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TABLE RONDE NATIONALE SUR L'ENVIRONNEMENT ET L'ÉCONOMIE

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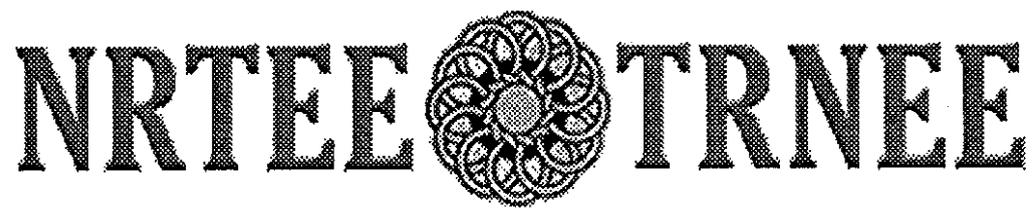
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Aboriginal Communities and Non-renewable Resource
Development



**MANAGEMENT OF NORTHWEST TERRITORIES
NON-RENEWABLE RESOURCES**

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**MANAGEMENT OF NORTHWEST TERRITORIES
NON-RENEWABLE RESOURCES**

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INTRODUCTION

The Northwest Territories is host to North America's the last major untapped continental reserves of raw natural resources. The Crown retains ownership and responsibility for the majority of the subsurface resources in the settled claim areas of the north. The Government of Canada and four Claim groups shares responsibility for land management in settled claim areas. In areas without settled claims the Crown retains responsibility for land management.

In 1999 the Northwest Territories will divide into two separate territories, the eastern territory (Nunavut) and the western region. Both industry and the residents of the north recognize the highly prospective geological potential of both regions and are anxious to see benefits accrued from development of the natural resources.

The economy of the North has been largely dependent on government. Two years ago, the Government of the Northwest Territories found themselves with a serious deficient and began to cut back funding, government contracts and employment opportunities. A total reorganization of departments took place. As a result hundreds of jobs have left the North. Many communities thought that industry would take the place of government and solve their socio-economic problems.

This however, has not been the case. The cycle of resource development activities is finite. Mining activities have fallen or leveled off from the peak levels of the last two years. The Bre-X situation and the price of gold have contributed to this change. The closure of Colomac and Lupin, lay-offs at Giant and Con mines, and the prediction of additional lay-offs are symptomatic of this type of downturn. Although the oil and gas industry has re-emerged in the west, this activity is still in the early stages of development. Global economics influence exploration decisions more than ever. Confusion over who manages and administrates the resource and uncertainty over what the responsibilities of each stakeholder are has resulted in difficulties that are jeopardizing sustainable development in the north.

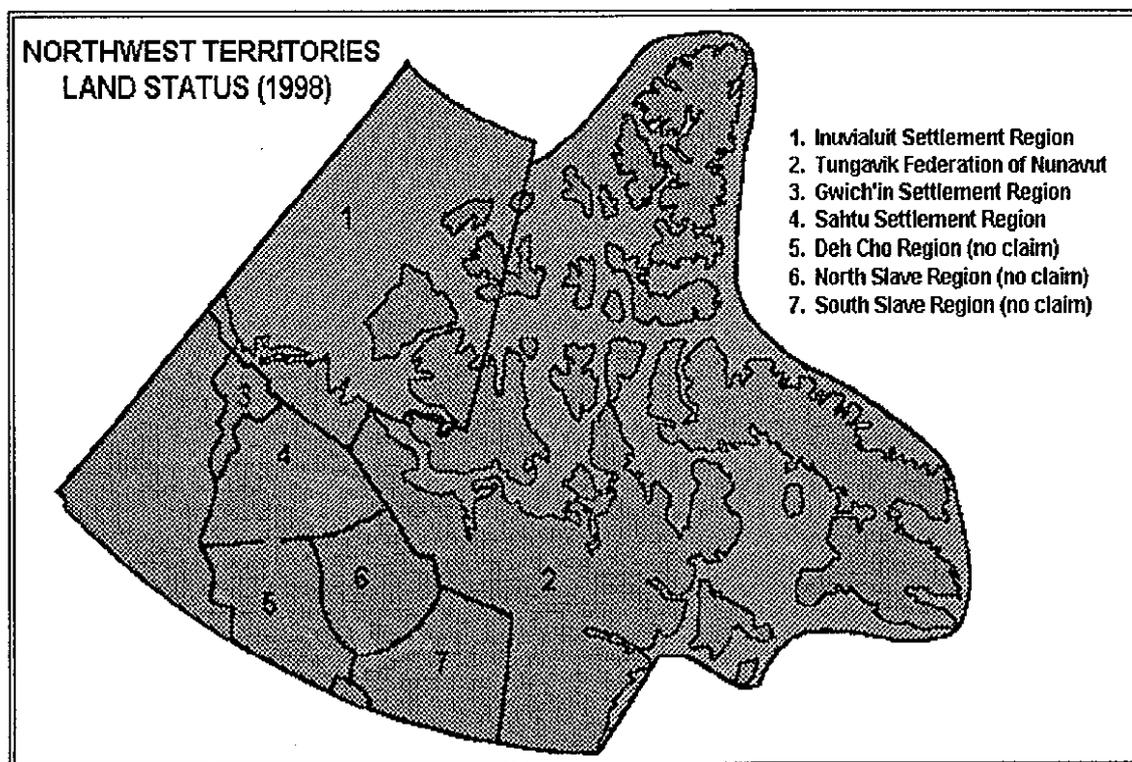
The potential benefits to Canada and the residents of the north from exploring and developing northern resources are substantial. It is critical to Canada and the north that northern resources be managed in a manner which optimizes economic benefits and minimizes negative social and environmental impacts. There is no integrated development plan for the management and development of Canada's northern resources as a whole. It would be beneficial to all stakeholders if an overall strategy for northern resource development were established to ensure the economic survival of the region, allow for meaningful participation of First Nations Peoples, and optimize the benefits to Canada.

LANDS STATUS AND ADMINISTRATION

The Northwest Territories has four settled land claims; Inuvialuit, Nunavut, Gwich'in and Sahtu. In the areas with settled claims the claim beneficiaries have ownership of selected areas of surface lands and subsurface lands and share jurisdiction over development activities. All remaining areas are in the possession of the Crown or are classed as Commissioner's lands.

Three remaining areas have yet to settle land claims in the NWT, Deh Cho, North Slave, and South Slave. In these areas the Crown retains ownership of both surface and subsurface lands and has jurisdiction over development activities.

Upon enactment of the Mackenzie Valley Resource Management Act land the boards provisioned under this legislation will administer management of the resources in the Western Territory.



1. Inuvialuit Settlement Region:

The Western Arctic Claim (Inuvialuit Final Agreement) was signed on June 19, 1984. The Inuvialuit received title to approximately 91,000 square kilometers of the 435,000 square kilometer area they traditionally used and occupied. Of this 91,000 square kilometers 11,000 square kilometers are fee simple absolute

(which includes all minerals, whether solid, liquid or gaseous and all granular materials), 2,000 square kilometers are held as a protected non-development area (Cape Bathurst) and 78,000 square kilometers are full surface rights (with subsurface rights to sand and gravel).

The environmental impact screening and review process in the settlement region is administered by the Environmental Impact Review Board as established under the claim. The Department of Indian Affairs and Northern Development (DIAND) administers land use permits. Mineral exploration and development is governed by the Canada Mining Regulations. Oil and Gas exploration and development is governed by the Canada Petroleum Resources Act and the Canada Oil and Gas Operations Act.

The Crown continues to administer Inuvialuit owned lands with existing oil, gas, coal, mineral, and quarrying rights on behalf of the Inuvialuit. Any royalties, fees, rental, bonuses or other payments accruing after the signing of the claim are remitted to the Inuvialuit.

The Inuvialuit are entitled to all revenue from Inuvialuit owned subsurface lands however, there are no provisions for royalty sharing from production on Crown lands in this agreement.

2. Nunavut Settlement Region:

The Nunavut Land Claims Agreement was signed on May 25, 1993. The area within the claim boundary is approximately 1.9 million square kilometers. The Inuit of the Tungavik Federation of Nunavut received title to approximately 350,000 square kilometers of land, of which 35,257 square kilometers include subsurface rights.

A Surface Rights Tribunal composed of the Nunavut Impact Review Board (NIRB), Nunavut Planning Commission (NCP) and the Nunavut Water board (NWB) manages lands and resources. This Tribunal guarantees equal representation by Inuit and government.

Resource royalty sharing from Crown Lands is paid each calendar year as follows:

- Fifty percent (50%) of the first two million dollars (\$2,000,000) of resource royalty received by Government in that year; and
- Five percent (5%) of any additional resource royalty received by the Government that year.

Inuit are entitled to all revenue from Inuit owned subsurface lands.

3. Gwich'in Settlement Region:

The Gwich'in Comprehensive Land Claim Agreement was signed on April 22, 1992. The area within the claim boundary is 57,000 square kilometers of land was traditionally used by the Gwich'in. The Gwich'in received title to approximately 22,422 square kilometers of land which 6,158 square kilometers include subsurface ownership.

Currently, lands and resources are managed by DIAND pending the enactment of the Mackenzie Valley Resource Management Act.

Resource royalty sharing from Crown Lands is paid each calendar year as follows:

- Seven and one half percent (7.5%) of the first two million dollars (\$2,000,000) of resource royalty received by Government in that year; and
- One and one half percent (1.5%) of any additional resource royalty received by the Government that year.

Gwich'in beneficiaries are entitled to all revenue from Gwich'in owned subsurface lands.

4. Sahtu Settlement Region:

The Sahtu Dene and Metis Comprehensive Land Claim Agreement was signed on September 6, 1993. 280,278 square kilometers of land was traditionally used by the Sahtu Dene and Metis. They received title to approximately 41,437 square kilometers of land of which 1,813 square kilometers include subsurface ownership.

Currently, lands and resources are managed by DIAND pending the enactment of the Mackenzie Valley Resource Management Act.

Resource royalty sharing from Crown Lands is paid each calendar year as follows:

- Seven and one half percent (7.5%) of the first two million dollars (\$2,000,000) of resource royalty received by Government in that year; and
- One and one half percent (1.5%) of any additional resource royalty received by the Government that year.

Sahtu beneficiaries are entitled to all revenue from Sahtu owned subsurface lands.

5-7. Deh Cho/North Slave/South Slave Regions:

No claims have been settled in these areas. DIAND continues to issue mineral claims under the Canada Mining Regulations. Oil and Gas exploration licenses are issued under the CPRA and only at the request of the communities.

There are no provisions for royalty sharing in these areas.

ACQUISITION OF LANDS FOR EXPLORATION AND DEVELOPMENT

The Department of Indian Affairs and Northern Development controls the issuance of mineral, oil and gas exploration rights on all Crown lands in the Northwest Territories. Mineral rights are issued under the Canada Mining Regulations. Oil and gas exploration rights are issued under the Canada Petroleum Resource Act (CPRA).

On aboriginal subsurface lands the landowner controls the rights to explore.

In the Inuvialuit Settlement Region the Environmental Impact Review Board (EIRB) and DIAND share the responsibility for land use permits, surface leases, and water licenses.

In Nunavut the Surface Rights Tribunal have begun to issue permits, leases, and licenses.

Outside of the Inuvialuit Settlement Region and Nunavut the responsibility for land use permits, surface leases, and water licenses currently lies with DIAND and the NWT Water Board. Upon the enactment of the Mackenzie Valley Resource Management Act these responsibilities will become the responsibility of the boards established under this legislation.

SECURITY AND BONDING REQUIREMENTS FOR DEVELOPMENT

Conditions for security and bonding requirements are conditions of the surface leases and water licenses. For mining developments the amounts are at the discretion of DIAND and boards which administer the water licenses. For oil and gas developments the conditions are set out in the CPRA and are at the discretion of DIAND and regulatory boards.

FIRST NATIONS PARTICIPATION IN EXPLORATION AND DEVELOPMENT

The education levels, previous work experience, and competition with the southern work force result in employment for Aboriginal people of the NWT being largely restricted to unskilled and skilled labor positions. Labor and trades training opportunities are available to northern residents from government agencies and industry (as conditions of impact benefit agreements).

Land Corporations established under settled claims act as agent for communities or districts that have development activities. These land corporations work with companies and the communities to negotiate Access and Benefits agreements. Employment, business opportunities and equity participation in developments are critical elements of these negotiations.

RESOURCE DEVELOPMENT ISSUES

Transportation infrastructure

The economics of resource development are influenced by the transportation infrastructure of the region. The Western Arctic is serviced by an all weather road system that ties in the Deh Cho, North and South Slave, Gwich'in and Inuvialuit regions. Access to the Sahtu region is by winter road only. No all weather road infrastructure links Nunavut to the south.

Shipping by barge and sea lift remains the main method of transferring goods to the communities. The Mackenzie River system is the main artery for the Western Arctic. Nunavut receives most of their goods from Eastern Canada.

Industrial developments rely on private winter roads, shipping and air transportation. During warm winters (when the life of winter roads can be severely shortened) many companies resort to flying in fuel and other commodities. The cost of development and operation in these remote areas can make many mineral or oil and gas prospects uneconomic to pursue.

Two pipelines exist in the Northwest Territories, The Pointed Mountain gas pipeline that ties into the West Coast System near Fort Liard and the Norman Wells oil pipeline which ties into Zama Alberta. Neither line is running at capacity. New discoveries near Fort Liard and Tulita promise to fill both lines within the next few years.

One railroad enters the NWT with the railhead located at Hay River on the Great Slave Lake.

Several initiatives to improve resource development economics by improving infrastructure are being investigated by the Government of the NWT. These include an all weather road to the Coronation Gulf, all weather road up the Mackenzie Valley, establishing deep water ports in the Coronation Gulf, Bathurst Inlet, and Rankin Inlet, and Mackenzie Valley oil and gas pipelines.

Abandoned industrial sites

The majority of abandoned industrial sites in the NWT are left over from military activities (Distant Early Warning System and the Canol pipeline) and from early mining and milling operations.

The government of Canada shares the responsibility for reclamation and remediation of military sites with the United States Government. The Department of Indian Affairs and Northern Development have been active in the clean up of many of the DEW line sites under their Arctic Environmental Strategy.

Mining and milling of metals in the NWT began in the 1900's. By the 1940's several large capacity operations were extracting gold, silver, lead, zinc, copper, and uranium. During this period mines were able to operate largely without environmental restrictions. Consequently there was little regard to the suitability and stability of tailings disposal areas and control of liquid discharges into receiving waters. The operators of many of these abandoned mines are no longer in business or have no obligation to remediate these sites under law. Many of these sites still release toxins into the environment and will continue to do so until reclamation measures are taken.

Changing regulatory regimes

With the settlement of land claims new boards and agencies are empowering the First Nations Peoples in areas of land and resource management. The implementation of these provisions under the claims combined with the limited human resources available in the north to accommodate these new responsibilities have an effect on the administration of resource management. The new regulators are finding themselves short of personnel making them resort to drawing upon outside expertise to meet their obligations as land managers.

As new rules are being established, applied, and amended industry is faced with a moving target when trying to navigate the regulatory regime in the north.

Equity participation and Surface Access Agreements

Surface access to licensed exploration properties is guaranteed under the legislation. In areas with settled land claims it has become the expectation of the communities to receive an equity interest from companies who hold lands with Aboriginal surface and Crown subsurface as part of their access agreement. There are no provisions under legislation to require that companies surrender equity interest to surface landowners. This has resulted in exploration programs being cancelled because no access agreements have been settled.

Boundary disputes

Parcels of land that overlap into two or more traditional areas are being opened for exploration. In some instances Regulators have not identified traditional boundaries and made concessions for them in the issuance of exploration rights.

When an exploration company acquires the rights to explore in an area where two or more communities dispute traditional use it is unlikely that an access agreement can be reached. This usually results in high levels of frustration from the communities and industry and the cancellation of exploration programs.

Community participation and consultation

Meaningful involvement of the communities in shared decision making is critical in the success of resource development in the north. The issue most often raised by communities is that they have not been included in the processes used to issue exploration and development rights in their areas. Provisions under claims have been designed to include community consultation, however the manner in which consultation is executed often does not satisfy the expectations of the communities. Inadequate consultation has resulted in projects being cancelled.

Value added activities

The northern economy is based on resource development and exploitation, making it vulnerable to changes world market prices. The effects of recent closures of local mines, continuing lay-offs and cancelled exploration programs all impact the north's economy directly. A lack of diversification in resource development, little value-added activities and no long-term development strategy contribute to unemployment and the economic uncertainty of the region.

AGENCIES INVOLVED IN NORTHERN RESOURCE MANAGEMENT

GNWT Department of Resources, Wildlife and Economic Development:

Role: Geological Mapping
Resource Economics Modeling
Community consultation

GNWT Department of Transportation

Role: Resource infrastructure requirements

DIAND Northern Oil and Gas Directorate (Ottawa):

Role: Managing Oil and Gas land sales

DIAND Minerals Division (Yellowknife):

Role: Managing mineral exploration activities
Geological Mapping

DIAND Contaminants Division:

Role: Remote site cleanup (Federal sites)

National Energy Board:

Role: Seismic and production regulations

