

NWT Indigenous Leaders Economic Forum

December 11 & 12, 2018

Chateau Nova – Yellowknife, NT

Background Materials and Discussion Guide

Summary

Denendeh Development Corporation (DDC) is hosting the NWT Indigenous Leaders Economic Forum on December 11-12, 2018 in Yellowknife. The purpose of this Forum is to provide Indigenous leadership with a venue to learn about the state of the economy, discuss solutions, and build unity through partnerships and action.

It is now accepted that the territorial economy is in some trouble with a significant downturn in mining expected within 5 years, little to no investment in other regions or sectors, and few known, near-term, economic opportunities. The Forum has established an agenda that includes discussions on several topics related to the NWT economy. The purpose of these discussions is to create an opportunity for Indigenous leaders to discuss how and where they might collaborate in order to stimulate the economy.

The two-day Forum has some clear objectives. DDC envisions an NWT Indigenous Coalition on the Economy (NICE) to focus exclusively on the current economic crisis, working to collect information and present Indigenous leadership with investment options. Along with the proposed Coalition, DDC is working to identify near-term opportunities that Indigenous communities can work on immediately that would show the benefits of a collaborative approach. Finally, DDC would like to see the Forum conclude with a statement that demonstrates that NWT First Nations are unified in their desire for economic growth.

Included in this document are one-page summaries on key areas of our economy meant to introduce the subject, identify some of the key opportunities, and stimulate discussion by identifying key questions associated with the opportunities. It is DDC's wish that Indigenous leaders attending the Forum will take time to review these summaries and to consider how they might contribute to our conversations and the development of an action plan.

The discussion topics are as follows:

- Oil and Gas Development
- Mining Sector
- Energy Generation
- Infrastructure Deficits
- Establishing Transportation Corridors
- Communications Infrastructure
- Reclamation and Remediation Business Ventures
- Real Estate Opportunities
- Diversification through Renewable Resources

Oil and Gas Development

Background

Fifteen years ago, the NWT was in the midst of an environmental assessment of the multi-billion dollar Mackenzie Gas Project. In hindsight, should we have had a more purposeful and expedient process? We'll never know the answer. In the time it took the territory to complete this assessment, the world market for natural gas changed. The project became too expensive and markets no longer wanted our gas, and so the project died.

Challenges

More recently, the territory witnessed a renewed interest in oil exploration within the Sahtu region where an estimated 1 billion barrels lay beneath the soil—enough oil to sustain a 100,000 barrel per day production rate for 27 years. Despite these eye-popping numbers, interest in this oil quickly waned; the result of too many seemingly insurmountable challenges. A lack of infrastructure makes access to this area both challenging and expensive. The latest test wells cost the developer an estimated \$40 million or more. By comparison, wells drilled in the Bakken region cost less than \$5 million. Another challenge is transportation. Moving the oil would require it is piped across the Mackenzie and then down existing pipeline infrastructure that would likely require significant upgrades. Addressing these challenges may be a mute point however because the oil is trapped in shale formations and will require hydraulic fracturing to access it. A community consultation process initiated by the GNWT a few years ago meant to gather feedback on fracking policies revealed the territory is not in a consensus regarding this mining method, and that many communities are categorically against it.

In between these two missed opportunities, the southern NWT region near Fort Liard and south of Trout Lake actually had a successful gas industry for more than a decade. Natural gas production peaked in 2003 at more than 120 million cubic meters, with oil production peaking in 2006 at 70,000 cubic meters (~1,200 barrels per day). From that point onwards, production fell steadily until, in 2015, it stopped altogether. There are no signs that these wells will return to production. The price of oil is too low, and the cost of production is too high.

Opportunities

Despite the missed opportunities in the past, the oil and gas is still in the ground. There are opportunities in the Beaufort Delta for offshore oil exploration and LNG remains an option if the world market wants it—both of these opportunities would require major infrastructure investments (e.g. deep-water port on the Arctic coast). In the Sahtu, there remains some conventional oil that could still be extracted.

There are strong indications of oil and gas deposits in the Łue Túé Słłái, northeast of Jean Marie River, however, this region has been identified for conservation in the draft final Dehcho Land Use Plan. These deposits are also unconventional, meaning they are trapped within shale formations and would require multi-stage hydraulic fracturing to explore and ultimately extract the resource.

The Sahtu Secretariat Incorporated has proposed Project Tlegohti to develop their own proven oil reserves on their subsurface lands with a potential for 65 to 100 million barrels. The project will require a feasibility study. The reserves also contain a lot of natural gas, but there isn't a pipeline to transport it to markets and flaring would likely be met with resistance. These reserves are unconventional and require fracking.

Discussion Questions

1. As a territory, what have we learned from these past events and missed opportunities? What has been done in preparation should any of these opportunities reappear?
2. Is there any remaining value in the environmental assessment conducted for the MGP (the permits expire in 2022)? Can we make use of the regulatory approval for that project? Should we try to have these permits extended?
3. There remain vast reserves of oil and gas throughout the territory. Is there interest in their development or not? As we've learned from the past, it takes more than the resolve of a few leaders to support development.
4. There has been some discussion regarding natural gas development for the local or community markets. There are opportunities for this in the Inuvialuit region. Has it been investigated elsewhere? What are the basic economics of small-scale operations?
5. Is there any economic justification for oil and gas developments? The world is trying to wean itself off oil, is this the right time to begin exploration for oil in such remote locations?

Mining Sector

Background

The NWT's mining industry is approaching a crossroads. The three operating mines, Ekati, Diavik, and Gahcho Kué, have collectively reached their peak production in 2017 and 2018. The next five years will be marked by declines in production leading to the closure of Diavik in 2024-25. The Gahcho Kué Mine is scheduled to close 3 to 4 years later and Ekati 3 to 4 years after that. Collectively, these three mines employed 3,450 people in 2017, 835 of whom were Indigenous and residing in the NWT.

Challenges

There are downside risks to this already-pessimistic outlook. Of greatest concern is an earlier-than-expected closure at Ekati, which is a possibility should the current owner choose not to develop its Jay deposit. Such a decision would hasten Ekati's closure by 10 years, meaning Diavik and Ekati would close within a few years of each other. Make no mistake, this scenario would leave the NWT economy in serious trouble.

A slightly less pessimistic scenario would see the Ekati Mine slow its rate of production, allowing it to remain open for a longer period of time, albeit with a workforce half the size it is now.

Opportunities

There are upside risks to this gloomy forecast. They involve the development of one or more mineral deposits of which there are several possible candidates, namely, NICO, Prairie Creek, Pine Point, Kennady Lake, and TerraX. These deposits offer geographic and mineral diversity within the mining sector, representing four different regions and several minerals, each with its own global market.

We should be following these developments closely, but it cannot be understated that each is relatively small when compared to Ekati or Diavik (workforce estimates range from 150 to 350 per mine) and all face one or more challenges linked to missing infrastructure, uncertain world demand, and a cautious investor climate. It must also be said that even in a best-case scenario, one of these mines will not open for at least 4 years from now.

Discussion Questions

1. Are there options available to prevent early closure of the existing mines? To extend mine life? (e.g. tax incentives, investments in infrastructure, how else might the territory lower the cost of mining in the NWT?)
2. What actions would ensure the development of one or more of the potential mining projects? If, for example, we are to invest in infrastructure, how do we choose where to invest? What gets priority? What would our criteria look like?
3. What actions are available to Indigenous governments? Land use planning? Land access? Regional mineral development strategies?
4. Are there exploration opportunities that could be promoted? Where are they? What is standing in their way?
5. How should NWT's Indigenous governments, communities, and development corporations prepare for this pending downturn that will include a reduction in revenues, including royalties, IBA payments, and taxes?
6. How can we help prepare communities, families, and individual workers for the possibility of layoffs?
7. How can we keep experienced miners in their communities? In the territory?

Energy Generation

Background

One of the territory's greatest untapped economic assets is its energy potential. Expanding NWT's hydroelectric power generation has been studied many times over the past 30 years. A viable project has not yet been identified.

Opportunities

Estimates of the potential from the Mackenzie, Bear, and Talston Rivers exceed 11,000 mega-watts. To appreciate the magnitude, some studies show a city of 1 million people requires 1,500 MW of power, which implies NWT holds the potential to power a city of 7.3 million people.¹ Despite this mind-boggling number, the industry and its potential are not well understood.

In truth, it is not realistic to think the territory will tap into every last power opportunity along these three rivers, but there are many good reasons for expanding the territory's hydro power infrastructure.

- The added power would improve the financial viability of industrial projects and attract investment.
- The construction project spans many years, generating economic benefits in areas of employment, training, and business growth.
- The revenue stream that follows is stable and spans generations.
- The workforce needed after construction is relatively small, but is very stable.
- Hydroelectric power generation is an area where Indigenous communities throughout Canada are becoming involved with many examples of success.
- And, importantly, the hydropower reduces our dependence on fossil fuels resulting in a smaller carbon footprint and a cleaner environment.

Challenges

It is not uncommon to hear opposition to power generation that is rooted in what must be given up in terms of the loss of land. But what do Indigenous communities stand to gain? This is a crucial question that needs better answers if the territory is ever to develop this resource.

There are other challenges.

- Hydroelectric power facilities are enormously expensive and incur substantial up-front investor risk;
- They require up to 10 years to develop, requiring substantial long-term planning and commitment;
- While eliminating diesel power is attractive, diesel plants will still be required to ensure a reliable backup power source (e.g. in the event of low water levels or ice build up); and,
- Negative impacts from controlling water flow are felt immediately, while the economic and environmental benefits accumulate over a long period of time.

¹ Appreciate that these numbers are provided to support the discussion. There are many factors that influence power needs.

Discussion Questions

1. Historically, there has been significant opposition to hydroelectric power facilities that cause flooding and disrupt traditional land uses. Has this view changed? Is hydropower an opportunity worth exploring? Or, is there simply no appetite for it?
2. There are opportunities apart from the three mentioned, some are regional, such as Tlicho's La Martre Falls project. What work has been done to advance these opportunities? And what are the common barriers once feasibility studies have been completed?
3. Hydroelectric power generation is an area well suited for a broad Indigenous partnership approach due to its costs and complexities, but it requires economically feasible projects, and requires high levels of cooperation and trust between partners. Pursuing this further might be a subject better suited for the proposed secretariat of a NWT Indigenous Coalition on the Economy.

Infrastructure Deficits

Background

Missing infrastructure plagues our territory. The National Aboriginal Economic Development Board has dubbed the infrastructure deficit the largest hindrance to economic development in the Canadian North. There are infrastructure shortages everywhere you look, roads, power generation, housing, communications, public buildings such as schools, or community buildings such as recreation centres, tourism offices, or town halls.

The GNWT has a long list of priorities, some of which have very large price tags, such as the multi-billion dollar Mackenzie Valley Road and the multi-million dollar Slave Geologic Province Road. It has an even longer list of community infrastructure that is needed.

Challenges

The GNWT does not have the capital budget to put this infrastructure in place, and it certainly doesn't have the operational budget to maintain it all. To make matters worse, there are jurisdictions all across Canada in much the same situation, and some of them are worse off, and everyone is looking to the federal government to help fund these capital and operational costs.

Indeed, the infrastructure gap is too vast to describe in detail here. We need to bring some focus to this discussion. Two areas require our thoughts before making any investment decisions: (1) Setting priorities, and (2) Perceptions regarding public investment in economic infrastructure.

Opportunities

The question of priorities is a common one, and not easily answered. Within the NWT Indigenous community, priorities are wide-ranging with each predominantly focused on their own traditional territory. This is understandable, but what about infrastructure that serves two or more regions, that has implications for the entire territory, or that is too large for a single region to manage? We currently have no methodology for making priority-based decisions. The result is that most of these decisions end up in the political arena.

A system of evaluation based on costs and benefits and short-, medium-, and long-term needs should be in place. To put it bluntly, the territory cannot afford to invest in the "wrong" thing with so much at stake.

There is inconsistency in how residents view public investment in economic infrastructure. It is common to hear opposition to these investments because they are perceived as subsidies to big business. As evidence as this, consider that GNWT literature promoting the Tlicho All-Season Road makes no mention of its proximity to the proposed NICO mine, stating only that the road will "attract further interest in exploration and development of natural resources". Fortune Minerals stated on the Public Record that the mine would not proceed without a third party paying for the road. Yet the government makes no mention of it. Meanwhile, the long proposed all-season road into the Slave Geologic Province is still without funding and has never garnered much public support. There is no hiding the purpose of this investment. And yet, we can have a healthy discussion regarding investments to support the fishery, agriculture, or forestry sectors. These too are subsidies to business, but exist largely because the sectors are not profitable.

Discussion Questions

1. What do our communities need? What are the priorities for infrastructure development in the NWT? Is it even possible to create such a list? How would we do it?
2. How should we determine priorities? Who should be involved? (With a fair, unbiased system in place, maybe it doesn't matter who.)
3. Is priority setting something that the Coalition could manage?
4. Investing in economic infrastructure can be a difficult sell for politicians and Indigenous leaders alike. Is this an area where Indigenous ownership could help people see the benefits? Would Indigenous-led Infrastructure result in more local jobs, own source revenues such as tariffs, tolls?
5. Thinking about real and perceived barriers to investing in the NWT in the areas of mining and exploration (discussed previously during this meeting), would Indigenous ownership positions in what would otherwise be public infrastructure be viewed by the private sector as a positive change? Or would it be seen as an additional barrier?

Establishing Transportation Corridors

Background

The Indigenous leadership throughout the NWT has been exploring the concept of establishing transportation corridors in preparation for future opportunities that requires access into, out of, or through the territory.

Opportunities

Establishing corridors in advance of any future project would send a positive message to investors about the territory's business intentions and would shorten future regulatory processes. The corridor(s) could provide access to a variety of transportation needs, with the most obvious being those associated with roads, pipelines, and power transmission. And these corridors would generate revenue through tolls or tariffs.

Challenges

The corridor concept is in many respects an excellent, forward-thinking idea. It matches perfectly with the call for Indigenous governments to be proactive in support of future economic activity. But there are challenges.

- The most obvious is how to pay for it in the absence of an identified user?
- What is this corridor worth? Can the corridor command tolls high enough to cover the cost?
- Without the urgency of a proponent and real deadlines, it would be easy for the project to become inefficient and over-budget.

Communications Infrastructure

Background

The Mackenzie Valley Fibre Link (MVFL), now completed, was a GNWT initiative supported by Northwestel and Ledcor to install fibre optic telecommunications for communities in the Mackenzie Valley and Beaufort Delta regions. The project resulted in the installation of a 1,154km high-speed fiber optic line from McGill Lake to Inuvik.

Opportunities

The completion of the MVFL does not end the need for telecommunications infrastructure. The Broadband Business Alliance Partnership has made several recommendations for further installations and outreach programs that would improve the NWT's broadband network through greater speeds, built in redundancies, and greater usage of Internet-based services. Some of the recommendations include:

- Dempster Highway Fibre Link – to create redundancy for users accessing the MVFL and users in Yukon
- Great Slave Fibre Link – to create redundancy for users in the North Slave
- Network Support – to improve broadband access for communities that remain on satellite service
- Extended Highway Coverage – to establish Cellular signal hotspots along NWT highways to improve the safety and security of travelers
- Increasing Access – to improve consumer usage of modern technologies

Discussion Questions

1. For both the corridors and communications files, we have to ask “What’s Next?”
2. Should Indigenous governments continue to promote the corridors concept? Has there been any meaningful traction thus far?
3. Are there opportunities being missed in these areas? For example, Is Circumpolar Communications Infrastructure viable?
4. Does the communications work offer any opportunities for Indigenous business participation? How? Where?

Remediation and Reclamation Business Ventures

Background

Remediation and reclamation of industrial sites is now a standard practice and clean up of abandoned sites is well underway. This is an emerging business line for Indigenous development corporations.

Opportunities

There remain many decades of work in this area. There is an obvious pathway for Indigenous development corporations and businesses to transition from mine services to reclamation and remediation work. There are similarities that would compliment existing business entities related to transportation and logistical needs, camp and professional services, and that could make use of its trained industrial workforce.

Beyond the NWT, there is reclamation and remediation work needed all over the world. Specialized knowledge of the emerging industry could set companies up for opportunities outside the territory in the future.

Challenges

There are a few notable challenges. Some reclamation work is too big for existing Indigenous businesses, and federal and territorial government procurement policies and practices do not give much weight to aboriginal partnerships and capacity building. The obvious example is the Giant Mine Project that will cost close to \$1 billion by the time it is finished. The upside with this project is obvious though. The Project is so big that there is enough time and money for Indigenous businesses to learn the industry and develop its own knowledge base.

Another challenge will be competition between Indigenous groups. This will be difficult to manage, and like other business ventures, the NWT market is not large enough to support reclamation businesses in every region. Cooperation will be needed.

Discussion Questions

1. What have we learned from our experiences growing businesses in the mining sector that can help us in this new business venture? What have been our successes and failures?
2. How can large reclamation projects be managed by Indigenous governments vs other governments procuring southern companies?
3. Can Indigenous governments work together in this area or is it to be full-out competition?

Real Estate Opportunities

Background

A unique opportunity in real estate development has arisen from the GNWT's precarious financial position regarding its debt ceiling. As of 2017, the GNWT's debt was close to \$1 billion. Its federally imposed debt ceiling is \$1.3 billion. With only \$300 million of borrowing available, the GNWT must be extremely careful with any new debt it takes on. This is especially the case for capital projects because financial prudence demands that government maintains some debt room for emergency purposes.

Opportunities

Despite the government's financial situation, it still requires new and/or upgrades to its existing physical capital as a part of its overall operations. Examples of this include office buildings, warehouses, education facilities, airport infrastructure, health care facilities, and others. Indigenous governments have financial resources that could be invested into these types of real estate whereby they act as private sector developers that finance, build, and lease back buildings to the Government of the Northwest Territories or the Federal Government.

There is quite a range of options in this area. A list of opportunities is provided below.

General Purpose Office Space and Warehousing – Opportunities to purchase existing buildings and lease back to the government, as well as the possibility of developing new buildings where government has identified a long-term need.

Upgrade to Existing College or New Polytechnic College – The recent decision by government to support a new Polytechnic Institute represents a future opportunity for Indigenous governments and development corporations to become involved in the construction of a new campus, buildings, and student housing. These, too, might offer opportunities for ownership and lease back arrangements.

Airport and Ancillary Buildings – There is a need for new terminal buildings in several NWT's airport as well as new hangars and warehousing. Indigenous governments and development corporations could develop some of this infrastructure themselves, or for larger projects, consider P3 options.

Health Care Services – The NWT population is ageing at an unprecedented rate. The number of residents aged 65 or older will grow from less than 8% of the territory's population to more than 18% in the next twenty years, while the percentage of residents aged 75 and older will grow from 2.7% today to 8.8% by 2038. It is easy to predict a growing need for seniors housing, long-term care facilities, and other health care infrastructure. Without the necessary financing options, the GNWT will have to look to developers to build this infrastructure for them.

Private Sector Opportunities – Government offers the most stable and secure option for this line of business, but we shouldn't exclude private-sector opportunities without first investigating the options. Some ideas include the current need for a visitor's centre in Yellowknife, hotels, and a conference centre.

Discussion Questions

1. Real estate venture is an area we see Indigenous governments throughout the country and internationally becoming involved in. It does require a lot of upfront financial resources and strong collaboration across governments. Is this an area where the NWT Indigenous community is interested in pursuing?
2. The proposed secretariat for a NWT Indigenous Coalition for the Economy might be the best institution to research these opportunities and report back on the risks and rewards associated with each. It might also want to look at corporate structure. Two common options are a Limited Liability Partnership (LLP) or a Real Estate Investment Trust (REIT).
3. What land and resources are available (or could be made available) for these ventures?

Diversification through Renewable Resources

Background

The NWT is rich in renewable resources. Forestry, fishing, and agriculture are sectors often described as means to a more diversified economy. However, our economy has not yet found a way to develop this potential sustainably. The reality of our geographic remoteness, slow growth climate, and high cost environment are not easily overcome. In considering possible growth and diversification options through renewable resources, our discussion must be rooted in these facts. At present, according to data from Statistics Canada, the combined industries contribute \$23 million a year to economy or 0.5% of the GDP and 140 jobs.

Opportunities

Renewable resource sectors offer opportunities for small business startups and family-run enterprises. Across the territory, people are logging, growing food, catching fish—much of this activity occurs outside the wage economy, where trees are harvested for firewood, food is grown in gardens, picked in forests or harvested off the land, and fishing or netting is done to feed our families and dogs. These activities are also being done on a larger scale for commercial purposes. But an honest assessment shows that many of these businesses struggle with profitability. And, in many cases, some measure of public support is required to help establish businesses and then keep them afloat at different times throughout their operational life cycle. We have to be clear in our understanding about this and accept that some businesses are worth supporting with public funds. These are modest opportunities for entrepreneurs, often with small but positive indirect and induced benefits for the local economy, offering people a greater diversity of choices in employment or lifestyle.

Challenges

In our discussions regarding growth opportunities in renewable resource sectors, we must have reasonable expectations in terms of where and how these sectors could grow. We have to ask Discussion Questions regarding

- the viability of renewable resource businesses;
- is there room for expansion;
- what are the market forces; and,
- a realistic expectation for return on investment.

These questions should not be taken as an objection to growing renewable resources' sectors, but rather, they are about establishing acceptable limits to our support and reasonable expectations regarding performance.

These smaller-scale industries are often unfairly compared to the mining sector. We say unfairly because while it is true that a majority of people employed or self-employed in these sectors will earn less than that of a miner, it is often the case that people employed in these industries find other aspects of their work more important. To that end, there is value in supporting diversification that goes beyond its contribution to GDP.

Example of Our Challenge

Commercial fishing in the NWT has room to grow. Current activities fall short of the quota set for Great Slave Lake by approximately 70% every year. Governments at all levels have seen this and, in 2017, the GNWT devised a strategy to revitalize the industry through millions of dollars of investments.

But there are many challenges. Commercial fishing in the NWT has not been able to compete with similar fishing in Saskatchewan and Manitoba. Infrastructure has been left to decay, in some cases beyond repair. A survey conducted in lead up to the GNWT strategy found fishers were ageing with few young people interested in the industry. It was reported that the life of a fisher is challenging, with hard manual work and a modest payday, and that many potential candidates for this work choose other options such as in the mining sector.

Discussion Questions

1. There are numerous opportunities to support small business in the renewable resource sector, and the GNWT has strategies for all of them. What is the role of Indigenous leadership in these areas?
2. Are the current mechanisms for support effective? Is this support simply propping up unsustainable businesses while simultaneously crowding out potential sustainable enterprises?
3. What about a more development-focused approach to funding small business and resource-based entrepreneurs? Some of the most effective loan programs in the world have been micro loans, and they have been particularly successful when supporting women. What other options are there? Should this be a question for the proposed Secretariat to address?

Conclusion

Our two days of discussions will be focused on what we, as Indigenous leaders, can do collectively to take charge of our own economies. In truth, we do this at a difficult time and in hindsight, the task we have set for ourselves would have been easier a decade or more ago. There is a lesson there that we should include in our decision-making today on the value of collaboration. Whatever barriers prevented greater unity back then pale in comparison to what we face now. Now is the time to make a strong stand together in building a new model of cooperation for the betterment of all Indigenous people, and indeed, all residents of the Northwest Territories.

Our discussions have focused on the economic opportunities and challenges we all face. Over the two-day Forum, we have discussed

- Oil and Gas Development
- Mining Sector
- Energy Generation
- Infrastructure Deficits
- Establishing Transportation Corridors
- Communications Infrastructure
- Reclamation and Remediation Business Ventures
- Real Estate Opportunities
- Diversification through Renewable Resources

This is a lot to take in over a short period of time. The purpose of these discussions is to find areas for cooperation through investment, and in doing so, form an NWT Indigenous Coalition on the Economy that will become the institution that will help guide our future actions.

It is the DDC's hope that from this Forum, Indigenous leaders from throughout the territory will agree the economy is heading toward dark times, and that our best option going forward is greater unity and focus. DDC would like to see Indigenous governments, development corporations, and businesses take a proactive and even aggressive approach to investing in our economy for the betterment of all, and wants to support this approach through the contributions of the proposed NWT Indigenous Coalition on the Economy and the establishment of a secretariat to carry out its work, and as such have developed a draft protocol accordingly.