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Reg Whiten P.Ag., MCIP, Senior Planner
Peel Watershed Planning Commission
307 Jarvis Street, Suite 201
Whitehorse, Yukon
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June 30, 2009

Dear Sir,

Chevron Canada Limited (Chevron) has reviewed the Peel Watershed Planning Commission's (the Commission) *Draft Peel Watershed Land Use Plan, April 2009* (DPWLUP), and is appreciative of the opportunity to hereby submit our feedback as part of the public review process. Chevron holds interests in petroleum resource discoveries in Eagle Plains and the Crest iron ore mineral lease, both located in the Peel Watershed. As well as holding these specific interests, Chevron has been an active participant in the development in various regions of Canada's north for decades.

General Comments

Chevron recognizes the ecological significance of the Peel Watershed, and the need to protect this unique ecosystem. We also recognize the clear efforts within the DPWLUP to try to balance sustained ecosystem integrity, community and cultures, and economic activities; and the inherent trade-offs in so doing. As an industry, we both believe and routinely demonstrate that development can be done in a collaborative manner with stewardship as a guiding principle to preserve ecological, social and cultural values. The mechanisms that help guide this include existing regulatory processes, industry best management practices, and corporate social responsibility. Moreover, a sound regulatory framework enhanced by practical land use plans can provide valuable certainty around expectations in the project planning process.

Recognizing that the land use planning strives to balance diverse uses of land, Chevron believes that the restrictive approach to development of the DPWLUP results in the plan being inadequate in relation to several of its Terms of Reference, namely: Recommend measures to minimize actual or potential land-use conflicts throughout the planning region; Promote sustainable development; and Recognize all economic potential of the planning region, including, but not limited to subsurface resources.



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The mineral and petroleum resources of the region are of international significance and development of these resources in a sound manner offers the region, the Yukon, and Canada a tremendous economic and community development opportunity. Chevron believes that this perspective must be applied vigorously to the DPWLUP in combination with a view of facilitating development in the Yukon in general.

While competing economic sectors may have temporal or spatial overlap, as indicated within the DPWLUP, a detailed economic analysis of all sectors within the context of the planning region has not yet been undertaken, thus making direct comparisons difficult. Chevron agrees with the DPWLUP's follow-on recommendation that this work be undertaken cooperatively as soon as possible by government and industry representatives, according to a mutually-agreed methodology. The outcome of such an analysis would help frame the balance sought by the DPWLUP's Key Issues and Management Goals relating to economic activity.

Access to Land

Chevron believes that the economic potential of the region will only be realized if there is more ready access to land than has been proposed. Only 3.7 % of the region is designated by the DPWLUP as Integrated Management Zone (IMZ) IV land use, and even this area is still subject to significant cumulative impact limits. Other land use plans in the north designate areas for use roughly equivalent to IMZ IV lands at levels ranging from 21% to 57%. Furthermore, should the Plan's recommendations be fully implemented 63.2% of the region would ultimately be restricted from virtually any development. Chevron believes that a more appropriate balance is to increase the area in which the land use plan contemplates development as well as by implementing guidelines that are flexible enough to consider the merits of individual projects, mitigation proposals for those projects, and changes in technologies among other things.

The Yukon Government has identified significant resource potential in the Peel Plateau and Plain¹. Exploration and development of these resources will only take place if access provided to the area permits the degree of exploration required to identify an economic threshold of resources and if exploration companies anticipate that the required level of infrastructure to produce those resources will be allowed. Chevron believes that the DPWLUP must be modified to create those conditions. Specific Sub-units that should be considered for reduction in land use restrictions due to petroleum potential include 11a, 11b, 11c, 7a, 1a, 12a, 9a.

¹ Osadetz, K. G., MacLean, B.C., Morrow, D.W. and Hannigan, P.K. (in review 2005). Petroleum Resource Assessment, Peel Plateau and Plain, Yukon Territory, Canada. Geological Survey of Canada, Open File Report



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Cumulative Effects

Chevron suggests the use of larger sub-units for analysis with less stringent and more flexible cumulative effects indicators. The approach taken in the DPWLUP of using both small sub-units and low thresholds creates a circumstance where even limited development could exceed cumulative effect thresholds. For instance, the access corridor to the Crest deposit recommended in the DPWLUP through sub-unit 7a would exceed the recommended threshold limits for that sub-unit.

The cumulative effect indicators for the Integrated Management Zones appear to be an arbitrary designation rather than based on scientific study. As such, Chevron recommends that these indicators be used as guidelines rather than specific limits, and that science-based targets continue to be researched and developed. Also, the indicators proposed for IMZ zones I, II, and III are very restrictive and should be interpreted as likely to effectively prevent resource development in these zones.

Access Corridors

Virtually all resource developments in the Peel Watershed are disadvantaged due to transportation costs in comparison to other regions. The region is remote and transportation costs are high. Oversight in providing for feasible and economic access corridors to existing or new resources will have the same effect as not permitting development of those resources. Not all potential development scenarios are currently known or understood, and Chevron therefore recommends that the DPWLUP be modified to contemplate the provision of limited access corridors to facilitate access to resource developments.

In the case of the Crest iron ore deposit, under the DPWLUP, the rail line to ship iron ore from the Crest deposit to world markets would be required to take a long circuitous route north to Fort McPherson, where it would join the Dempster Highway and then reverse course, travelling south and then west to a deepwater port on the Pacific coast. This circuitous routing then results in two separate consequences.

The first consequence is economic. Such an indirect route – versus the already identified and more direct southwest route preferred by Chevron – would increase the costs of constructing and operating rail and pipeline infrastructure needed to support the mine by an amount currently estimated to be approximately \$3-billion. The Crest iron ore deposit, while world class in size, already faces enormous economic challenges due to its remote location, lack of infrastructure and formidable terrain. Imposing access conditions to the mine resulting in such an increase in construction and operational costs is a further impediment to its potential future development.



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The second consequence of the DPWLUP routing is the potential for unintended increases in environmental impacts associated with the additional project footprint created by the DPWLUP's proposed northerly route. The northerly route increases the total linear disturbance in or near the Peel Watershed by approximately 500 kilometers. Such a forced increase may in fact undermine the goal of ecosystem preservation elsewhere within the Peel Watershed, or by transferring disturbance to other locations within the Gwich'in Special Management Zones.

Therefore, we respectfully submit that the Commission consider permitting a corridor across the Bonnet Plume River Basin for the Crest deposit infrastructure, thus providing general protection for the region, yet allow economic access for transportation in this regard.

Again, we thank you for the opportunity to provide our comments on the DPLUWP, and hope for further discussions in this regard.

Sincerely,

David MacInnis