will be supported by shipments of natural gas from the Producers' anchor fields.
- If third-party commitments are signed after the decision to construct, they will first be used to re-instate the Producers' ownership interest in the pipeline.
- The APG may also leverage the TransCanada project definition phase funds (to borrow the related debt funds) to pay for a portion of its share of construction costs. In addition, the Producers and APG have agreed to an arrangement in which the Producers will assist the APG, at the APG's option, in securing funding for its participation in the pipeline following the decision to construct. Before regulatory applications are filed, the Producers and the APG will finalize a mutually acceptable agreement reflecting these terms. The level of construction funding required by the APG before start-up will be determined based on firm shipping commitments.
- TransCanada agrees to pursue extension of its Alberta pipeline system to connect with a Mackenzie Valley Pipeline just south of the Northwest Territories/Alberta border.



Inuvik Regional Office
Bag Service 14
151 Mackenzie Road
Inuvik, NT X0E 0T0
Telephone: (867) 678-6104
Fax: (867) 678-6107

Norman Wells Regional Office
PO Box 146
#1 Town Square
Norman Wells, NT X0E 0V0
Telephone: (867) 587-3130
Fax: (867) 587-4109

Fort Simpson Regional Office
PO Box 530
9925 - 102 Avenue
Fort Simpson, NT X0E 0N0
Telephone: (867) 695-2624
Fax: (867) 695-2651

Calgary Office
Consultation and
Community Affairs
PO Box 2480, Station M
Calgary, Alberta, Canada
T2P 3M9