Collaborative Approaches for Managing Social and Economic Impacts

Oil and Gas Development
Canada's Northwest Territories

Thom Stubbs
Headwater Group
Calgary, Alberta

Abstract

Establishing collaborative relationships will help to create an environment of respect and trust that encourages an exchange of information between public governments and communities with respect to benefits arrangements. Understanding (in general) what each community has achieved through its benefit arrangements will help governments focus their own Socio-economic Agreements so that, together, they leverage long-term, sustainable benefits.

The number of parties potentially affected by or involved in oil and gas development activities in the NWT argues strongly in favour of developing a collaborative approach to impact management. This summary presentation outlines the context of oil and gas development in Canada's Northwest Territories, the lessons learned from growth and development and highlights strategies that have been working to address impacts in a collaborative fashion.[1]

[1] This paper is based on the work of the Authour and with the work the Authour lead through the Macleod Institute on Collaborative Impact Management in the NWT.

Table of Contents

Tables and Figures

1. Context: Region in Transition

1.1 Geographic Location

Canada's Northwest Territories covers a 1.2 million square kilometres land base north of the 60th degree latitude to the Arctic Ocean. Approximately 40,000 people reside in 33 remote communities, with some 44% of the population in the capital, Yellowknife. The population is 48% aboriginal (native) and 52% non-aboriginal.

Figure One: NWT in Canada

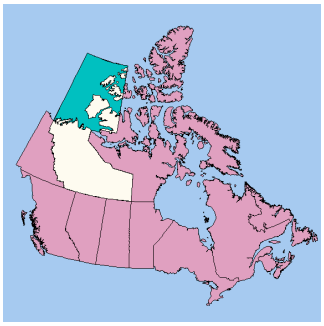
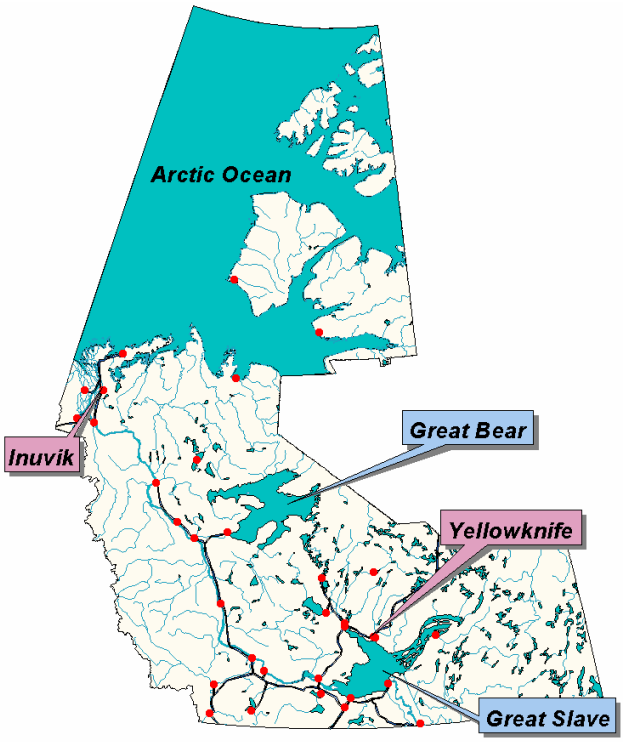


Figure Two: The NWT



1.2 Governance

Regional and local public governance has been in transition in the NWT since 1975 when the federal government allowed for an elected regional Government of the Northwest Territories. The GNWT now has jurisdiction over community, health, education and social services as well as forestry. Mineral tenure and land management remain a federal responsibility.

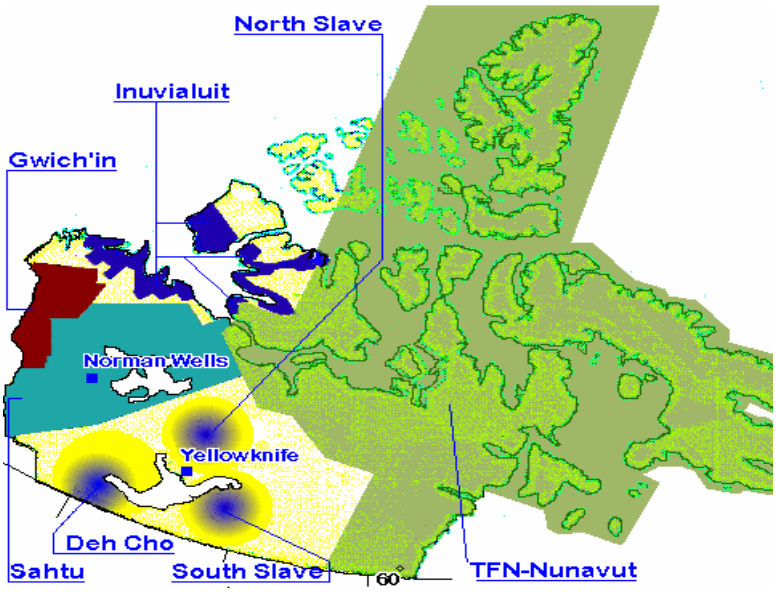
Transition to enable more regional and local authorities is being handled through the resolution of outstanding aboriginal Land Claims and the devolution of remaining 'provincial-like' powers to the regional government. NWT has six claim areas covering seven settled and unsettled claims. Four claims covering 67% of the NWT have been settled (see Figure Three, below):

- Inuvialuit Final Agreement - 1984.
- Gwich'in Comprehensive Land Claims Agreement - 1992.
- Sahtu Dene and Metis Comprehensive Land Claims Agreement - 1993.
- Dogrib Agreement in Principle - 1999.

Discussions are underway to settle the three remaining claims. These involve:

- The Deh Cho.
- The South Slave Metis.
- The Akaitcho Treaty 8.

Figure Three: NWT Aboriginal Land Claims Regions



1.3 Regulatory and Institutional Context

A broad range of governments and their agencies share the overall management authority for resource management in the NWT. These institutions have evolved out of the settlement of Land Claims in the Inuvialuit, Sahtu and Gwich'in settlement areas. The overall management process is designed around participatory collaborative and cooperative arrangements between institutions.

Non-renewable resources in the NWT are still largely under the jurisdiction of the federal government. Aboriginal governments have some surface and sub-surface land holdings. Co-management bodies have been established under land claim agreements covering various regions of the NWT, generally to carry out land use planning, environmental assessment, and land and water management, and may take on cumulative impact monitoring.

The GNWT generally has responsibilities for renewable resources and the people and communities of the NWT. GNWT therefore plays an important role in social and economic impact management and in negotiation of SEAs for proposed development projects.

The relatively new Mackenzie Valley Resource Management Act (MVRMA) is federal legislation that brings into effect a coordinated regulatory system which contributes to the overall management of resources in the Mackenzie Valley (the MVRMA does not apply to the Inuvialuit Settlement Region). Distinct authorities for rights issuance rest for Crown Lands through the federal and with Aboriginal organizations for Aboriginal-owned private lands.

Five main components of an integrated framework for environmental and resource management are established in whole or in part under the MVRMA and Inuvialuit Final Agreement (IFA):

1. land-use policy and planning
2. rights issuance;
3. project review;
4. regulation; and,
5. feedback and decision support mechanisms.

Other statutes authorize territorial and federal departments and agencies to exercise functions along these five components of a decision making process (NEB, DFO or GNWT RWED, for example).

Social and economic impact assessment (SEIA) is not yet a formalized procedure with the MVRMA, although work is being done to develop a framework for the assessment of social and economic impacts of development in the NWT. Other jurisdictions have developed guidelines specifically for social and economic impact assessment, but social and economic impacts are currently addressed as part of EIAs in the NWT.

2.0 Growth and Development

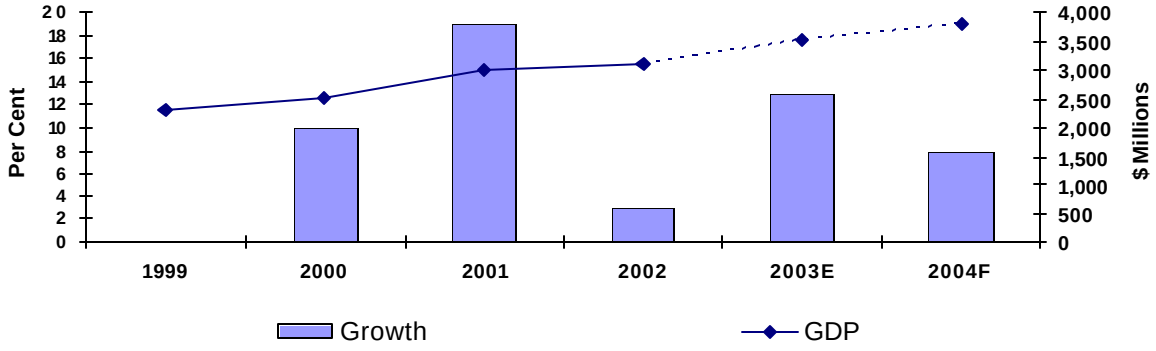
The NWT is facing an unprecedented period of growth and industry expansion in non-renewable resource development. The non-renewable resource sector is the dominant force in the NWT economy. Diamond production currently drives the economy with two producing diamond mines generated 12 per cent of the world's diamonds by value. Diamond production increased 10 per cent from 2001 to 2002 and a further 117 per cent increase is expected in 2003.

Over $1 billion worth of oil and gas exploration activities are anticipated over the next few years in the NWT, in addition to an application for a 1,200 km 30" Mackenzie Valley natural gas pipeline. The increasing industrial and population demands on social and economic infrastructure are at a scale that challenges traditional social and economic impact mitigation measures.

Growth in NWT population, a key measure of development, is set to escalate from approximately 40,000 in 2002 to about 53,000 in 2020. Real GDP growth has averaged over eight percent per year since 2000 (Figure 4).

Forecasts for future oil and gas development are primarily based on the extension of exploration, delineation and field development activities at the northern end of the Western Canadian Sedimentary Basin, as well as proposals to undertake pipeline construction to tie in 1.2 bcf in three 'anchor' natural gas fields in the Mackenzie Delta. Over the next two decades, one major natural gas pipeline construction and operations project is expected, together with two major gas fields to be developed in association with the pipeline. As well, between 35 and 47 exploration and delineation projects (including seismic operations) are expected each year.

Figure Four: 1999 – 2004 NWT Real Gross Domestic Product



Statistics Canada (2000 to 2002 actual). NWT Finance (2003 estimate and 2004 forecast).

The NWT has a labour market of some 30,000 people with an overall employment rate of 69.1%. The Aboriginal labour market is characterized by a lower participation rate in the wage economy and a higher unemployment rate yielding an employment rate that has recently increased to over 50% (Figure Five).

Figure Five: NWT Labour Market Summary

Northwest Territories	Population 15 & Over	Labour Force	Participation Rate	Unemployment Rate	Employment Rate
Aboriginal	14,022	9,269	66.1	20.8	52.3
Non-Aboriginal	16,211	13,764	84.9	1.5	83.6
Totals/Average	30,233	23,033	76.2	9.3	69.1

2002 NWT Regional Employment & Harvesting Survey (Fall 2002). NWT Bureau of Statistics.

3.0 Social, Economic Effects and Lessons from Development

As the region faces another upswing in non-renewable resource development, a number challenges have been identified:

- Setting out institutions that recognize the role of northern interests in decision making;
- The rapidity of change, the pace and scale of non-renewable resource development;
- Social and economic conditions that are far poorer than communities in the rest of Canada; and,
- Limited capacity and a weakened social fabric to sustain the integrity and identity of the people and communities.

3.1 Social and Economic Effects of Development

Exploration and production operations induce economic, social and cultural changes. Eight such effects were identified based on an analysis of the NWT's experience with oil and gas development, mitigation practices and monitoring programs, and in a review of corporate and institutional experience in other parts of the world. While not specific to any one project; growth and development has shown to induce the following types of effects:

- changed land use patterns (for example trapping, hunting, recreation and access) as a result of new access routes;
- changes in population as a result of immigration (labour force) and migration of a regional population to access employment opportunities;
- changed socio-economic systems due to new employment opportunities, income differentials, inflation, and an uneven balance of groups benefiting from development;
- changed socio-cultural systems including social structure, organization and heritage, influenced by rights of access and use of natural resources;
- increased availability and access to new goods and services brought into the region, including training, housing, and community infrastructure;
- new planning initiatives which are driven by the development and influence of existing systems of planning and decision-making; and,
- new transportation systems supporting increased road, air and water transport.

3.2 Lessons Learned

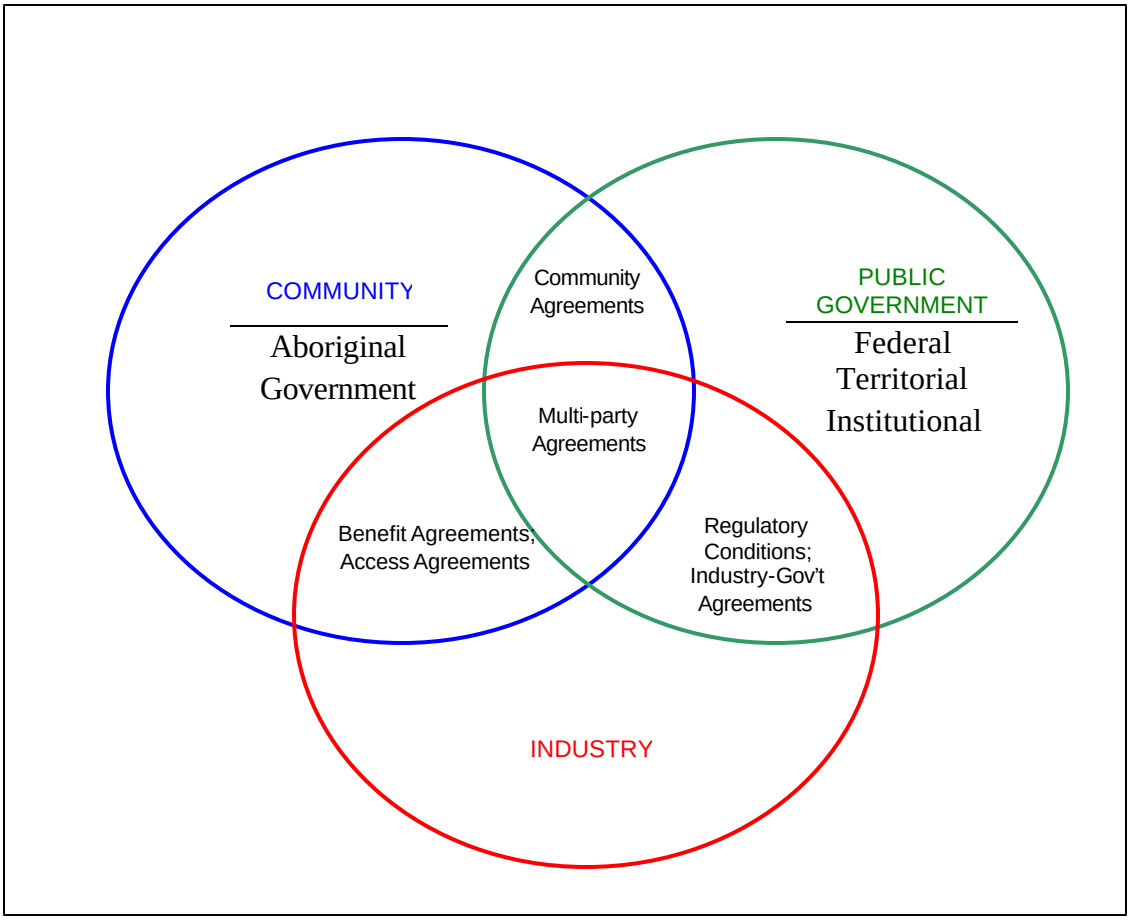
Major project reviews in the NWT have recommended caution ahead of development. The 1982 environmental assessment panel for a major oil pipeline (IPL/Norman Wells EARP Panel) supported the application yet recommended a two year delay to ensure community preparedness. A review of lessons learned from a number of NWT projects over the past 30 years has found a several common themes, including:

- Monitoring and mitigation approaches for development projects in the NWT have evolved since the Norman Wells project: Formal agreements more clearly articulate responsibilities for key interests to monitor and mitigate project effects;
- Governments have had difficulty in re-allocating or enhancing funding levels on a timely basis to prepare for and respond to project effects;
- Aboriginal communities are seeking more control over social, economic and cultural characteristics of their communities as they are affected by resource developments;
- The most beneficial project impacts from many individual's perspective have been job creation and business opportunities; and,
- More emphasis on cooperative preparation for, and coping with, impacts is critical.

4.0 Collaborative Responses: Existing Approaches to Impact Management

The management of social and economic effects has focused on negotiated agreements to ensure key issues are mitigated and monitored. Historically, agreements have been made between industry and governments, and have mainly focused on commitments to guarantee employment and training for community members. The scope of social and economic agreements has expanded considerably over the years to include a wider variety of commitments, from cultural sensitivity training for employees to provision of country foods for Aboriginal employees, to community capacity building. All of these mechanisms are used in some capacity to complement regulatory conditions and for the mitigation of social and economic impacts of development in the NWT.

Figure Six: Agreements Securing Mitigation and Monitoring Commitments



There are a number of types of agreements negotiated to secure project impact mitigation and monitoring commitments between responsible and affected parties. The arrangements include legally defined provisions, project driven agreements and, voluntary undertakings.

Public government has identified regulatory or policy conditions to ensure social and economic policy objectives. For example, occupational health and safety regulations, or Northern Preference Policies, or the Canada Benefits Plan are mechanisms set out to achieve northern policy objectives. Public government has also used project-specific agreements, such as the Norman Wells Socio-Economic Action Plan or the SEA's negotiated for the diamond mines to secure specific objectives.

Aboriginal governments have benefited from the mechanisms set out through public government and have set out various forms of Benefits Agreements, generally private contracts with a developer to secure social and economic measures. These arrangements have many forms, and may or may not be inclusive of Access Agreements which deal with land access provisions.

1. Canada Benefits Plans (CBPs) Government – Industry - Community
    - The Canada Petroleum Resources Act (CPRA) requires benefits plans approved by the Minister pursuant to section 5.2(2) of the Canada Oil and Gas Operations Act (COGOA) where the surface land is crown land.
    - A benefits plan is defined in COGOA as "a plan for the employment of Canadians and for providing Canadian manufacturers, consultants, contractors and service companies with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in any proposed work or activity referred to in the benefits plan."

2. Inuvialuit Final Agreement Aboriginal Community - Industry
    - Developments within the ISR on Inuvialuit lands are subject to participation agreements 'Comprehensive Cooperation and Benefits Agreements (CCBA's) with operators at the exploration stage and, potentially field development stage.

3. Socio-Economic Agreements (SEAs) Government - Industry
    - Project-driven requirements of the federal Minister or NWT Minister as an unofficial step in the approvals of projects identify industry and government commitments to provide services in support of the development.
    - Made between government and developer, and may or may not include affected communities as signatories.
    - May be followed by a monitoring agreement, which is basically an agreement to monitor the effectiveness of the SEA.

4. Benefits Agreements (BAs) Aboriginal Community - Industry
    - Voluntary bi-lateral agreements with a number of forms to deal with the provision of benefits to affected communities. These may be called Memorandums of Understanding, Community Investment Plans or, Letters of Understanding.
    - Not required by existing legislation.
    - These are most often private contracts negotiated between developers and affected Aboriginal organizations.
    - BAs are confidential agreements, and generally not publicly accessible.

5. Access (AAs) Land owner – Industry
    - Private contracts negotiated between developers and affected Aboriginal organizations that are land owners and control access to lands.
    - ABAs are confidential agreements, and not publicly accessible.

6. Regulatory Conditions Government - Industry
    - Conditions applying to all developer activities can be placed on water licenses and land use permits granted by Land and Water Boards in accordance with the MVRMA.
    - Conditions may require adherence to various mitigation and monitoring initiatives involving land use, wildlife and fisheries habitat, and protection of historical, archaeological and burial sites.

5.0 Strategies to Address Impacts Collaboratively

One of the key lessons learned from previous experience in the NWT is that deferred action equates to missed opportunities. The number of parties potentially affected by or involved in oil and gas development activities in the NWT argues strongly in favour of developing a collaborative approach to impact management. The use of co-operative planning processes, and a move away from formal impact assessment processes (which have been regarded as being too focused on detail), were sought.

Three main areas can be considered to address the impact management challenge:

- Building a Common Understanding
- Building Partnerships
- Building Capacity With a Focus for Impact Management Results

1. Building a Common Understanding on Approaches to Impact Management

Managing impacts requires collaboration between all parties and an understanding that a specific project can offer intermediate benefits that contribute towards a community's broader goals. Two key factors need to be considered together to help build a common understanding.

First, if a collaborative approach to oil and gas impact management is to succeed in, it is essential that public and Aboriginal governments, affected communities and key stakeholders in agree to goals and results that they wish to achieve. EIA processes are more effective for all parties if the region's goals and desired outcomes are clearly stated. No strategy will produce long-term benefits for northerners unless impact management measures are aligned towards the same goals (Table One)

Measures to address the effects of a major influx of temporary construction workers can be instituted at the project level, for example, and are likely to have a greater degree of influence on ultimate outcomes. Community wellness, on the other hand, is subject to a variety of influences, many of which are indirect. In addition, many measures designed to achieve community wellness tend to be instituted at a society level.

Table One: Aligning Impact Management Response to Community Goals

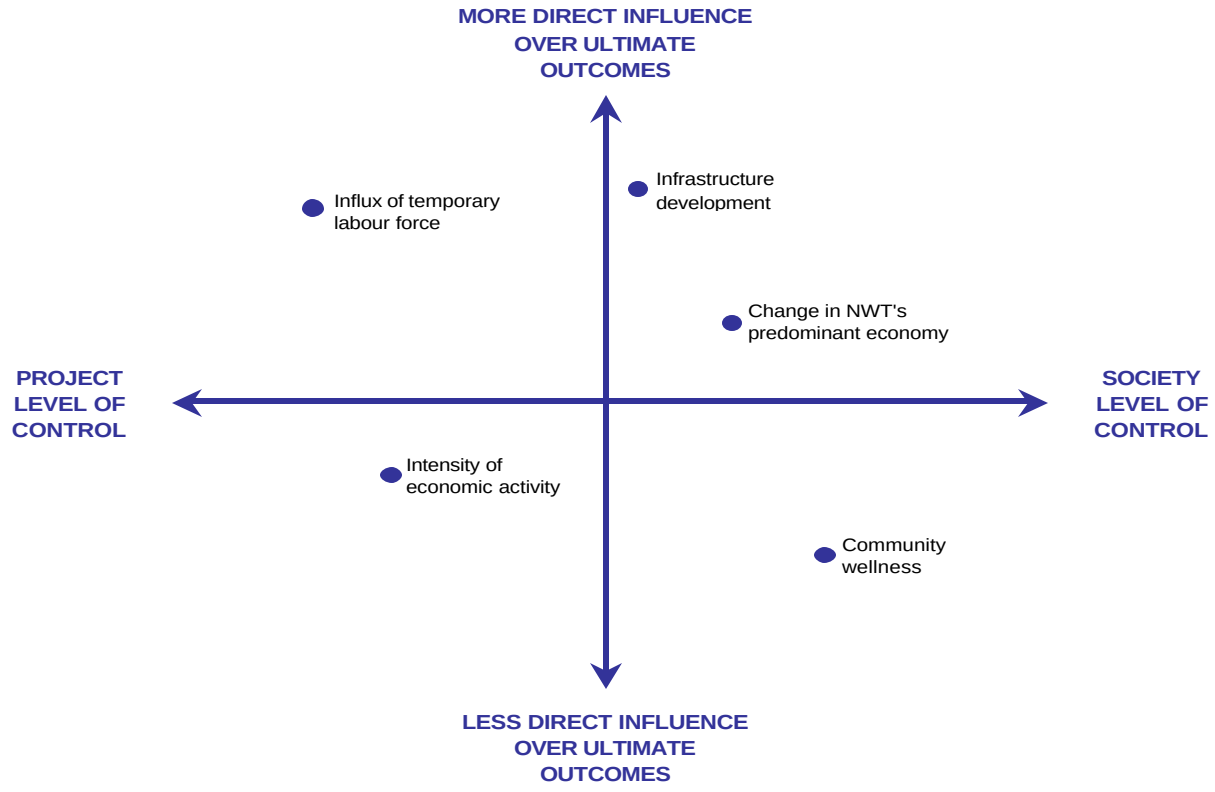
Goals, Ultimate Outcome	Impact	Intermediate Steps to Results	
		Minimize Negative Impacts	Optimize Positive Benefits
Balance between wage economy and traditional lifestyle	Influx of temporary labour for 7 years	Provide self-contained facilities to minimize disruptive interaction between temporary workers and resident communities	Use experienced (temporary) labour to train local population in construction skills
		Provide transportation to home communities for local residents working on temporary construction or exploration crews	Ensure that country food is routinely available as part of the staple diet for construction crews
First-class enabling infrastructure in the NWT	Infrastructure Development	Upgrade local transportation routes and leave them in a better condition	Install high speed interconnection facilities along right of way during pipeline construction phase

.

Second, goals for the region or communities as a whole will be realized because a number of intermediate results are achieved at the project level. Industry's 'social license to operate' within a region or community can be determined based on a project's ability to align its impact management response. Several examples of results at the project level and shows correlation with two ultimate outcomes. (Figure Seven)

To be effective, impact management strategies must recognize each party's level of control, as well as the degree to which any party can directly influence ultimate outcomes. Results can only be achieved if the management approach adopts goals that can be realistically attained.

Figure Seven: Level of Control and Degree of Influence over Ultimate Outcomes



2. Building Collaborative Partnerships and Agreements

The number of parties potentially affected by or involved in oil and gas development activities in the NWT argues strongly in favour of developing collaborative partnerships for impact management. Potential partners include Aboriginal governments and communities, public governments and agencies represented by the GNWT and Canada, and corporations taking part in oil and gas industry activities.

Both commonalties and differences between these partners need to be accommodated if a collaborative oil and gas development impact management framework is to be effective. The process of partnering must yield results that help each partner deliver on its obligations to further the interests of its own constituencies or shareholders.

The type of partnership adopted for managing impacts may differ depending on the type of development activity being undertaken. Good relations and an ongoing process of consultation are pre-conditions for successful partnerships of any kind. If these elements are in place, knowing when to move relationships towards a contractual partnership or a partnership designed to share responsibilities will be self-evident.

Essentially, partnerships are about taking joint action that builds upon core strengths of each group and that contributes to solutions that are acceptable to all stakeholders. Partnerships transform dialogue into joint action. If successful, NWT partnerships will combine communities' knowledge and strengths, governments' strategic resources and capacity for coordination, and industry's management and technical expertise. For example, joint action could mean bringing local knowledge about sensitive flora and fauna together with scientific and computer modeling capabilities of government and industry to avoid environmental impacts. To optimize community benefits, joint action could integrate industry's procurement practices with government training programs.

Table 2 provides some examples of different kinds of partnerships and how they would be aligned with community goals.

Table Two: Partnership Alignment to Contribute to Community Goals and Project Interests

Type of Partnership	Contribution to Ultimate Outcome	Intermediate Results	
		Minimize Negative Impacts	Optimize Positive Benefits
Information sharing and dialogue	Agreement by industry to **share capital expenditure plans** with government service delivery departments to foster regional coordination on infrastructure development	Agreement between government and industry to **share and circulate reports** over the project lifetime relating to environmental and social issues	Agreement by industry to **share employment specifications** over the project lifetime in order to align labor requirements with training initiatives
Contractual	During construction, including clauses in the contract of lead contractors requiring them to collaborate with government business management agencies **to build capacity of local suppliers**	Agreement by NWT agencies to **undertake ESIA studies** for industry under contract in a manner that will optimize knowledge and skills of all parties and to facilitate distribution of costs, risks and benefits among all partners	A framework partnering agreement between a community development agency and industry for the **implementation of community development plans**
Shared Responsibility	Industry, government health department and community agency **jointly resourcing, designing, and implementing an alcohol and drug abuse prevention and treatment program** directed at communities impacted by the construction workforce	Financial institutions, industry and government **jointly resourcing and managing a venture capital fund** to facilitate community-based businesses gaining access to industry's supply chain	A formal partnering agreement between industry, government and communities to **jointly develop and provide general access to high speed internet** services throughout the region

Sustainable decision-making amongst partners over the longer term requires that each partnership be built on a solid foundation. Table Three lists factors characterizing successful partnerships, and contrasts them with factors that led to failed partnerships. The factors emerged from surveys of partnerships and practitioners involved in creating and maintaining partnerships in Canada and internationally. [2]

[2] World Bank Group and others, *Business Partners for Development*

Table Three: Factors Characterizing Successful and Failed Partnerships

Factors for Success	Factors for Failure
Agreement that a partnership is necessary	Lack of agreement
Respect and trust between different interests	History of unresolved conflict among key interests
Leadership of a respected individual or individuals	Unequal and unacceptable balance of power and control
Commitment of key interests developed through a clear and open process	Key interests missing from the partnership
Development of a shared vision of what might be achieved	Lack of clear purpose and unrealistic goals
Time to build the partnership	Financial and time constraints outweigh potential benefits
Shared mandates or agendas	Hidden agendas
Development of compatible ways of working and flexibility	Differences in philosophy and ways of working
Good communication, perhaps aided by a facilitator	Lack of communication
Collaborative decision-making, with a commitment to achieving consensus	One partner manipulates or dominates
Effective organizational management	Poor management techniques

3. Building Capacity With a Focus for Impact Management Results

A safe assumption is that every community faced with nearby oil and gas development has its own particular goals and its own particular needs with respect to specific development activities. The only way that *all* of these separate agendas can be advanced at the same time is to identify and work to promote a base of common interests.

Focusing on results rather than impacts will do this. It will force participants to identify shared goals and will help to set the stage for coordinated responses and an integrated approach to impact management. Some ideas here include:

- Preparing parties for participation in impact management discussions and negotiations by training impact management teams together;
- Training teams in consensus building;
- Providing common forums to discuss mutual goals and interests can help facilitate better decisions and therefore secure stronger access and benefit agreements and, social and economic agreements;

- Sharing calendars and agendas;
- Assessing whether programs are delivering desired outcomes together. Developing an ability to evaluate the results of work undertaken among partners will help them objectively assess effectiveness, and allow them to adjust course as they go.