

March 15, 2005

T.M. Baker, Chief Conservation Officer
National Energy Board
444 Seventh Ave. SW
Calgary, AB
T2P 0X8

Dear Mr. Baker:

Re: Proposed Modifications to Report of Environmental Assessment and Reasons for Decision on the Paramount Resources Ltd. Cameron Hills Extension Project EA03-005

On August 19, 2004, the federal Minister and the responsible ministers initiated a “consult to modify” process with the Board with the Mackenzie Valley Environmental Impact Review Board (the Board), related to the *Report of Environmental Assessment and Reasons for Decision* on EA03-005, pursuant to Section 130(1)(b)(ii) of the *Mackenzie Valley Resource Management Act (MVRMA)*. On September 13, 2004, the designated regulatory agency, the National Energy Board (NEB), indicated that it had also entered the “consult to modify” process, pursuant to section 131(1)(b) of the *MVRMA*. A meeting between staff of the responsible ministers, federal minister, the NEB and the Board took place on January 24, 2004. This meeting and subsequent written correspondence between the parties facilitated consensus on acceptable wording changes for some of the measures and suggestions contained in the *Report of Environmental Assessment*.

The consultations resulted in wording changes to R-2, R-3, R-9, R-11, R-12, R-13, R-15, R-16; replacement of R-4 and R-5 with a combined R-4; the replacement of R-7 with a new Suggestion 7; and the institution of a new Suggestion 8 related to R-13. The Board has concluded that the proposed modifications defined during the consult to modify process do not alter the intent of the original measures, which were in every case to prevent significant environmental impacts as determined by the Review Board during the course of the Environmental Assessment (see attachment).

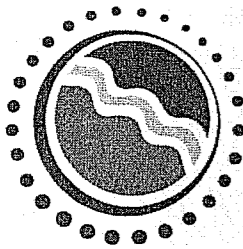
The Review Board submits these wording changes for final approval of the *Report of Environmental Assessment*. The Board would like to thank the responsible ministers and the NEB for the cooperation and assistance of their staff. If you have any questions, please do not hesitate to contact Mr. Vern Christensen, Executive Director, at (867) 766-7055.

Sincerely,

G.M Loomis
Acting Chairperson
Mackenzie Valley Environmental
Impact Review Board

attachment





March 15, 2005

The Honourable Andy Scott, PC,MP
Minister of Indian and Northern Affairs Canada
10 Wellington Street, North Tower
Hull, PQ K1A 0H4

Dear Minister Scott:

Re: Proposed Modifications to Report of Environmental Assessment and Reasons for Decision on the Paramount Resources Ltd. Cameron Hills Extension Project EA03-005

On August 19, 2004, the federal Minister and the responsible ministers initiated a “consult to modify” process with the Board with the Mackenzie Valley Environmental Impact Review Board (the Board), related to the *Report of Environmental Assessment and Reasons for Decision* on EA03-005, pursuant to Section 130(1)(b)(ii) of the *Mackenzie Valley Resource Management Act (MVRMA)*. On September 13, 2004, the designated regulatory agency, the National Energy Board (NEB), indicated that it had also entered the “consult to modify” process, pursuant to section 131(1)(b) of the *MVRMA*. A meeting between staff of the responsible ministers, federal minister, the NEB and the Board took place on January 24, 2004. This meeting and subsequent written correspondence between the parties facilitated consensus on acceptable wording changes for some of the measures and suggestions contained in the *Report of Environmental Assessment*.

The consultations resulted in wording changes to R-2, R-3, R-9, R-11, R-12, R-13, R-15, R-16; replacement of R-4 and R-5 with a combined R-4; the replacement of R-7 with a new Suggestion 7; and the institution of a new Suggestion 8 related to R-13. The Board has concluded that the proposed modifications defined during the consult to modify process do not alter the intent of the original measures, which were in every case to prevent significant environmental impacts as determined by the Review Board during the course of the Environmental Assessment (see attachment).

The Review Board submits these wording changes for final approval of the Report of Environmental Assessment. The Board would like to thank the responsible ministers and the NEB for the cooperation and assistance of their staff. If you have any questions, please do not hesitate to contact Mr. Vern Christensen, Executive Director, at (867) 766-7055.

Sincerely,

G.M Loomis
Acting Chairperson
Mackenzie Valley Environmental
Impact Review Board

attachment



List of Original Measures and Proposed Modifications – EA03-005
March 15, 2005

Attached here are all of the proposed modifications to recommendations from the Paramount Resources Ltd. Cameron Hills Extension Project, as accepted by the Mackenzie Valley Environmental Impact Review Board as of March 10, 2005. The Review Board is satisfied that the modifications proposed herein do not contravene the intent of the original measures, which was in every case to prevent significant environmental impacts as determined by the Review Board during the course of the Environmental Assessment. All proposed wording changes accepted by the Review Board herein have been changed to facilitate their implementation or provide clarity on their intent, rather than alter their substance.

In each case where changes were proposed, the original measure and then the proposed modification accepted by the Review Board are listed, followed by a rationale for acceptance of the proposed modification by the Review Board.

R-1 Accepted

R-2 Original Measure

The Review Board recommends that Paramount prepare a report within 12 months and thereafter, annually, until the developments on the SDL are abandoned and restored, for distribution in plain language to the parties in this EA. This report will outline the implementation status of each commitment made during the course of this EA, as set out in Appendix A.

Proposed Modification

The Review Board recommends that Paramount prepare an annual report in plain language, until the developments on the Cameron Hills SDL(s) and PL(s) are abandoned and restored that outlines the status of compliance with commitments Paramount made during the course of this EA. In the event of non-compliance, the report will provide a plan for achieving compliance or detail as to why compliance cannot be achieved. Paramount will submit the annual report to appropriate regulatory agencies and make it readily available to the Parties to the EA and the public through distribution media approved by the NEB.

Review Board Rationale for Change

The proposed modification meets the intent of the original measure to require the developer to report to the Parties to the EA on implementation status of commitments made during this EA. It expands the scope of the measure's application to areas under production licenses (PLs), and strengthens the measure by giving the NEB the responsibility to determine the appropriateness of the media used by the developer. In addition, it improves the original measure by introducing a requirement for adaptive management by the developer, whereby failure to fully implement a commitment, once identified, results in the requirement for the developer to establish a plan for achieving compliance.

R-3 Original Measure

The Review Board recommends that prior to the issuance of any further licenses or permits Paramount install a meteorological station (at minimum must monitor wind speed, wind direction and temperature) in the Cameron Hills SDL to gather baseline data related to its development. Meteorological data will be provided annually to air quality staff of GNWT-RWED and Environment Canada along with a detailed re-modeling of Paramount's various development scenarios to ensure onsite meteorological conditions are reflected in the modeled outputs.

Proposed Modification

The Review Board recommends that Paramount install and begin operation of meteorological monitoring equipment in the Cameron Hills SDL(s) & PL(s) (at minimum must monitor and record wind speed, wind direction, standard deviation of wind direction and temperature on an instantaneous, continuous basis). The purpose of the monitoring equipment is to provide on-site meteorological information for inclusion in subsequent re-assessments (dispersion modeling) of facility emissions as well as on-going tracking and assessment of air pollution episodes should they occur. Following regulator approval of sufficient meteorological data collection, Paramount will undertake a detailed re-modeling of the various development scenarios to ensure on-site meteorological conditions are reflected in the modeled outputs. Meteorological data and re-modeled development scenarios will be provided to appropriate government agencies. Remodeled development scenarios will also be made readily available to the Parties to the EA and the public, through distribution media approved by the NEB. The requirement to maintain and report on-site meteorological monitoring will be reviewed on a regular basis by the appropriate government agencies.

Review Board Rationale for Change

This measure was altered to be more specific, facilitating easier implementation of conditions by the National Energy Board. It was also altered to allow for public access to the remodeled development scenarios.

R-4 Original Measure

The Review Board recommends that Paramount install a continuous gas analysis monitoring system to track ambient air quality (at minimum 1 hour SO₂ and NO₂) and provide the data to the general public via website, to be updated no less than monthly if a live connection is not available. Annual reports on the status of the air quality at Cameron Hills will be provided by Paramount to all potentially affected communities and government in a plain language document throughout the life of the Paramount operations at Cameron Hills.

Proposed Modification

The Review Board recommends that Paramount install and begin operation of instantaneous, continuous gas analysis monitoring to track ambient air quality (at minimum 1 hour average SO₂, NO_x and H₂S concentrations should be calculated and recorded). Data and plain language annual reports on the status of the air quality at Cameron Hills will be provided by Paramount to appropriate government agencies. The plain language annual reports (including, at minimum, monthly summaries of SO₂, NO_x and H₂S concentrations and listing all events of exceedences of relevant air quality guidelines) will also be made readily available to the Parties to the EA and the public through distribution media approved by the NEB. The requirement to maintain gas analysis monitoring will be reviewed after three years, and on an annual basis thereafter, by appropriate government agencies. Regulatory agencies will provide notification, with reasons for any decision to alter or discontinue the gas analysis monitoring requirement, to the Parties to the EA three months prior to the decision taking effect.

Review Board Rationale for Change

Raw ambient air quality data collected by Paramount has been deemed by the NEB to be confidential, proprietary data, and as such, cannot, by law, be released to the public. However, the proposed modification does not alter the original intent of the measure, which was to allow the public and Parties to the EA access to *interpreted* air quality data. In addition, the proposed modification, while allowing for re-assessment of the need to maintain gas analysis monitoring after three years (long enough for solid models to have been created and tested), requires that any decision to alter the analysis be reported to the Parties to the EA with enough lead time to have a public comment period if there are any outstanding concerns.

R-5 Original Measure

The Review Board recommends that Paramount install an amine fuel sweetening unit at the Central Battery (H-03) location prior to bringing any further wells online or pipe in sweet fuel from outside Cameron Hills, as per Paramount's original development plan.

R-6 Original Measure

The Review Board recommends that any further combustion engines being installed for line heaters and pumpjacks at the Cameron Hills operation must use the sweetened fuel or an alternate source of no sulphur fuel.

Proposed Modifications – to Meet Combined Intent of R-5 and R-6

The Review Board recommends that prior to any new production from the Cameron Hills field, Paramount submit to the NEB for approval, and provide copies to the Parties to the EA and the public through distribution media approved by the NEB, an emission mitigation plan for the Cameron Hills field. The emission mitigation plan will detail:

- A strategy for demonstrating that current and future SO₂, NO_x and H₂S emissions in the Cameron Hills field will not result in exceedences of relevant air quality standards;
- A statement describing Paramount's commitment to minimizing emissions from facilities in the Cameron Hills field;
- A contingency plan for selection of mitigation options to be implemented in the event that SO₂, NO_x and H₂S emissions in the Cameron Hills field result in measured or predicted exceedences of relevant air quality standards, the contingency plan will include
 - A comprehensive listing of all the mitigation options (e.g. pollution prevention planning, best management/ environmental practices, best available technology, shut-down) currently employed and proposed for future options, along with triggers and/or timelines for implementation; and
 - The mitigation options considered and rejected, along with rationale for rejection.

Throughout the life of the Cameron Hills field, Paramount shall be required to review and update the plan in the event of changes to its field development scenarios or improvements in available mitigation technology.

Review Board Rationale for Change

The original intent of this measure was to reduce emissions through the use of best technological practice. The measure has been altered to allow for the fact that best environmental practice is a continually changing situation. The revised measure requires an environmental mitigation plan which includes the developer's strategies to mitigate the effects of air emissions, and the requirement to report results to the Parties to the EA and the NEB. In the Review Board's view, the revised measure constitutes a more comprehensive and flexible way to accomplish the intent of reducing significant environmental impacts related to air quality.

R-7 Original Measure

The Review Board recommends that the Government of Canada (INAC and Environment Canada) and the Government of the Northwest Territories, implement recommendation 7 from the Ranger-Chevron EA by June 2005.

Proposed Modification - Replacement by New Suggestion 7

The Review Board suggests that the appropriate regulatory and other government agencies work together to finalize enforceable Air Quality Guidelines specific to the Northwest Territories.

Review Board Rationale for Change

The Review Board strongly supports the development of enforceable Air Quality Guidelines for the entire Northwest Territories. The Review Board was satisfied, however, that the air quality concerns specific to the scope of this development were adequately addressed by the improvements to R-4 and R-5 during the consult to modify process.

R-8 Accepted

R-9 Original Measure

The Review Board recommends that Paramount continue to monitor all work sites for erosion, and take appropriate measures in advance to avoid such problems. The Review Board recommends appropriate erosion mitigation measures be identified in advance and authorized by the NEB and INAC inspectors, and that any remediation of sites be documented and reported to regulators and the Ka'a'Gee Tu First Nation on a quarterly basis.

Proposed Modification

The Review Board recommends continuous monitoring for erosion by Paramount of all work sites, and the timely implementation of appropriate mitigation and remediation measures. Regulators shall include appropriate permit conditions to prevent and remediate erosion. Paramount shall be required to submit to regulatory agencies and make readily available to the Parties to the EA and the public, through distribution media approved by the NEB, annual reports detailing mitigation or remediation measures taken by Paramount in response to erosion and/or sediment deposits into a waterbody/watercourse. Any deposit of sediment into a waterbody/watercourse shall require Paramount to immediately implement mitigation or remediation measures and notify the appropriate government agencies and the Ka'a'Gee Tu First Nation.

Review Board Rationale for Change

The proposed modification improves reporting requirements. Paramount must now report to the Ka'a'Gee Tu First Nation, which is a directly affected community. Further clarification of the roles of regulators and the responsibilities of Paramount is achieved without altering the intent of the original measure.

R-10 Accepted

R-11 Original Measure

The Review Board recommends that the Department of Fisheries and Oceans conduct regular site visits to the Cameron Hills to inspect for determine if any impacts to fish or fish habitat. Reports of these inspections must be made publicly available via DFO and also be sent directly to the Ka'a'Gee Tu First Nation, in a plain language version.

Proposed Modification

The Review Board recommends that the Department of Fisheries and Oceans conduct regular site visits to the Cameron Hills to inspect for, and determine if any impacts to fish or fish habitat have occurred. Reports of these inspections, if not related to an enforcement investigation, must be made publicly available via DFO and also be sent directly to Ka'a Gee Tu First Nation, in a plain language version.

Review Board Rationale for Change

The only change to R-11 is to clarify language around which type of inspection reports will be made publicly available. DFO does not release inspection reports if there is an ongoing enforcement investigation.

R-12 Original Measure

The Review Board recommends that RWED will, within the next six months, initiate the formation of a Deh Cho Boreal Caribou Working Group (DCBCWG). The Working Group will, among other things, consider: habitat identification, range plan development, thresholds, monitoring systems, adaptive mitigation, research programs and cumulative effects models. In addition, it will coordinate its activities with similar working groups in Alberta and British Columbia.

Proposed Modification

The Review Board recommends that RWED will, within the next six months, initiate the formation of a Deh Cho Boreal Caribou Working Group (DCBCWG). RWED shall lead the DCBCWG in the development of a Boreal Caribou Management Plan for boreal caribou populations in the southern Deh Cho (south of the Mackenzie River and east of the Liard River) within 18 months. In developing the Boreal Caribou Management Plan, RWED shall ensure that the DCBCWG considers, among other things: habitat identification, range plan development, thresholds, monitoring systems, adaptive mitigation, research programs and cumulative effects models. RWED shall also coordinate the DCBCWG's activities with similar working groups in Alberta and British Columbia; and operate within the framework of recovery planning for Boreal Caribou in the NWT, and develop a Range Plan within the overall Boreal Caribou Management Plan specifically for the Cameron Hills area. RWED shall provide applicable thresholds for the Project to the MVLWB over time based on the outcomes of future research and natural changes to the boreal caribou habitat.

Review Board Rationale for Change

The Review Board considers the proposed modification to be simply a more refined definition of the original measure, with the inclusion of RWED leadership in the establishment of the Working Group, the development of a Range Plan specific to the Cameron Hills area, and a requirement to provide applicable thresholds for management of the effects of Paramount's industrial activities in the Cameron Hills on boreal caribou.

R-13 Original Measure

The Review Board recommends that the MVLWB adopt an average linear disturbance target of 1.8 km per km squared as a boreal caribou disturbance threshold for the entire Cameron Hills, NT area, in order to prevent significant adverse environmental impacts on boreal caribou populations whose range includes the Paramount SDL and surrounding area. This shall be considered in all future land use applications for the area.

Proposed Modification (Part 1)

The Review Board recommends that the MVLWB adopt as an interim measure an average linear disturbance target of 1.8 km per km squared as a boreal caribou disturbance threshold for land use permits in the area encompassed by Ecodistricts 250 and 251 in the Northwest Territories¹, in order to prevent significant adverse environmental impacts on boreal caribou populations whose range includes the Paramount SDL and surrounding area. The linear disturbance target and other related conditions shall be reviewed annually by MVLWB and appropriate regulatory authorities, and adjusted as necessary, based on the best available scientific information and traditional knowledge, and project area information, including Paramount reports and plans.

Paramount shall submit an annual report to the MVLWB detailing disturbance to boreal caribou habitat resulting from past Project activities and the state of re-growth of disturbances. The annual report shall be similar to proponent reports done in other jurisdictions such as British Columbia or Alberta. Paramount shall also include in the report any of its plans that may affect boreal caribou habitat for the upcoming year.

Proposed Modification (Part 2) - New Suggestion 8

The Review Board suggests that in all future land use applications for Ecodistricts 250 and 251 in the Northwest Territories², the appropriate regulatory authorities give full consideration to the boreal caribou disturbance threshold in place at the time.

¹ As described in *Terrestrial Ecozones, Ecoregions and Ecodistricts of the Northwest Territories, Canada*. Ecological Stratification Working Group. 1995. National Ecological Framework for Canada. Agriculture and Agri-Food Canada, Research Branch, Centre for Land and Biological Resources Research and Environment Canada, State of the Environment Directorate, Ecozone Analysis Branch, Ottawa/Hull. Report and national map at 1:7,500,000 scale.

² As described in *Terrestrial Ecozones, Ecoregions and Ecodistricts of the Northwest Territories, Canada*. Ecological Stratification Working Group. 1995. National Ecological Framework for Canada. Agriculture and Agri-Food Canada, Research Branch, Centre for Land and Biological Resources Research and Environment Canada, State of the Environment Directorate, Ecozone Analysis Branch, Ottawa/Hull. Report and national map at 1:7,500,000 scale.

Review Board Rationale for Change

The proposed modification represents an improvement on the original measure by:

- More clearly defining the area where the disturbance threshold will be in place;
- Making the disturbance threshold an interim one, requiring that the DCBCWG continually reassess the disturbance target requirements over time;
- The inclusion of other appropriate regulatory agencies in the assessment of the disturbance threshold (in addition to the MVLWB);
- The inclusion of traditional knowledge alongside western scientific knowledge as ingredients for reassessment of disturbance thresholds; and
- The inclusion of a reporting and feedback requirement on caribou management for the developer.

R-14 Accepted

R-15 Original Measure

The Review Board recommends that Paramount and the other parties to the unfinished Cameron Hills Wildlife and Resources Harvesting Compensation Plan developed in response to measures 13 and 15 of EA01-005 complete the compensation plan. If a compensation plan cannot be completed by these parties within 90 days of the federal Minister's acceptance of this report, this matter will proceed to binding arbitration, pursuant to the NWT Arbitration Act. A letter signed by the parties, indicating agreement to the compensation plan or in the case of arbitration, the arbitrator's decision must be filed with NEB and MVLWB prior to the commencement of Paramount's operations under land use permit MV2002A0046.

Proposed Modification

The Review Board recommends that Paramount commit, in a letter to the Parties to the EA, to compensate the KTFN and other affected Aboriginal Groups for any direct wildlife harvesting and resource harvesting losses suffered as a result of project activities, and to consider indirect losses on a case by case basis.

Review Board Rationale for Change

The Review Board's original intent was to require that harvesters in the Cameron Hills area be compensated for wildlife harvesting and resource harvesting losses associated with Paramount's activities. The requirement for unsuccessful negotiations to proceed to binding arbitration under the NWT Arbitration Act, upon reflection, may not have constituted the most appropriate enforcement mechanism. The proposed change captures the intent of the original measure, and ensures that both direct and indirect losses will be considered for compensation by the developer.

R-16

Original Measure

The Review Board recommends that the GNWT develop a socio-economic agreement with Paramount in consultation with affected communities before operations proceed under the land use permit MV2002A0046. The socio-economic agreement is to address issues such as employment targets, educational and training opportunities for local residents and a detailed ongoing community consultation plan.

Proposed Modification

The Review Board recommends that Paramount report annually to the GNWT and the other Parties to the EA, documenting its performance in the provision of socio-economic benefits, such as employment and training opportunities for local residents, including a detailed ongoing community consultation plan describing the steps it has taken and will take to improve its performance in those areas. The GNWT shall review this report with Paramount in collaboration with the other Parties to the EA.

Review Board Rationale for Change

The Review Board's intent in the original measure was effectively to require three different sets of actors – the GNWT (whose mandate includes the protection and promotion of the social and economic welfare of the people of the Mackenzie Valley), the developer and the affected communities – to work together to reduce negative social and economic impacts of the proposed development, and accentuate positive ones. It is recognized in the proposed modification that this goal can, in certain cases, be attained in the absence of contractual agreements. The proposed modification requires all three actors to work together, in a review of this report, to assess the developer's socio-economic performance and areas and steps for improvement.

R-17 Accepted