



NORTHERN OIL AND GAS
ANNUAL REPORT
2021



Crown-Indigenous Relations
and Northern Affairs Canada

Relations Couronne-Autochtones
et Affaires du Nord Canada

Canada 



Northern Oil and Gas Annual Report 2021

Foreword

The *Northern Oil and Gas Annual Report* is prepared in accordance with section 109 of the *Canada Petroleum Resources Act* which states:

The Minister shall, within ninety days after the end of each year, cause to be prepared a report with respect of the administration of this Act during that year, and shall cause the report to be laid before each House of Parliament on any of the first fifteen days on which that House is sitting after the day the report is prepared.

Responsibility for the management of oil and gas resources on Crown lands north of 60°N in the Northwest Territories, Nunavut and Northern offshore is administered by the Petroleum and Mineral Resources Management Directorate under the mandate of the *Canada Petroleum Resources Act* by:

- Granting and managing Crown exploration and production rights;
- Administering the public register of northern petroleum interests and instruments; and,
- Governing rights issuance, the financial administration of interests, benefits, environmental considerations and royalty management.

Information about northern petroleum resource management regime and the program can be found at: www.rcaanc-cirnac.gc.ca/eng/1100100036087/1538585604719.

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Minister's Message

Every year, in accordance with the *Canada Petroleum Resources Act*, the Government of Canada tables before Parliament an annual report on the administration of the *Act* in the Northwest Territories, Nunavut, and Northern offshore, for the calendar year ending on December 31.

Throughout 2021, the work of Crown-Indigenous Relations and Northern Affairs Canada continued to be guided by the Government of Canada's determination to foster strong economic growth in the Arctic that respects Indigenous rights and protects the environment.

While there was no activity in Canada's northern oil and gas sector in 2021, Crown-Indigenous Relations and Northern Affairs Canada devoted significant efforts to advance two essential elements that will shape the future on this industry in Canada's North.

First, the Department continued to gather marine and climate science in collaboration with Indigenous and territorial partners, in order to inform the future of the moratorium.

Second, Crown-Indigenous Relations and Northern Affairs Canada continued to advance the negotiations of a Beaufort Sea oil and gas co-management and revenue-sharing agreement with key partners: the Government of Yukon, the Government of Northwest Territories, and the Inuvialuit Regional Corporation.

I invite you to consult this report for further details on the state of Canada's Northern oil and gas resources sector over the past year, including the disposition of interests, financial administration of interests, environmental considerations, consultations and royalty management for 2021.

The Honourable Daniel Vandal, P.C., M.P.
Minister of Northern Affairs



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CANADA PETROLEUM RESOURCES ACT ACTIVITIES

Current Disposition of Interests

The Government of Canada maintains a public registry of petroleum interests and instruments registered under Part VIII of the *Canada Petroleum Resources Act*. This registry is the official record of rights holders, and any transfer of rights or change of ownership must be registered.

More information is available at <https://www.rcaanc-cirnac.gc.ca/eng/1100100036364/1583277191056>.

Table 1: Exploration Licences as of December 31, 2021

Licence	Area (in hectares)	Representative	Effective Date	End of Period 1	Expiry Date ²
<i>Beaufort Sea</i>					
EL317 ¹	105,150	BP Canada Energy Development Company	5 Oct 1986	N/A	N/A
EL329 ¹	339,434	BP Canada Energy Development Company	5 Sep 1987	N/A	N/A
EL476	205,321	Imperial Oil Resources Limited	1 Sep 2012	31 Jul 2019	31 Jul 2019
EL477	202,380	Imperial Oil Resources Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020
EL478	205,359	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020
EL479	203,635	BP Exploration Operating Company Limited	1 Sep 2012	30 Sep 2018	30 Sep 2020
EL481	205,946	Chevron Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021
EL483	196,497	ConocoPhillips Canada Resources Corp.	1 Sep 2012	30 Sep 2018	30 Sep 2020
EL485	29,350	Franklin Petroleum Canada Limited	1 Sep 2012	31 Aug 2019	31 Aug 2021
EL488	24,574	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022
EL489	35,544	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2019	5 Mar 2022
EL491	100,677	Franklin Petroleum Canada Limited	6 Mar 2013	5 Mar 2020	5 Mar 2022
EL496	14,820	Franklin Petroleum Canada Limited	1 Jun 2014	31 May 2021	31 May 2023

¹ Under work prohibition order P.C. 1987-2265 pursuant to section 12 of the *Canada Petroleum Resources Act*.

² In the Arctic Offshore, terms of existing Licences as well as oil and gas activities are suspended under order in council P.C. 2019-1121 pursuant to subsection 12(1) of the *Canada Petroleum Resources Act*. Time remaining on licences (time between the coming into force of the order and the expiry date of the suspended licences) will resume once the order is repealed.

**Table 2: Land disposition as of December 31, 2021***In Hectares*

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights ¹	Total
Arctic Islands of Nunavut	0	327,981	0	0	327,981
Eastern Arctic Offshore	0	11,184	0	0	11,184
Beaufort Sea	1,868,687	224,623	0	0	2,093,310
Norman Wells Proven Area	0	0	0	654	654
Total (in hectares)	1,868,687	563,788	0	654	2,433,129

By Interest Type (number of licences)

Region	Exploration Licence	Significant Discovery Licence	Production Licence	Former Rights ¹	Total
Arctic Islands of Nunavut	0	20	0	0	20
Eastern Arctic Offshore	0	1	0	0	1
Beaufort Sea	13	48	0	0	61
Norman Wells Proven Area	0	0	0	6	6
Total	13	69	0	6	88

¹ Permits and/or leases issued under former legislative regimes and continued in force pursuant to subsection 112(2) of the *Canada Petroleum Resources Act*.

Rights issuance

In December 2016, the Government of Canada announced a moratorium on new oil and gas rights issuance in the Arctic offshore, subject to a five-year science-based review. The Government of Canada worked with Northern Partners to co-develop a climate and marine science-based review in the Arctic offshore. Canada is continuing to work collaboratively with Northern Indigenous organizations and territorial governments to jointly administer the review, taking into account marine and climate change science. The science-based review committees co-developed new research for an Arctic offshore-wide resources assessment, an assessment of greenhouse gas emissions from potential offshore oil and gas development in the Beaufort Sea, and a survey of Arctic offshore well containment and control capabilities. The objective of the collaborative review process is to assess the potential impact from Arctic offshore oil and gas exploration and development.

Reports of the review process in the western Arctic offshore and eastern Arctic offshore are being co-developed by the Government of Canada, Northern Indigenous organizations and territorial governments. They will be supplemented by the foundational research and information gathering that was completed as part of the Beaufort Regional Environmental Assessment and the Eastern Arctic Strategic Environmental Assessment, and include new



climate and marine information. In 2022, the reports will inform next steps related to the moratorium.

Finally, the Government of Canada has continued to negotiate a Beaufort Sea oil and gas co-management and revenue-sharing agreement with the Government of Yukon, the Government of Northwest Territories and the Inuvialuit Regional Corporation.

Prohibition Order in Canadian Arctic Offshore Waters

On October 4, 2018, Canada announced “Next Steps on Future Arctic Oil and Gas Development,” committing Canada to suspend the terms of existing licences in the Arctic offshore to preserve existing rights for the duration of the moratorium on new oil and gas rights issuance in the Arctic offshore. Subsequently, on July 30, 2019, the Governor in Council issued an Order Prohibiting Certain Activities in Arctic Offshore Waters. The Order prohibited any person, including an interest owner of a licence, to commence or continue any work or activity authorized under the *Canada Oil and Gas Operations Act* on the frontier lands that are situated in Canadian Arctic offshore waters and in respect of which the Minister of Northern Affairs has administrative responsibility for natural resources. The Order was set to expire December 31, 2021, but was renewed for one year to accommodate consideration of the moratorium.

Figure 1: The Beaufort Sea Region

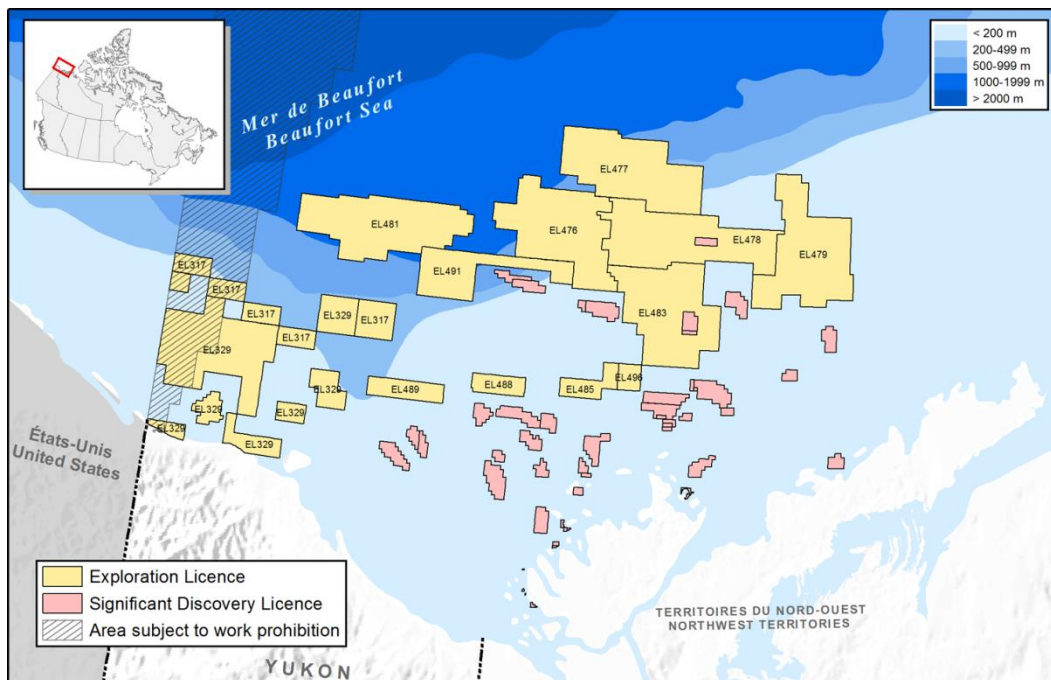




Figure 2: The Arctic Islands Region

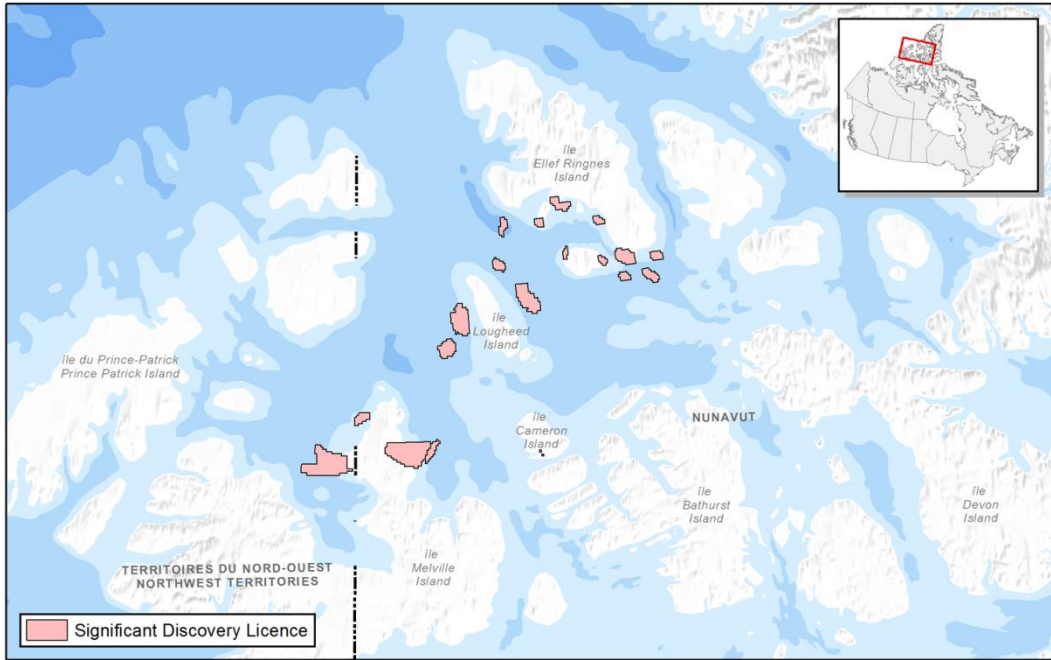


Figure 3: The Eastern Arctic Region





Financial Administration of Interests

Table 3: Revenues from Administration of Interests, 2017-2021

Expressed in dollars

	2016	2017	2018	2019	2020	2021
Non-refundable rentals ¹	993	993	993	993	993	993
Fees ²	2,708	1,571	736	2,585	0	397
Total	3,701	2,564	1,729	3,578	993	1,390

¹ Norman Wells Proven Area leases issued under the *Canada Oil and Gas Land Regulations* which continued in force pursuant to subsection 114(4) of the *Canada Petroleum Resources Act*.

² Fees for service (section 15 of the *Frontier Lands Registration Regulations*).

Environmental Considerations

The Government of Canada's *Budget 2016* provided funding to help assess the potential environmental impacts of future offshore oil and gas activity in the Arctic, as part of the Government's five year science-based review.

Beaufort Regional Strategic Environmental Assessment

The Beaufort Regional Strategic Environmental Assessment was launched in 2016 and a final report was released in September 2020. The assessment was developed and led in partnership between the Inuvialuit Regional Corporation, the Inuvialuit Game Council, and Crown-Indigenous Relations and Northern Affairs Canada. The final report, available at : <https://rsea.inuvialuit.com/>, provides strategic direction and analysis of environmental considerations for decision-making pertaining to future offshore oil and gas activity in the Beaufort Sea, Inuvialuit Settlement Region.

Strategic Environmental Assessment in Baffin Bay and Davis Strait

The Strategic Environmental Assessment in Baffin Bay and Davis Strait was also initiated in 2016. The assessment was led by a working group that included the Qikiqtani Inuit Association, Nunavut Tunngavik Incorporated, the Government of Nunavut and Crown-Indigenous Relations and Northern Affairs Canada.

In Summer 2019 the Nunavut Impact Review Board submitted a final report and recommendations to the Minister. This final report serves to inform decision-making on offshore oil and gas activities within the Baffin Bay and Davis Strait region.

All documents relating to the Strategic Environmental Assessment can be found on the Nunavut Impact Review Board public registry at www.nirb.ca.



Environmental Studies Research Fund

The Environmental Studies Research Fund is a provision of the *Canada Petroleum Resources Act*, and is funded through levies applied to oil and gas lands held under licence. The research program sponsors environmental and social studies related to the exploration, development and production of oil and gas resources on frontier lands. Based upon the recommendations of the Environmental Studies Research Fund Management Board, the Minister approved a levy of zero for each northern region for 2020-2021, as the terms of existing licences in the Arctic offshore are suspended.

The Environmental Studies Research Fund Management Board has identified a marine study that will take place in the northern regions beginning in the 2021-2022 fiscal year, using funds from prior to the 2016 moratorium. The study will use autonomous glider technology to monitor marine mammals and ship noise in the eastern Beaufort Sea. Further details on the Environmental Studies Research Fund, including annual reports and publications can be found at www.esrfunds.org.

Royalty management

Given that there are no producing fields in Nunavut or in offshore Arctic waters, the amount of offshore royalty received by Canada in the 2021 calendar year is \$0.

Pursuant to the *Northwest Territories Land and Resource Devolution Agreement*, the Norman Wells Proven Area remains under federal jurisdiction. The Government of Canada continues to collect petroleum royalties associated with the Norman Wells Proven Area and remits such royalties to the Government of the Northwest Territories. Two fields produced oil and/or gas in the Northwest Territories in 2021: the Ikhil gas field on the Mackenzie Delta and the Norman Wells oil field in the Central Mackenzie Valley.

The Ikhil gas field lies on Inuvialuit Lands and continues to be administered by Canada on behalf of the Inuvialuit pursuant to Section 7(94) of the *Inuvialuit Final Agreement*. Canada's responsibility to collect and remit royalties to the Inuvialuit continued after April 1, 2014, pursuant to the terms of the *Northwest Territories Land and Resource Devolution Agreement*.

Benefits

In 2021, no benefits plans were submitted as no exploration activity was conducted in Frontier Lands under Crown-Indigenous Relations and Northern Affairs Canada jurisdiction.

Subsection 5.2 of the *Canada Oil and Gas Operations Act* and section 21 of the *Canada Petroleum Resources Act* require that a benefits plan be approved by the Minister before authorization of any oil and gas work or activity, or approval of a development plan relating to a pool or field on Frontier Lands in Nunavut, the Northwest Territories, and in the Arctic offshore.



FOR FURTHER INFORMATION

Petroleum and Mineral Resources Management Directorate

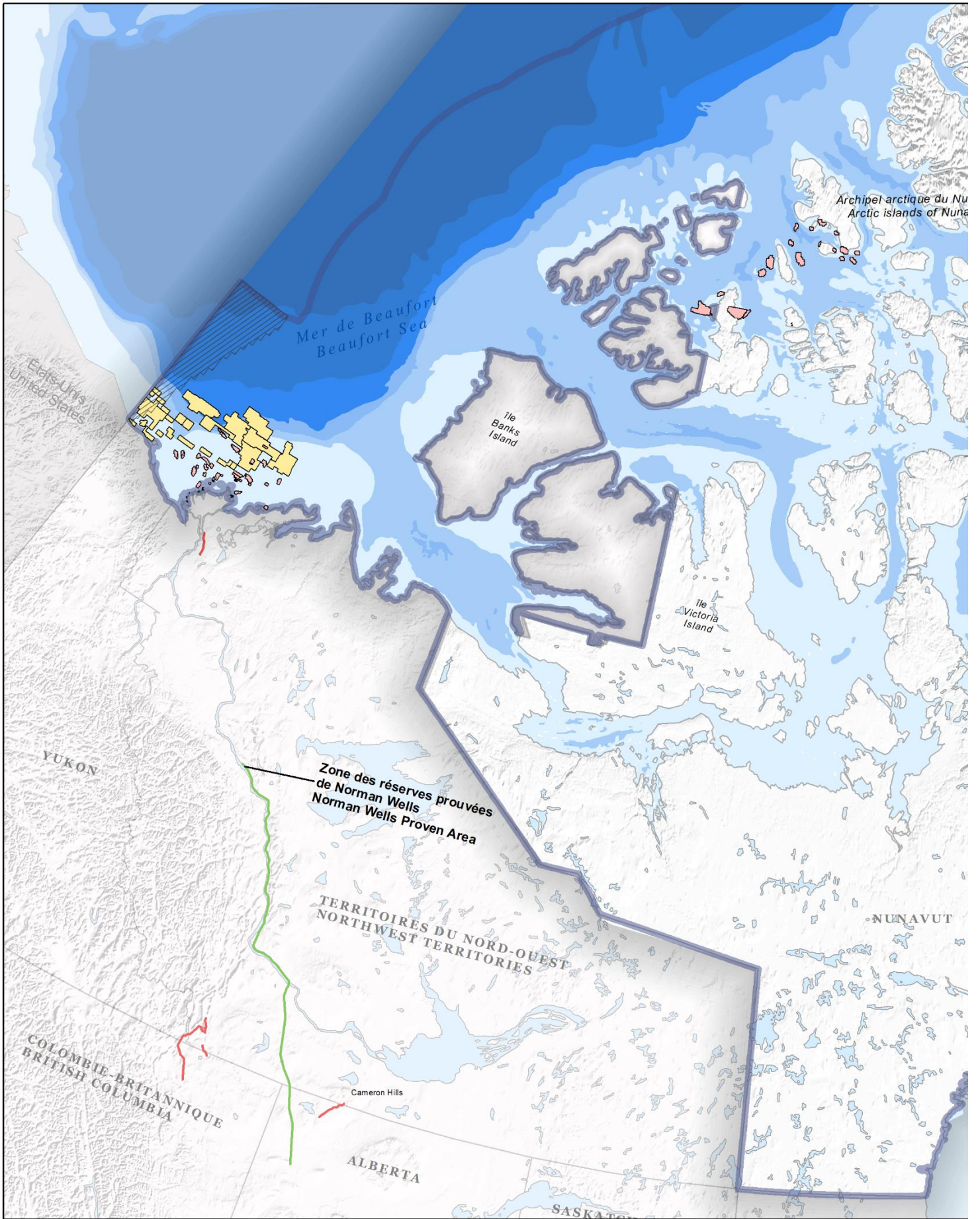
To obtain further information, please contact the Directorate by phone or in writing.

Mailing address:

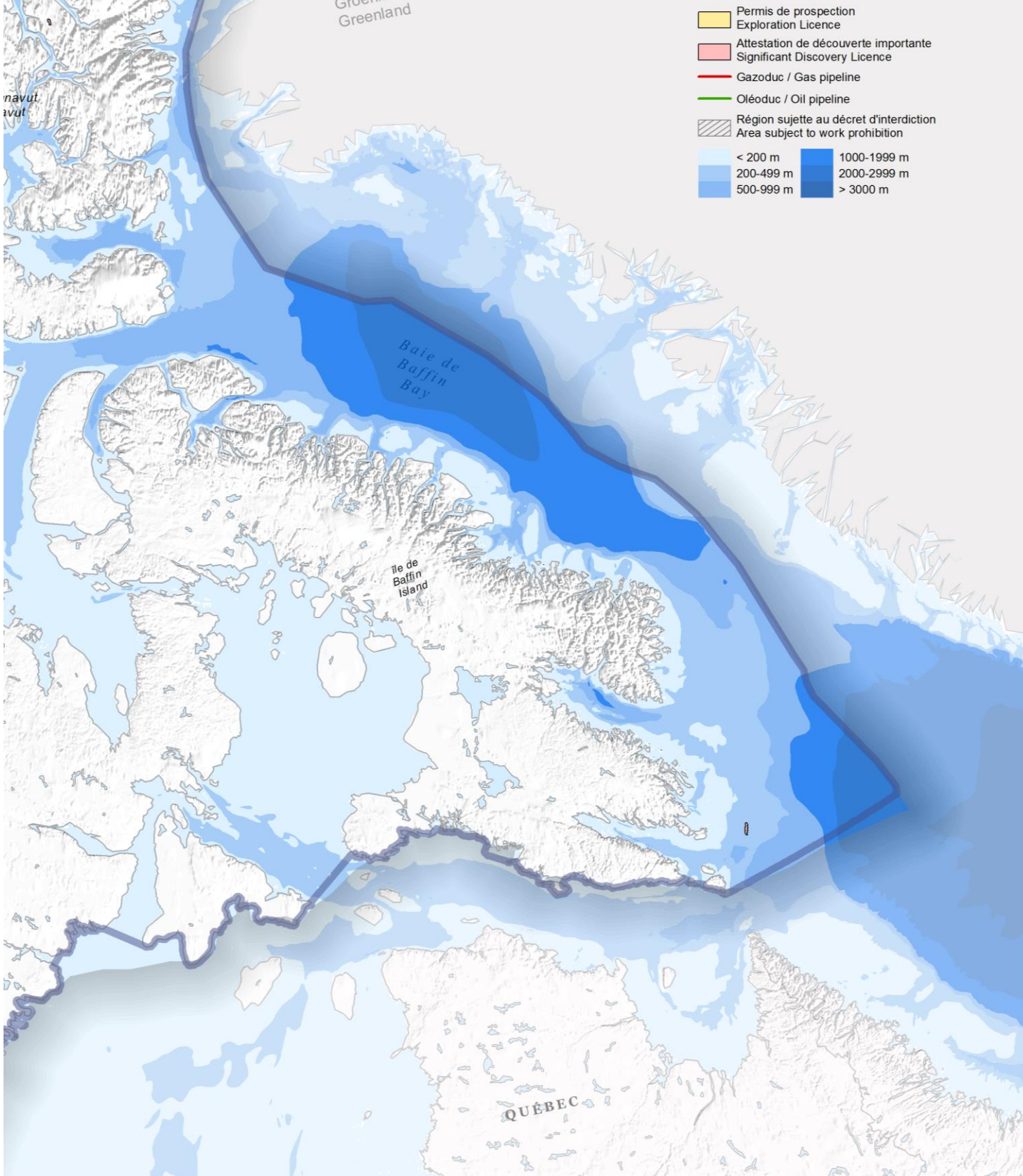
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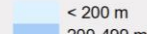

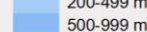
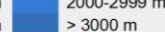


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Dispositions des droits pétroliers et gaziers Oil & Gas Dispositions
en date au 31 décembre 2021 as of December 31, 2021



-  Permis de prospection
Exploration Licence
 -  Attestation de découverte importante
Significant Discovery Licence
 -  Gazoduc / Gas pipeline
 -  Oléoduc / Oil pipeline
 -  Région sujette au décret d'interdiction
Area subject to work prohibition
- | | |
|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|  < 200 m |  1000-1999 m |
|  200-499 m |  2000-2999 m |
|  500-999 m |  > 3000 m |

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