

ENERGY—MACKENZIE VALLEY PIPELINE—POSSIBILITY OF
REQUEST BY ARCTIC GAS FOR GOVERNMENT GUARANTEE TO
RAISE CAPITAL

Mr. Stuart Leggatt (New Westminster): Mr. Speaker, this matter arises from a question I asked in the House on May 6 concerning the Mackenzie Valley pipeline. It was prompted by evidence which was given before the National Energy Board by the Canadian Arctic Gas consortium. This consortium had indicated, not once but several times, that it would be seeking government guarantees in order to raise the capital which would be required to build a Mackenzie Valley pipeline. My question was a long one, and without going into it further what I asked basically was whether the government had been approached, at least initially, to provide some form of guarantee, and I asked whether negotiations were under way and, if so, what was their state.

The answer that I received from the Minister of Energy, Mines and Resources (Mr. Gillespie) was that he did not know but he said "I will be pleased to find out". One of the reasons for putting this matter on the late show was to follow up that question in view of that remarkably co-operative answer given me by the minister. I am hoping tonight I can be enlightened not only in terms of whether negotiations are taking place with the Arctic Gas consortium with respect to guarantees—that is particularly significant in view of the Berger report that was just tabled—but also to find out what is really the nature of those guarantees.

Perhaps I can assist the hon. parliamentary secretary in a couple of ways, and perhaps he can correct me if I am wrong. The nature of these guarantees is really two-sided. The first guarantee they are seeking is an insurance scheme to cover interruption of service. Shippers would be subject to an all-events tariff and hence liable to pay Arctic Gas Pipelines despite non-delivery. The second form of guarantee is equally serious. It is a guarantee of backstop financing from the government. This is a guarantee where, if there are overruns, the government will back up major overruns on the project.

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We have had some experience. We have seen what happened on the Alyeska line, and we have seen what happened on a myriad of other projects in Canada, such as the kind of overrunning we witnessed of James Bay. Alyeska started off with a \$900 million projection. I think they are now at \$9 billion in terms of costs. The risks in the Mackenzie Valley, in terms of overrun, are quite fantastic.

What is significant about the guarantees sought is that the people who know something about money, both in New York and in Toronto, have insisted that this government back up this private consortium because they cannot get the money from the private sector. That should tell the members of this House just how valid that Mackenzie Valley proposal is, because the private sector itself will not back it without government guarantees. That, even without the Berger report, should be a satisfactory reason to turn down this most unwise

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proposal in terms of bringing Arctic gas to the United States market.

In terms of the project itself, I should point out that I am not going to deal with the sensitive questions concerning native rights and the environment. That will be dealt with, no doubt, in this House in much more detail. On the narrow issue, the question of government guarantees, where this government is asked to guarantee a pipeline in terms of interruption of service, there is a clear conflict of interest between the Department of the environment and the Department of Finance. There will be a tremendous impetus on the part of the government to see there is no interruption of service. Therefore the protection of the environment, once the pipe is in, would be a great risk because of the guarantee proposal itself.

If you are talking about backstop guarantees, let us say the Mackenzie Valley goes to \$15 billion or \$20 billion by the time they are finished, and certainly in terms of Arctic construction we have a number of precedents to know these figures are very serious and can get away out of hand. The type of winter construction that is necessary is very high risk in terms of trying to put a figure on the construction cost. To ask the Canadian people to back up approximately \$8 billion in guarantees for that pipeline would be one of the great sellouts in Canadian history. Even the private market will not touch it with a ten-foot pole unless the government steps in and guarantees it. That is sufficient reason alone, without the Berger report, to say no to the Mackenzie Valley pipeline.

That is why I ask the parliamentary secretary, if there have been approaches, what kinds of approaches they have been; is my information accurate in terms of the kinds of guarantee Arctic Gas is seeking; and last, but not least, I am pleased to know the minister said he did not know but would be pleased to find out. That is why I raised this matters tonight. I am waiting, with an open mind on the subject, to find out just exactly what has happened on the guarantees.

Mr. Bob Kaplan (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I know only too well how open is the mind of the hon. member.

Mr. Leggatt: That was a facetious remark.

Mr. Kaplan: In that spirit, I am very glad to indicate to him that I do have a very full and complete answer on the question which he raised.

An hon. Member: That is unusual.

Mr. Kaplan: "That is unusual", as the hon. member said.

Canadian Arctic Gas Pipeline Ltd. now estimates the total capital cost of their project at over \$9 billion. The equity investment is expected by CAGPL to total about \$2.5 billion, with the bulk of remaining investment supplied by bonded debt and bank term loans. As in most projects of this nature, the financing arrangements have to be committed before construction can proceed.