



NWT DEVOLUTION: IMPACTS FOR INDUSTRY AND COMMUNITIES



Government of the Northwest Territories

Arctic Oil and Gas Symposium

March 2014

Technical Session Overview

- Devolution overview
 - Structures, legislation, and transition
- Post-Devolution GNWT
 - Legislation
 - Decision-making
 - Operations
- A Focus on Minerals, Oil and Gas Management
 - Structures, policy framework, operations

NWT Devolution

- NWT Devolution is the transfer of responsibility for managing public lands, water and resources in the NWT from Canada to the GNWT.
 - Negotiations began in 2002 and concluded in March of 2013
 - *NWT Land and Resources Devolution Agreement*
 - Signed June 25, 2013
 - Canada, GNWT and five Aboriginal governments
 - Transfer is targeted for **April 1, 2014**
 - Work is progressing well and we remain on track to hit our target date

The Transition - Organizational Structures

- Receiving GNWT organization developed
 - Addition of Department of Lands, appointment of Minister and DM Designate
 - Expansion of roles, responsibilities for both Environment and Natural Resources and Industry, Tourism and Investment
- Job offers made to all affected NWT AANDC staff
 - Almost 100% acceptance
 - Ensures knowledgeable, experienced staff in place on April 1, 2014
 - Aggressive early recruitment campaign has also meant key positions not being filled by AANDC staff are being filled prior to April 1st to allow for knowledge transfer
- AANDC establishing a post-devolution organization as well

The Transition - Legislative Initiatives

□ Legislation

- Canada's Bill C-15 has passed third reading in Parliament and the Senate, awaiting assent
- GNWT introduced three devolution-related Acts in October
- GNWT distributed draft versions of additional legislation and regulations for review by parties
- All remaining legislation introduced in NWT Legislative spring session
- Current status:
 - Oil and Gas Operations Act (second reading)
 - NWT Intergovernmental Agreement on Lands and Resources Management (second reading)
 - NWT Intergovernmental Resource Revenue Sharing Agreement Act (second reading)
 - Petroleum Resources Act (second reading)

The Transition - Business Foundations

- ❑ All contracts, leases, buildings, assets, records on track for successful transition
- ❑ IT systems tested and prepared for transfer including:
 - LAS, LIMS and MINERS and MITS (MINERS replacement), LMRS, RMS and IEMS
 - Geomatics function, telecommunications, hardware, electronic data also transfer-ready

Operational Transition

Minerals, Oil & Gas

- ❑ Process approved for splitting leases that cross NWT/NU boundary and are associated with retained lands. Work is now proceeding and parties have been sent notifications.
- ❑ 46 general rights notification letters mailed along with securities notifications.
- ❑ Protocol for transfer of resource revenue sharing has been completed.
- ❑ Senior staff have been hired for GNWT's new Oil and Gas division; an office in Inuvik is on track to be set up for early April.

Operational Transition

Lands, Water and Environment

- ❑ The confirmation of delegations are being finalized.
- ❑ General notification letters sent to stakeholders as well as specific notification for Environmental Agreements and transfer of securities.
- ❑ Work plan developed to manage the transition of grant and contribution programs such as IRMA and CIMP and agreements and evaluations being completed for Water Quality and Hydrometric networks.
- ❑ Operational contracts related to Taiga Lab on track.
- ❑ Scanning being done of current operational files.

Post-Devolution GNWT

Beyond April 01: Operating in a Post-Devolution Environment

Post Devolution GNWT

- Balanced, sustainable, responsible and responsive
- Recently announced Land Use Sustainability Framework
- Other elements of the overall policy framework include
 - Devolution Agreement
 - Settled land claim and self-government agreements
 - Sustainable Development Policy
 - Water Stewardship Strategy
 - Mineral Development Strategy
 - Economic Opportunities Strategy
 - Cumulative Impacts Monitoring Program

Post Devolution Legislative Framework

MIRRORED LEGISLATION AND REGULATIONS

EXISTING FEDERAL LEGISLATION AND REGULATIONS	→	MIRRORED GNWT LEGISLATION AND REGULATIONS	GNWT DEPT
<i>CANADA OIL AND GAS OPERATIONS ACT</i>	→	<i>OIL AND GAS OPERATIONS ACT</i>	ITI
Canada Oil and Gas Certificate of Fitness Regulations	→	Oil and Gas Certificate of Fitness Regulations	ITI
Canada Oil and Gas Diving Regulations	→	Oil and Gas Diving Regulations	ITI
Canada Oil and Gas Drilling and Production Regulations	→	Oil and Gas Drilling and Production Regulations	ITI
Canada Oil and Gas Geophysical Operations Regulations	→	Oil and Gas Geophysical Operations Regulations	ITI
Canada Oil and Gas Installations Regulations	→	Oil and Gas Installation Regulations	ITI
Canada Oil and Gas Operations Regulations	→	Oil and Gas Operations Regulations	ITI
Oil and Gas Spills and Debris Liability Regulations	→	Oil and Gas Spills and Debris Liability Regulations	ITI
<i>CANADA PETROLEUM RESOURCES ACT</i>	→	<i>PETROLEUM RESOURCES ACT</i>	ITI
Environmental Studies Research Fund Regions Regulations: (AANDC prescribed regions)	→	Environmental Studies Research Fund Regions Regulations	ITI
Frontier Lands Petroleum Royalty Regulations	→	Petroleum Lands Royalty Regulations	ITI
Frontier Lands Registration Regulations	→	Petroleum Lands Registration Regulations	ITI
<i>TERRITORIAL LANDS ACT</i>	→	<i>NORTHWEST TERRITORIES LANDS ACT</i>	Lands
Canada Oil and Gas Land Regulations	→	Oil and Gas Land Regulations	ITI
Territorial Dredging Regulations	→	Dredging Regulations	ITI
Territorial Land Use Regulations	→	Northwest Territories Land Use Regulations	Lands
Territorial Lands Regulations	→	Northwest Territories Lands Regulations	Lands
Territorial Quarrying Regulations	→	Quarrying Regulations	Lands
Northwest Territories Mining Regulations (formerly the Northwest Territories and Nunavut Mining Regulations)	→	Mining Regulations	ITI
Territorial Coal Regulations	→	Coal Regulations	ITI
<i>NORTHWEST TERRITORIES WATERS ACT</i>	→	<i>WATERS ACT</i>	ENR
Waters Regulations	→	Waters Regulations	ENR
Expropriation Fees Regulations	→	Expropriation Fees Regulations	ENR
<i>NORTHWEST TERRITORIES SURFACE RIGHTS BOARD ACT</i>	→	<i>SURFACE RIGHTS BOARD ACT</i>	Lands
<i>NORTHWEST TERRITORIES ACT</i>			
Northwest Territories Reindeer Regulations	→	<i>REINDEER ACT</i> Reindeer Regulations	ENR
Northwest Territories Archeological Sites Regulations	→	<i>ARCHEOLOGICAL SITES ACT</i> Archeological Sites Regulations	ECE

Decision Making

- Acts, agreements, policies, strategies and frameworks will operate together
- Goal is to ensure that GNWT decisions and actions about public land, resources and water are consistent, based on sound policy thinking and reflect the priorities and values of Northerners.

Post Devolution Operations

- Three departments have primary responsibility for managing and administering new responsibilities being devolved to the GNWT
 - Department of Lands
 - Department of Environment and Natural Resources
 - Department of Industry, Tourism and Investment.
- Together, they will be responsible for decision-making and regulation of activities involving public land, water and non-renewable resources, guided by the broader framework of legislation, policies and strategies we have put in place.

Fiscal Policy Framework

- Steady as she goes approach
- Mirrored legislation – no changes to royalty regime for foreseeable future
- Resource revenues used to:
 - Address infrastructure deficit
 - Pay down debt
 - Build Heritage Fund

Post-Devolution Management of Petroleum Resources

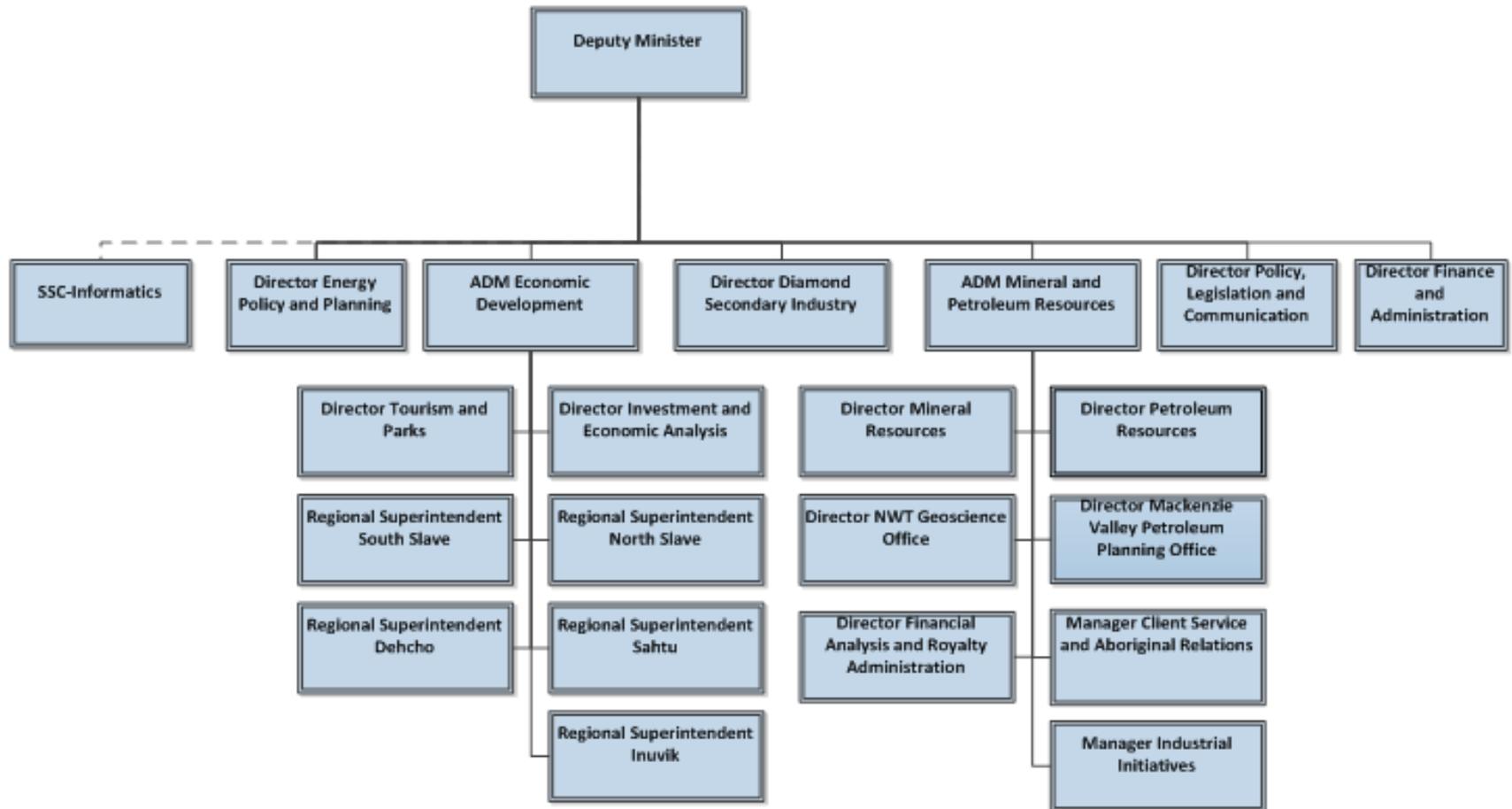
Beyond April 01: Operating in a Post-
Devolution Environment

Legislative and Policy Framework

- *Petroleum Resources Act*
- *Oil and Gas Operations Act*
- *Northwest Territories Lands Act*
- *NWT Public Safety Act*
- *Sustainable Development Policy*
- *Land Use and Sustainability Framework*
- *NWT Water Strategy*



ITI Organizational Design



Petroleum Resources Act

- The *Petroleum Resources Act* (PRA) mirrors the *Canada Petroleum Resources Act* (CPRA)
- PRA applies to petroleum lands within the administration and control of the Commissioner, **including** the ISR
- PRA regulates:
 - Interests issuance
 - Exploration, significant and commercial discovery and production licences
 - Royalties
- ITI will be responsible for PRA administration, including its associated regulations (which will be mirrored from the CPRA)
- The Petroleum Resource Regulator (PRR) will provide ITI with information that will assist with exploration, significant, commercial and production licences issuance

Oil and Gas Operations Act

- The *Oil and Gas Operations Act* (OGOA) will mirror the *Canada Oil and Gas Operations Act* (COGOA)
- OGOA applies to the exploration and drilling for, and the production, conservation, processing and transportation of, oil and gas within the NWT onshore, **including** the ISR
- OGOA regulates licence issuance and authorizations for:
 - work
 - traffic, tolls and tariffs
 - operations
 - production and arrangements
- ITI will be responsible for administering OGOA, and its associated regulations (which will be mirrored from COGOA)
- OGOA establishes the Regulator, the Chief Conservation Officer (CCO) and the Chief Safety Officer (CSO)

The Regulator

- The Minister of Industry, Tourism and Investment will be appointed petroleum (“oil and gas”) resources Regulator for:
 - Northwest Territories (NWT) onshore areas, outside of the Inuvialuit Settlement Region (ISR)
 - Includes all private land (including Aboriginal settlement lands)
- The National Energy Board (NEB) will continue as regulator for:
 - The Inuvialuit Settlement Region (for 20 years)
 - Retained federal lands (such as waste sites and the Norman Wells Proven Area)
 - Trans-boundary/trans-jurisdictional pipelines

Policies and Guidelines

- Legislation and regulation do not fully encompass the range of activity of the Regulator – many of the activities of the Regulator are captured in policy such as “requirements” and “filing guidelines”
- OGOA, unlike any of the other GNWT mirror legislation, provides for the adoption of NEB policy
- The GNWT will have NEB policy in place at Transfer Date
- After Transfer Date, under OGOA, the Regulator will be authorized to issue (or change) requirements and guidelines on a variety of matters including operating licences, authorizations and development plans.
- Under OGOA, it will be the Minister of ITI (who may or may not be the Regulator) who can issue or change requirements or guidelines in respect of Benefit Plans.
- In the ISR, the NEB will continue to apply its own requirements and guidelines, consistent with GNWT legislation, except with regard to Benefit Plans – which will remain the authority of the GNWT Minister.

Northwest Territories Lands Act

- The *Northwest Territories Lands Act* will mirror the federal *Territorial Lands Act* (currently being amended by the federal government)
- The GNWT's new Department of Lands will be responsible for administration of the Act
- ITI will be responsible for administering the Oil and Gas Land Regulations.



Northwest Territories Safety Act

- The *Northwest Territories Safety Act* governs occupational health and safety
- The GNWT will adopt the federal Oil and Gas Occupational Safety and Health Regulations under the Canada Labour Code, with a list of changes
- These regulations will be administered by the Workers Safety and Compensation Commission



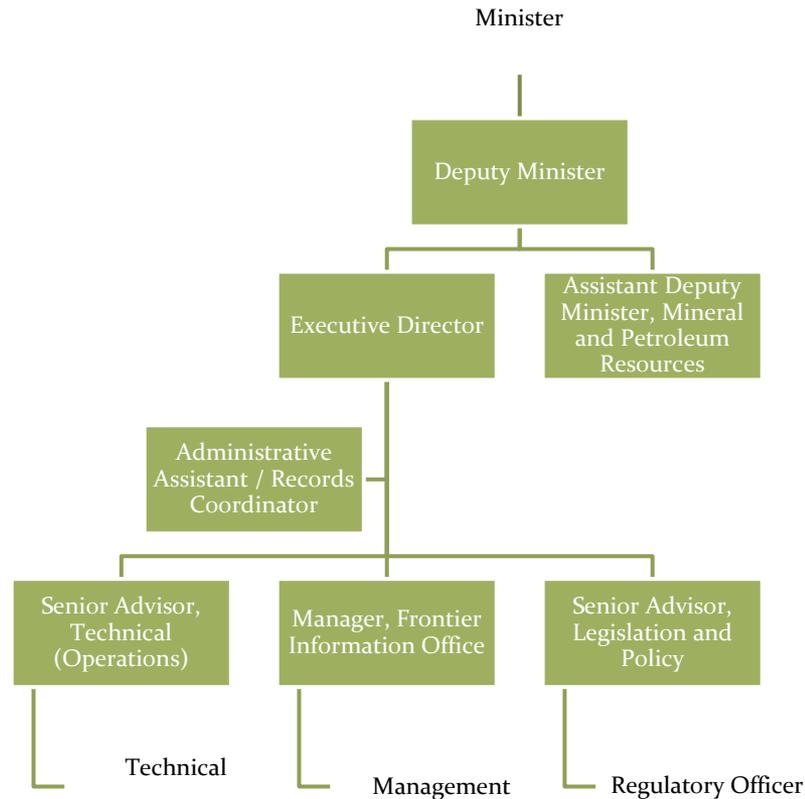
NEB Continuing Role

- Service Agreement has been negotiated with NEB for professional and technical services in support of any active transitioning applications and investigations
 - Consistent with 3.61 of the Devolution Agreement:
 - Any application or process underway at Transfer Date becomes a GNWT responsibility and is handled as if it had been initiated under GNWT legislation from the outset.
 - Any timeframes or commitments made before Transfer Date must be complied with.
- MoU has been negotiated with NEB for ongoing cooperation and collaboration between neighbouring regulators
- In the ISR, NEB will continue its current role under GNWT legislation.

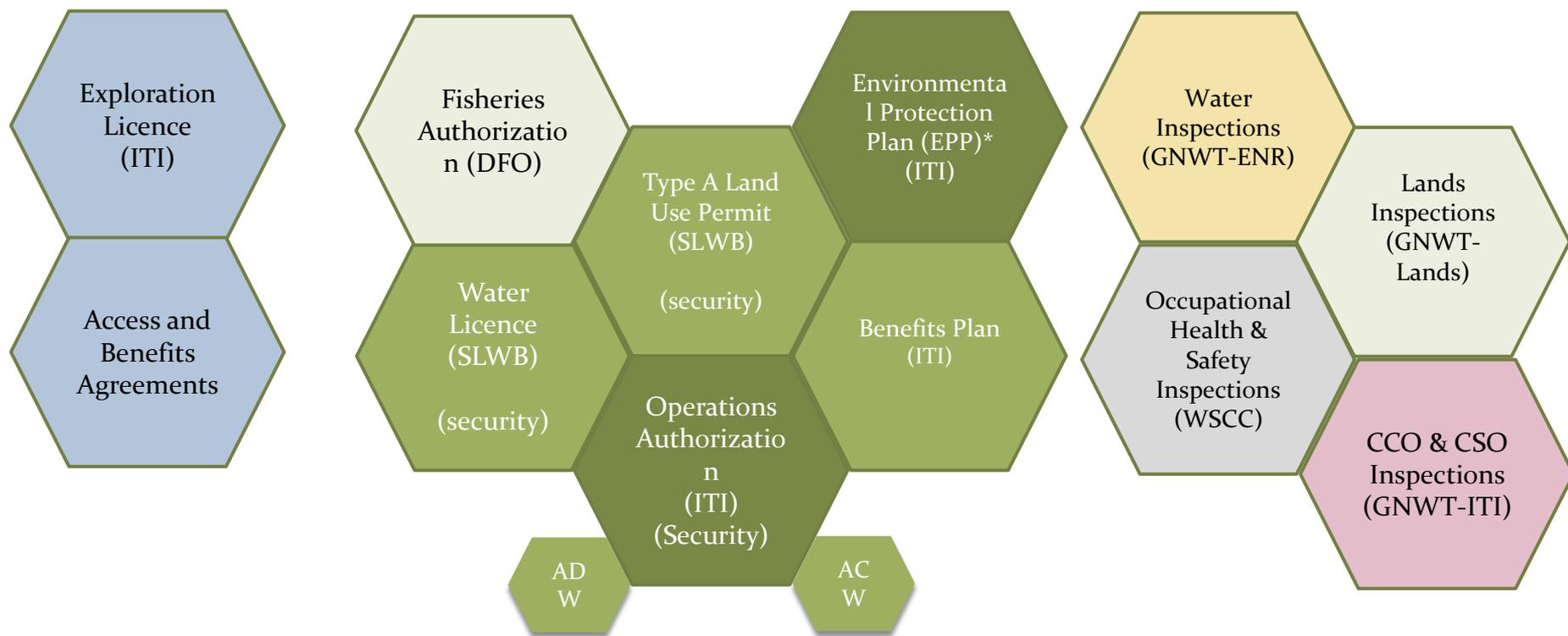
Professional and Technical Support Services

- Service Agreement has been negotiated with the Alberta Energy Regulator (AER)
- AER to provide professional and technical support to the GNWT Regulator, CCO, and CSO for the processing of applications, monitoring, inspection, and other compliance functions
- AER will provide training and may, as requested and where practicable, provide staff for secondment to the GNWT
- MoU for training and information sharing is currently being discussed with BC Oil and Gas Commission

Office of the Oil and Gas Regulator Organization Design



Integrated Resources Management Framework Authorizations For A Drilling Program



Obtain tenure

Obtain regulatory instruments

Inspections, compliance & verification



Questions?

