

FAQ

AUG
2020

Background Information

Over the month of June, the Inuvialuit Petroleum Corporation (IPC) and Ferus Natural Gas Fuels (Ferus NGF) were pleased to consult and engage with many community organizations and co-management bodies about the proposed Inuvialuit Energy Security Project (IESP). IPC and Ferus NGF shared their vision about how the IESP could establish a secure local energy supply that could support families, businesses and communities for more than 100 years. Through these consultations, community members learned about the anticipated components of the IESP including the construction of a short all-weather access road from the ITH to the TUK M-18 wellsite; the completion of the existing suspended well at TUK M-18; the fabrication, transport and commissioning of a small gas processing facility; and the production and transportation of natural gas and gas liquids to local consumers.

Through the community consultations, IPC and Ferus NGF sought to (1) provide as much information about the proposed IESP as possible, (2) gain early feedback from potentially affected people and communities through interactive dialogue; (3) gather any local and/or traditional knowledge that might be relevant to the development; (4) identify potential effects of the development and demonstrate how the negative effects will be mitigated; and (5), address or resolve (if possible, at this early stage of project development) any concerns expressed about the proposed IESP. Below are some of the questions and answers flowing from this engagement.





Who are the project proponents?

The IPC is proposing the IESP with the support of Ferus NGF. The IPC is a subsidiary of the Inuvialuit Regional Corporation and its principle objective is to facilitate the engagement of Inuvialuit in the energy and resources sector with a specific focus on northern oil and gas opportunities. Ferus NGF is a small, private company based in Calgary, AB that has been building a liquefied natural gas (LNG) business in western and northern Canada since 2011. Ferus NGF owns and operates Canada's first merchant LNG facility near Grande Prairie, AB and has safely delivered 17 million gallons of LNG to the NWT and YT for remote power generation.

What are the benefits of the project?

The key benefits of the IESP include energy security, reduced cost of living, regional economic development, employment, contracting, training and capacity building opportunities, and a meaningful reduction of GHG emissions. IPC and Ferus NGF are committed to ensuring that local benefits are maximized throughout the entire lifecycle and scope of the IESP.



Is the timeline for this project realistic?

The timeline for this project is aggressive due to its urgency, but achievable. We are aiming for first gas production and transportation in Spring 2022. We have completed the first round of community consultations, initiated front-end engineering and design (FEED), and are on track to submitting our various applications to the relevant regulatory agencies by end of summer/early fall with approvals anticipated by the end of 2020. If the IESP is approved, civil works would take place in early 2021 and plant construction is scheduled for the fall of 2021 and early winter of 2022.

How do we make sure that the TUK M-18 well development has a better outcome than the Ikhil well?

The TUK M-18 well is in a completely different formation than the Ikhil well. The geology of the TUK M-18 well has been validated by experts and the size of the reservoir is considerably larger than Ikhil. TUK M-18 has an estimated 335 billion cubic feet (BCF) of gas in place with 278 BCF identified as recoverable. This is enough gas to supply the region for approximately 100 years. In addition, TUK M-18 sits above the gas-water line so it would not water-out like Ikhil did.



Is this the only well you are looking at?

This well is in a condition unlike any of the other exploratory wells that were drilled in the region. In its current state, it can be completed at a low enough cost to make the project feasible. For the purposes of this project, this is the only well we are looking at.



Who was consulted?

Tuktoyaktuk Community Corporation, Tuktoyaktuk Hunters and Trappers Committee, Hamlet of Tuktoyaktuk, Inuvik Community Corporation, Inuvik Hunters and Trappers Committee, Town of Inuvik, Gwich'in Tribal Council and Aklavik Community Corporation were each consulted. In addition, we have engaged with other relevant organizations such as the federal and territorial governments, Northwest Territories Power Corporation (NTPC), and co-management bodies.



What are your engagement and communications plans going forward?

We will continue engaging with stakeholders throughout the duration of the project, including during operations. We are actively responding to the requests made and concerns voiced during our first round of consultations and are working on an “IESP Opportunities Guide” related to employment, contracting and capacity building that will be circulated broadly. Relevant updates will be provided by direct mail, email, posters and on the IPC website and IRC social media channels. IPC and Ferus NGF are always open and available to answer questions directly as they arise.

Have you considered creating an advisory committee to discuss issues pertaining to the project?

The question of providing a venue for addressing issues and ideas relating to the IESP was raised a number of times. Currently, each Inuvialuit Community Corporation (CC) maintains representation through the Chair of the CC on the Inuvialuit Regional Corporation's Board of Directors, which meets quarterly and more often as necessary to discuss initiatives like the IESP. The proposal to establish an additional venue will be raised with IRC Board for consideration.





How much will our heating and power bills go down as a result of IESP?

The exact numbers are not yet known at this early stage but one of the main reasons and key benefits of the project is to meaningfully reduce the cost of energy in every household.

What is the capital cost of the IESP?

We will have a better understanding of the capital cost of this project once we complete the FEED work this fall. No final investment decision will be made until the number is known and approved by Inuvialuit leadership.



What is the expected return on investment for this project, and how long will it take to achieve?

While the economics are important, the main priority of this project are the anticipated local benefits including energy security and affordability as well as local job creation and capacity building. That said, the return on investment (ROI) will be typical of other infrastructure projects and will depend to a considerable degree on consumption. We are working closely with the Government of the Northwest Territories (GNWT) and NTPC who will be our main two customers to secure contracts for the fuel.

What is the process for converting Tuktoyaktuk to gas?

Phase one will be converting Tuktoyaktuk power from diesel to gas which is part of the GNWT energy strategy and is in their capital plan. We are working with the GNWT to align the timing of our project with the timing of their planned installation of a natural gas power plant in the Hamlet of Tuk – and hopefully to accelerate that process. Conversion of Tuktoyaktuk heating to gas is a longer-term objective. However, we are already advocating for government support for this objective.





Q13

What jobs will be created out of IESP and how will we find out about them?

This project will offer a mix of short-term employment during construction, contract opportunities for local businesses during construction and operation, and long-term full-time jobs once operational. We anticipate 15-25 full-time jobs will be created. As a first step, we have prepared, posted and circulated a listing of all the potential short and long-term employment and contracting opportunities. As a second step, we are developing a comprehensive “IESP Opportunities Guide” that will provide opportunity profiles and information on how to prepare for them. This will be available on the IPC website and printed for distribution. At the relevant times, jobs will be advertised on the Inuvialuit Corporate Group’s website and social media platforms.

Will the jobs and contracts be filled locally?

That is a top priority. To the extent possible, every job and contract will be filled locally. As this project progresses and we are in a position to hire, we will make all employment and contract opportunities known on IPC’s webpage and through the Inuvialuit Corporate Group’s website and social media platforms. It should be noted that some of the employment opportunities will require several years of training. Where Inuvialuit or other local residents are not yet ready to take those positions, IPC and Ferus NGF will establish a transition period in order to fulfill operational needs while individuals are pursuing their training and education.

Q14

Q15

What training will be required and how will it be delivered?

Depending on the position and the skills & certifications required - which will be described in the “IESP Opportunities Guide” - training will occur in the region at Aurora College and/or by Ferus NGF personnel. Where offerings are not available in NWT, IPC will work with southern institutions like NAIT (Edmonton) and SAIT (Calgary) to ensure Inuvialuit are able to gain the education and training they might need. We are reviewing training options with input from the IRC Capacity Team, GNWT’s Department of ECE and Aurora College. There will also be opportunities for training and employment at the engineering and fabrication shops in Calgary who are involved in designing and assembling the plants for this project. Additionally, we will look to leverage as much as possible the existing local knowledge and experience gained during the many decades of previous oil and gas exploration and development in the Beaufort Delta.

How can our youth get involved and be ready to benefit from the job opportunities?

The “IESP Opportunities Guide” will detail the pre-requisite high school courses required to qualify for employment and contracting opportunities. We are also identifying educational opportunities for children and youth to learn about and participate in various aspects of the project including gas development, LNG awareness, and environmental stewardship. Two Inuvialuit youth have already become involved this summer by accepting co-op placements at Ferus NGF’s facility in Grande Prairie, AB. They arrived on July 13 and will spend six weeks helping with maintenance and projects in the yard while learning about Canada’s oil and gas and LNG industries.

Q16



Will Ferus NGF be doing the trucking?

No. This is an opportunity for local trucking companies and local drivers. Ferus NGF will actively support the build-out of the transportation part of this project by providing hands-on training designed to set everybody up for long-term success.

→ ENVIRONMENT AND TRADITIONAL KNOWLEDGE

Does the project pose any significant environmental risks to the region?

The environmental and geotechnical feasibility of the project has been analyzed through a series of eight field studies conducted over the last three years with support of the Inuvik and Tuktoyaktuk Hunters and Trappers Committees, the Aurora Research Institute and the Inuvialuit Land Administration. The results of the field studies show that the wellsite and area can be developed without any significant impacts

to wildlife, water, vegetation, permafrost or any other aspect of the environment. Additional traditional knowledge was gathered during our consultations which are being incorporated into the project planning and design.



Will you use a culvert or bridge for the creek crossing?

It was made clear during the first round of consultations that, for environmental reasons, culverts are not an acceptable option to the community for the creek crossing. A bridge is now the first option for that crossing, if the IESP is approved.

Who is responsible for remediation of the existing TUK M-18 Sump?

The sump is where drilling waste was collected or disposed of when TUK M-18 was first drilled in 2002. It has been studied and sampled through at least seven separate programs and results showed that while the sump is collecting water and depositing some salts in the soil it does not pose a significant contamination risk. The well owners have indicated they wish to fulfill their responsibility for the remediation of the sump. If the IESP is approved remediation can begin once civil works are done on the road.



How do you plan to manage spills and leaks that may happen during operations?

Ferus NGF brings decades of risk mitigation and emergency response experience to the project and impacted communities. A comprehensive risk analysis and Emergency Response Plan is underway under the leadership and guidance of Ferus NGF and will be part of the regulatory permit application process.



How does climate change impact this project?

We are conscious of the impacts of climate change in the north and are aware of climate change monitoring in the communities. We installed four ground thermistors in the project area this past winter which is helping us keep track of the ground temperatures at our site and along the road. We are choosing the best location for the pad based on ground temperatures and our engineering designs will account for the possibility of ground temperatures increasing over time.



→ COMMUNITY IMPACTS



How much truck traffic is expected during operations?

Between the LNG and natural gas liquids, we are anticipating between 5 and 8 trucks per day on the ITH. This is based on 24 hours per day of energy transport. We have started discussions and will be working closely with the GNWT Department of Transportation to ensure adequate road maintenance and safety, including the construction of more pullouts on the highway.

→ SAFETY AND SECURITY

Will there be year-round security at the plant?

Yes. We are gathering feedback during our consultations around the most effective security measures including a gate, plenty of signage, fencing and full-time personnel patrolling the highway and road to the facility



→ GOVERNMENT REGULATIONS

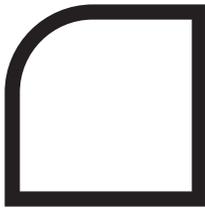


Will you be following all regulatory due processes?

Yes. Regulatory approvals will be required from the Environmental Impact Screening Committee, the Canadian Energy Regulator, the Inuvialuit Water Board, the Inuvialuit Land Administration, Fisheries and Oceans Canada, NWT Highways, NWT Petroleum Resources Division, and others.



The IESP team thanks everyone for their valuable input to date and encourages anyone with comments, ideas or questions to contact us.



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