Communities and Industries in the Arctic: Exploring the relations

Report of the Arctic Social Science and Humanities Symposium

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During this symposium we presented new social scientific research on the relation between communities and the oil and gas industry in the Arctic, discussed the relevance of these insights for Dutch policy makers, companies, organisations and researchers, and strengthened the Dutch network of social science and humanities researchers working in the Arctic.

Contents

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Welcome - Machiel Lamers

This symposium is a follow up from the SEES expedition to Spitsbergen in 2015. On the research ship 'Ortelius' the social scientists met and agreed to organize further cooperation for Dutch social scientists active in the Arctic. This was combined with the NWO funded project of Maria Tysiachniouk in which it was promised to organize workshops for disseminating the results.

The theme of this afternoon is the interaction between the local communities of the Arctic, the oil and gas industry, and the government. Our special guests are Maria Tysiachniouk, Annette Scheepstra and Robert Blaauw who will present their insights from the perspective of the communities, the Arctic Council, and the oil and gas sector. After the presentations there will be an interactive session to discuss the relevance for Dutch companies, Dutch government and Dutch research.

Comparing benefit-sharing arrangements between oil companies and communities in Russia and Alaska -Maria Tysiachniouk

Onshore oil and gas extraction takes place in the wetland areas of the Arctic areas, and in these same areas the local people live. This means that with land-bound oil and gas extraction there is always an interaction. The complaints are similar everywhere: Oil and gas resources are extracted, most benefits go out of the region, and the communities stay behind as poor as they were with a devastated landscape. There are oil spills in Russia. Traditional culture is lost and costs for living are going up. Workers are going in and out without a connection to the local community and there is limited local employment. The topic of my research is: what are the best practices for benefit sharing? What kinds of arrangements exist, can local people participate in setting up benefit sharing arrangements, and what benefits are achieved in the end?

Four ideal types of benefit sharing were defined based on the literature:

1. Paternalism. This is a company or state approach working top down; indigenous people ask for certain benefits (schools, hospitals, snowmobiles), and the decision is made by the company and/or the state if they get it or not.
2. Corporate social responsibility. CSR is narrowly defined: it is a company driven arrangement; global or regional or legal CSR standards are adopted and the company delivers benefits in a minimalistic way to the local arena.
3. Partnership: This is a tripartite arrangement with government, company and local community for empowering the local community and facilitating coexistence with the company.

4. Shareholder. The business model in Alaska. Regional and local native corporations are formed, which distribute dividends to native shareholders. Native corporations are working on contracts with transnational oil companies, which increases the amount of dividends.

Fieldwork is carried in Russia (the Nenets Okrug, Sakhalin and Siberia) and in Alaska.

The Nenets Okrug in Russia: In 1970 there were geological surveys, drilling started in the 2000s. Several companies are active: Lukoil, Rosneft Total, Nenets Oil Company. On the level of Nenets Autonomous okrug socio-economic agreements are signed by the governor and each oil company. The state agencies later distribute this money to the villages through different state programs. Often, disjunctions in delivery of benefits are happening. For example, in one place a big school was built but no sewage was made. It is a very paternalistic system.

The Khanti-Mansiiski Autonomous okrug: Numto nature park: The company Surgutneftegaz is a large Russian taxpayer. In Khanti-Mansiiski AuIn Numto not everything is agricultural land; there are also bits of land for natural resources used by families. If they are hampered in their traditional nature uses, they have to be compensated; every family gets the same in-kind contributions, like snow mobiles. Whether the damage is big or small, the compensation stays the same. It gets difficult when indigenous peoples rights are violated. Reindeer are herded everywhere, and it is hard to determine who has which pastures. Compensation is given by the local administration to everyone, so the people who are affected get less compensation than what they need. The money goes to the wrong villages. The model also represents a paternalistic system.

Sakhalin island: This case represents a partnership model. There are four consortia active in Sakhalin: Gazprom Sakhalin Holdings B.V., Shell Sakhalin Holdings B.V., Mitsui Sakhalin Holdings B.V. and Diamond Gas Sakhalin. Sakhalin Energy is the operator. The social investment arrangement is between companies, government and local community. It is a well-developed island: roads, internet etc. The agreement was made in 2006 and is renewed every 5 years. With every agreement more money and more responsibility is going to the local people. It is now institutionalized in all local communities; before it was more informal. Now all communities have bank accounts, training etc. The companies adopted many standards: from the World Bank, international financial corporations, Shell etc.

Alaska: There are very complex benefit sharing arrangements, involving several layers of governance. Alaska has a national petroleum reserve. The governance is multi-layer, with an indigenous municipality-North Slope Borough, that taxes the oil infrastructure. It is a very rich municipality, and the money goes into villages for construction, many people are employed. The arrangements are based on the Alaska National Claim Settlement Act (ANCSA) of 1972. Native people could claim land and form native corporations with the initial capital from the State. They are for-profit entities that invest the money in the community. Some villages are very rich and some are bankrupt.

Discussion and questions: Why is the polar region different from other extraction areas like Australia? Because there is less intense interaction with communities in other regions. Still it can be interesting, if you look for arrangements, and if you look for best practices, to also look in the literature on other regions of the world, and to include mining.

Robert: there is a huge amount of variation and it is difficult to come to a coherent model. Multiple models are needed because of different contexts. We need to find general principles and guidelines and then translate those to regions with input from the local people.

Developments just happen to communities, then better or worse arrangements are made just to compensate. In many communities it is is forced development, the speed is higher than communities can keep up with. Slowing down may be helpful.

What if development is more offshore? Still people on the land are confronted with a lot of construction and living quarters, but when offshore is in operation indeed there is less financial impact for the communities. Companies have learnt to work around whaling activities of the local communities and with salmon; these are good practices.

Community and industry relations: insights from the Arctic Council - Annette Scheepstra

This is a perspective from the Arctic Council on the relation between communities and companies in the Arctic. Where is the Arctic Council coming from: in 1991 the Finnish Arctic Environmental Protection Strategy was signed by 8 nations and in presence of indigenous peoples. This strategy aimed to protect the environment. The strategy says nations should allow sustainable development that does not have negative impact. Objectives were protecting the ecosystem including humans; protecting environmental quality; and sustainable use of natural resources. The last objective is important for local communities. It also aimed to protect the cultural needs and values of indigenous communities. The main driver behind the strategy was the pollution coming to the Arctic from the south. Four working groups were started:

- AMAP (1991): Arctic Monitoring and Assessment Program
- CAFF (1991): Conservation of Arctic Flora and Fauna
- EPPR (1991): Emergency Prevention, Preparedness and Response
- PAME (1991): Protection of the Arctic Marine Environment

The Arctic Council was established in 1996 with the Ottawa Declaration, still based on protecting the environment. It comprised better coordination among the eight Arctic states. It continued into the sustainable development program with the same four working groups as those in the Finnish Strategy. Two years later the sustainable development group started to improve the economic situation for the people. In 2006 another working group started:

- SDWG (1998): Sustainable Development Working Group
- ACAP (2006): Arctic Contaminants Action Program

The Arctic Centre in Groningen was involved since 1992 and Kim van Dam represented the Netherlands as observer between 2004-2008.

Many reports were published in cooperation with the Arctic Council on pollution e.g. on mercury. In the beginning there was not much attention for economic development yet. In 2007 an oil and gas assessment was published. In 2011, the first information guide on mining for Nordic communities was published.

Recently, the Arctic Council was involved in two other interesting reports: the Arctic Resilience Report (2016) and the Arctic Human Development Report. The ARR states that the Arctic Council is not working on the public interest: 'The limited discussion of the social impacts of extractive industries suggests that Arctic Council Member States see these issues as falling outside the purview of the Arctic Council.'

AHDR I (AHDR I) was an official Arctic Council report, the AHDR II was started with support of the Arctic Council but it was not endorsed by the Arctic Council Ministerial meetings; mostly because of the legal chapter. It states that the relation between indigenous peoples and resource extraction is a very urgent issue. There are risks but also opportunities. Some indigenous communities are in favour of resource use and others are against because of the threat to caribou and walruses. AHDR II was not accepted because it would have had consequences for the 8 countries.

Christoph Humrich wrote a good article: 'Sustainable Development in the Arctic. International Environmental Cooperation and the Governance of Hydrocarbon related Activities'. Before, there was emphasis on environmental aspects, but now a shift takes place to the needs of indigenous peoples.

A shift is also visible in the Arctic Council: they are now also looking at the wellbeing of people. 4 million people are living in the Arctic of whom 10% are indigenous. There is a new vision of sustainable working group (SDWG): To meet the needs of the present generations without compromising the needs of the future generations. Citation from the SDWG: 'Sustainable development must be based on best available knowledge, which includes knowledge derived from scientific data, Indigenous peoples' traditional knowledge and local knowledge. With this in mind, and through innovative approaches, the SDWG will contribute towards an Arctic with expanded economic activities capable of producing wealth for the people who make the region their home now and in the future, while supporting their well-being, promoting their cultures, and safeguarding their environment.'

The SDWG put social equity on its agenda with a focus on physical, mental and emotional health of indigenous and other residents and focusing on youth. The economy should develop in an inclusive and participatory manner, resulting in local economic benefits. The Finnish chair will encourage culturally appropriate projects and educational projects. The US, that was chair before Finland, had focused on sustainable energy projects.

Projects have to be supported by at least 2 countries and you have to finance it yourself. Then if the Arctic Council likes the outcome they will endorse the report. Does the Arctic council have any power? It only has soft power. If a report is endorsed by the Ministerial meeting, then the 8 countries will implement it. These are bilateral and multilateral agreements. Indigenous peoples are present and have a voice but no power. So far there were only 2 binding agreements; most activities are in the working groups.

In 2007 the first Arctic energy summit too place and since then it was repeated every other year. It is organized by the Sustainable Development working group. Indigenous peoples bring in a holistic view. A new project started: Arctic as a food producing region. This is a very sensitive topic. How to increase production? There is no fishing industry, no aquaculture. Controversial projects are often coming from Norway (salmon industry)

The second Economy of the North (Econor II) report describes the Arctic economy including subsistence activities. Often figures are gathered per nation and now Econor has teased out the Arctic part.

The Arctic Council is committed to sustainable development in the Arctic region, including economic and social development, and to the protection of the Arctic environment. Environmental Impact Assessment (EIA) is an important tool for putting this commitment into action, and public participation is an integral part of this process. Good practice recommendations should focus more on human development. The sustainable development project, unfortunately, is too much oriented on oil and gas.

The Red Dog Mine in North-west Alaska is a potential example of what responsible management looks like. The organization NANA agreed on a shareholder benefit agreement; it is a mechanism for hope. Involvement of elderly was different. In the community house the rules are made by the elders. If they do not approve you have a problem. NANA has banned alcohol and receives revenues from the mine.

Film red dog mine: Link

A view from industry - Robert Blaauw

Robert Blaauw has worked on Arctic projects within Shell for more than 10 years. How is it today: more and more offshore oil and gas and a gold rush in the Arctic? Absolutely not. The oil price is currently too low to make Arctic offshore oil and gas affordable and economic. Companies cannot afford the costly exploration programs and exploitation will be uneconomic in the Arctic, particularly due to the often very remote locations and the physical challenges of working in an environment dominated by sea ice. A project will take 20 years to develop and may produce until 2060 and beyond, but by then we will be looking at a new energy landscape. Trudeau and Obama called for a moratorium on off-shore drilling in the Arctic, but did not consult the people of the north in these decisions. Arctic communities want development and the benefits that come with it. Another complicating factor are the economic sanctions (by the US and EU) against Russia since 2014. There are no indications that these sanctions will be lifted soon. Onshore oil in Alaska is promising. There have been a number of new discoveries not far from the trans-Alaskan pipeline (TAPS). Onshore there are less potential conflicts with the subsistence lifestyle of local communities, and every Alaskan gets royalties from onshore production. In Canada oil and gas fields on land are too far from existing transport infrastructure. In the Barents Sea on the continental shelf of Norway significant industry activity is planned this year, well above the Arctic circle. There is no sea ice and the Barents Sea is relatively close to a sophisticated industry infrastructure in Norway and the North Sea. Indigenous people in Northern Norway, the Sami, live a traditional life centred around reindeer herding on land. Conclusion, the interaction between oil industry and indigenous communities of the North will be limited. Dutch companies are mainly active in the offshore industry, with little interaction with indigenous people. There is intense public interest in and scrutiny of oil and gas operations in the Arctic. In 2012 Shell lost a drilling rig on tow in a storm near Kodiak Island, south of Alaska, and although it was recovered in ten days the reputation of Shell in the Arctic was tarnished. From an energy demand point of view there is still a place for arctic oil and gas from the Arctic. Global oil

consumption as yet is not declining and it is expected to plateau around 2030 (International Energy Agency 2016). After that it is forecast to decline, but still a large percentage of energy use by 2040 will be based on oil and especially gas. Heavy transport, aviation, plastics and the chemical industry still require oil.Of the 4 million people that live in the Arctic some 10% are indigenous. On a nation-wide basis only in Greenland indigenous peoples are a majority. Inuit / Inupiat are very dependent on the sea, which they consider as there back garden. Sami and Nenets are mainly depending on herding reindeer. The Sami of Scandinavia are generally well educated and are even represented in Brussels. There are conflicts between local people and the mining industry, especially in Sweden, but not with oil extraction. At the Alaska North Slope there are no roads, no deep water harbours, only air strips. A broadband fibre-optic cable is coming soon.

Arctic oil often divides people. Although Alaska is a huge State, only 700.000 people live there so as an electorate in the US (with its 320 million inhabitants) they have little importance in Washington DC. Alaskan people look at resource development differently: they depend on the oil industry. Opposition primarily emphasize the risks of oil operations in the Arctic.

Cameo on Shell in Alaska; some highlights only: When Shell met the people of the North Slope after the acquisition of offshore licences in the Chukchi and Beaufort Seas in 2005-2007 it initially focused on advocacy of their drilling plans without first listening fully to the concerns of the people who felt it was 'too much and too soon'. The community was concerned about the possible impact of offshore activities on the bi-annual whale hunt and how the people would benefit in general from the offshore activities. Shell then started to better listen to them, trying to understand what they were worried about and how these worries could be alleviated. Shell incorporated their deep knowledge of surviving in harsh arctic conditions and their knowledge of the physical and natural environment including animal behaviour. All in all Shell and the indigenous communities had some 600 meetings across the state. Then a new plan was made for cooperation, including how to deal with offshore operations during the whaling season and how to deal with conflicts. Liaison officers, subsistence advisors and protected species observers were appointed. Many people were working for Shell and its contractors and suppliers. Emergency response and rescue training of local companies and people helped to instil confidence. Science Agreements were established, governed by independent science panels, with the objective to carry out a science programme to answer questions from local people. A development that worked well to align objectives of indigenous peoples and Shell was the joint venture agreement with Arctic Inupiat Offshore (an Inupiat people owned oil company), in which they got a small working interest in the exploration and development of a prospective oil field in the Chukchi Sea. After drilling a dry well in the Chukchi Sea in 2015, Shell abandoned its Arctic program in Alaska in view of the well results, new economic realities and the unpredictable and impractical nature of the US regulatory requirements in the Arctic.

There have been various initiatives to reconcile development, environmental protection and the needs of indigenous peoples, mostly informed by international agreements. The World Economic Forum, for instance, has published a useful Arctic Investment Protocol to which many companies have signed up as a code of conduct for business and investors for responsible development in the Arctic.

Q: What villages at the Alaska north slope did you talk to in 600 consultations? All of them. The three bigger ones were most important but all villages along the coast are involved in seasonal whaling and engagement with industry.

Plenary discussion

Problems:

- Dependency of Arctic communities on a single industry, dependency on one mine, one pit. They can live with and without extractive industries. Trust must be built between industries and communities, and shared concepts, values and benefits.
- Disconnection between workers brought in from further away.
    - Different cultures: urban and rural
    - Incoming people are hunting and fishing in leisure time, reducing the natural stocks for the local people.
    - Sometimes there is a total institution of foreign companies, with recreation and everything on site, to prevent workers from roaming.

- Local people expect employment which often does not happen, or only in the construction or exploration phase, due to the cyclical or boom and bust character of the extraction industry.
- Leave something behind after you leave: a legacy including education and health.
- The relation is asymmetric: industries have more options and communities have less options.
- Tourism is also booming. There are many different organisations, and it is very concentrated. How to spread the numbers to less visited destinations?
- Empower people to take care of their own environment.
- Common land and privately owned land: in Russia indigenous people have very few rights. In North America they have much more rights.
- Loss of local environmental knowledge, climate change will impact the next generations, focus on adaptation.
- Loss of identity by swapping to other sectors, local languages are disappearing.
- Winners and losers: some profit from the industries, others not.

Opportunities for the Dutch:

- Not many Dutch companies are active, and if they are they have little interaction with communities.
- Global industries should work with sustainability standards. Be responsible, do your homework, use shared principles and criteria, e.g. Arctic Investment Protocol
- Standards of the tourism industry: check whether and how standards are implemented in visiting communities.
- The Dutch government can do little: As an Observer NL has a subtle balance in the Arctic Council. Soft diplomacy: use science to influence.
- Dutch scientists contribute environmental knowledge. What happens behind the scenes? We are present in three working groups, with topics such as pollution, migratory biodiversity, tourism, shipping, emergency response. Waste management and water management experiences can be exported to the Arctic
- How can European knowledge and expertise be shared in the Arctic? The EU has a great interest in the Arctic. Greenland has a special relation with EU: rare earth minerals, education, identity creation, nation building, sponsored by Europe.

Research agenda:

- Focus on other sectors than oil and gas; implementation of codes and standards in tourism, shipping and fishing in the Arctic.
- Health issues and social issues, violence, generation gap? Connecting youth and adults.
- Legitimacy and accountability in fragmented institutional settings: nobody is able to fully govern, therefore new concepts are tried: Social License to Operate, Social Impact Assessment
- Resource curse: do local communities stay behind poorer than they were? Leave a legacy but for how long? What are the legacy plans of the companies?
- Climate is forcing change; the pace of change is more rapid and there is a dependency on the environment. Arctic vulnerability is dynamic and multidimensional. What is the role of industry in adaptive capacity? Resilience, tipping points.
- What does sustainable development actually mean with regard to changes over time. Shifting baselines: What does it mean in reality?
- Health: physical and mental issues. No fresh food, in the supermarket all cheap food is unhealthy. Food security.
- Focus of the Polar Research programme of NWO is on Svalbard and Antarctica: societal issues are limited there.