



# NEW RESPONSIBILITIES FOR LAND, WATER AND RESOURCES

The devolution of public land and resources is bringing new programs, responsibilities and opportunities to the Northwest Territories.

Devolution is not new. Over the years, as the territories grew and established responsible governments, Canada began to transfer or “devolve” some of its authorities to each one. The goal of these transfers was to increase local accountability and independence.

Only one major category of province-like authority remains to be transferred to the NWT – the authority to manage public land, resources and rights in respect of waters.

In 2003, Canada devolved these authorities to Yukon. On April 1, 2014, the NWT will assume them. Nunavut is currently negotiating this transfer.

Having these authorities is a serious responsibility. It is also a great opportunity.

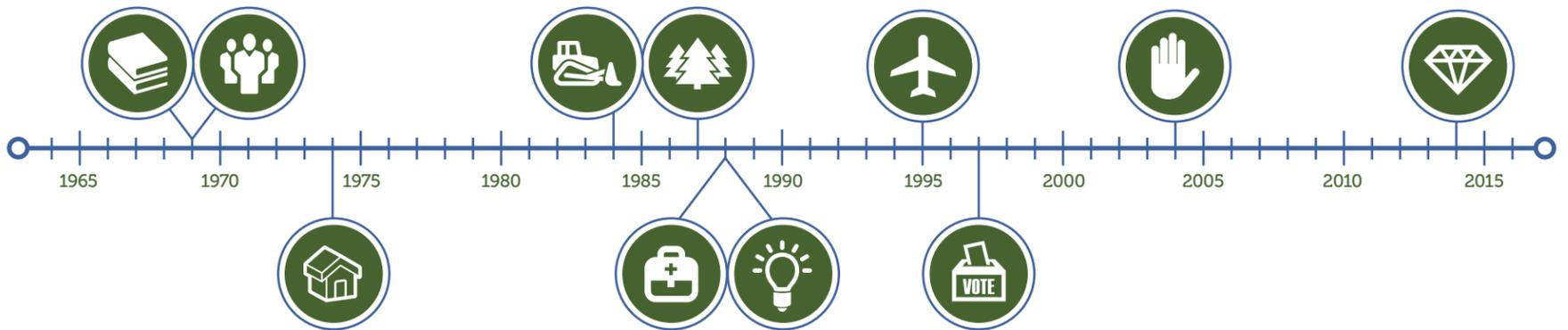
Decisions about land and water will now be made by those most affected by them – the people living in the NWT. But having decisions made closer to home is only part of the benefit that this devolution will bring.

For the first time in our history, the territory will keep a share of the revenues from mining and oil and gas activity on public land. Tens of millions of dollars will now stay in the NWT each year, instead of going to Ottawa.

This money can be invested in projects that improve the lives of residents, create job and business opportunities, and lay the foundation for a healthy and prosperous future.

**Since 1969, Canada has transferred these authorities for making laws and delivering public programs to the NWT:**

EDUCATION - 1969 • SOCIAL SERVICES - 1969 • HOUSING - 1974 • FORESTRY - 1987 • HEALTH - 1988 • POWER - 1988 • HIGHWAYS - 1984  
ALL NWT AIRPORTS - 1995 • ELECTIONS - 1997 • HUMAN RIGHTS - 2004 • PUBLIC LAND AND RESOURCES - 2014



## RESOURCE DEVELOPMENT: THE FOUNDATION OF OUR ECONOMY

Resource development is the NWT’s primary economic driver. The territory is now the third leading diamond producer in the world and has the largest reserve of rare earth elements outside of China. Estimates suggest the NWT could have as much as 37% of Canada’s marketable light crude oil resources, and 35% of its marketable natural gas resources.

Resource development provides important job and business opportunities across the NWT. It also provides significant revenues for northern governments. These revenues can be used for projects that improve our infrastructure, grow our economy and create jobs.

Economies based on non-renewable resources, like the NWT, are vulnerable to boom and bust cycles. Resource development projects can provide significant economic stimulus while in operation but have limited lifespans.

To sustain our current prosperity, new resource development projects must be ready to replace those that close. Devolution will strengthen the Government of the Northwest Territories’ (GNWT) role in attracting and managing resource development.

**Mining projects currently under development in the Northwest Territories:**

- Gahcho Kué Project - *De Beers & Mountain Province Diamonds*
- Yellowknife Gold Project - *Tyhee Development Corporation*
- Nico Project - *Fortune Minerals*
- Courageous Lake Project - *Seabridge Gold Corporation*
- Nechalacho Project - *Avalon Rare Metals*
- Prairie Creek Mine - *Canadian Zinc Corporation*
- Pine Point Project - *Tamerlane Ventures Incorporated*

**NWT Operating Mines:**

- EKATI Diamond Mine - *Dominion Diamond Ekati*
- Diavik Diamond Mine - *Diavik Diamond Mines*
- Snap Lake Diamond Mine - *De Beers & Mountain Province Diamonds*
- CanTung Tungsten Mine - *North American Tungsten*

# INVESTING IN OUR FUTURE: HOW RESOURCE REVENUES WILL BE SPENT

The 17th Legislative Assembly has committed to use resource revenues during its term to reduce debt, expand our energy potential, and invest in infrastructure crucial for developing the territory's resources. The Assembly has also committed to invest a quarter of its net revenues in a Heritage Fund. Future investment decisions will be determined by our elected leaders each year as a part of the annual budget process.

## INVESTING IN INFRASTRUCTURE

Resource revenues are ideally suited for infrastructure projects. Investments in infrastructure improve life in our communities today and provide a lasting legacy for future generations. Examples of such projects include:

- All season roads to improve community access, lower the cost of goods and transportation, and attract investment
- Hydroelectric facilities and other alternative energy projects to reduce our reliance on fossil fuels, mitigate environmental impacts, and bring down electricity costs for residents, business and investors
- Modern telecommunications, such as fibre optic networks, to improve community access to information and create new educational opportunities
- Construction and maintenance of public buildings such as schools, hospitals and recreation centres to ensure all residents have access to public services in safe, well-cared-for facilities.
- Building and renovation of housing and office facilities to remove barriers to new jobs and residents in communities.

## INVESTING IN OUR PARTNER GOVERNMENTS

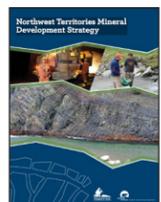
The GNWT recognizes the importance of having strong and healthy community and Aboriginal governments in the territory. The GNWT will share up to 25% of its resource revenues with participating Aboriginal governments, to help them build capacity and meet community needs. This will be in addition to any revenues Aboriginal governments receive from their own lands through land claim and self-government agreements.

## INVESTING IN THE HERITAGE FUND

The NWT is blessed with a wealth of non-renewable resources. However, once these resources are taken out of the ground they are gone forever. The Heritage Fund was created in 2012 as a way to save for future generations. Principal investment in the fund cannot be taken out, but up to 5% of the balance may be withdrawn each year beginning in 2032-33. The GNWT has made a commitment to invest 25% of its net share of annual resource revenues into the fund, after sharing with Aboriginal governments. This will provide a lasting legacy from our non-renewable resources for current and future residents.

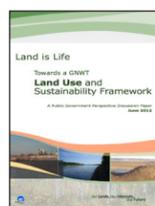
For more information about the Heritage Fund visit [www.fin.gov.nt.ca/heritage-fund/](http://www.fin.gov.nt.ca/heritage-fund/).

## POLICY FRAMEWORK: DEFINING NWT PRIORITIES



### THE MINERAL DEVELOPMENT STRATEGY

The GNWT recognizes the key role that responsible development of the territory's resources must play in ensuring the future health and prosperity of the NWT, its communities and its people. At the end of last year, the GNWT issued its first-ever *Mineral Development Strategy*. This strategy outlines the steps needed to ensure the NWT is a jurisdiction of choice for exploration and mining investment. The *Mineral Development Strategy* lays the groundwork for a stronger, environmentally sustainable and industry-friendly mineral development sector. It will bring more business opportunities to the north, and create territory-wide benefits like jobs and new infrastructure.



### LAND USE AND SUSTAINABILITY FRAMEWORK

The GNWT will soon be releasing the *Land Use and Sustainability Framework*. This framework establishes a policy foundation for all departments with land management responsibilities. The framework was developed after extensive consultation with Aboriginal governments, community organizations, industry, and the public. It will ensure all land use decisions are made in the public interest as the GNWT begins to exercise its new authority.



### ECONOMIC OPPORTUNITIES STRATEGY

The GNWT recognizes that resource development cannot supply all of our economic needs. To develop opportunities in every region and withstand global trends, the NWT must also generate economic activity in other sectors. The *NWT Economic Opportunities Strategy (EOS)* sets out a plan to diversify the NWT economy by supporting tourism, agriculture, fishing, manufacturing and the traditional economy.



## OUR COMMITMENT

Devolution will strengthen the GNWT's role in attracting investment and making decisions about how resources are used and protected.

Decisions will be made by a government that is close to home and can better understand, interpret and meet the needs of residents, business and investors.

The GNWT will attract new investment by promoting our rich natural resource heritage around the world and by supporting exploration activities.

We will continue to invest in geoscience research and analysis, which is critical for discovering and advancing new projects.

And we will work with industry and other stakeholders to ensure resource development policies in the NWT are practical, effective and workable.

# A NEW ITI: MANAGING AND REGULATING RESOURCES

The department of Industry, Tourism and Investment (ITI) will have new responsibilities after devolution. It will administer mineral exploration and development activities, and administer and regulate onshore petroleum activities on public land in the NWT.

The GNWT will initially mirror federal legislation and regulations related to resource development to ensure a smooth transition of authorities and services. Mirrored legislation administered by ITI will include the:

- *Oil and Gas Operations Act and Regulations*
- *Canada Petroleum Resources Act and Regulations*
- *Oil and Gas Land Regulations*
- *Dredging Regulations*
- *Mining Regulations*
- *Coal Regulations*

Business will continue as usual for mineral and petroleum administration. Existing rights will continue. *Note: Prospecting permits formerly issued for the NWT and Nunavut will now be issued for the NWT only.*

## CHANGES TO ITI – BY THE NUMBERS

ITI will add 29 new positions as a part of devolution, for a total of 200. All of the NWT-based federal employees working in transferring programs have accepted positions with ITI to continue this work.

These federal employees will be located in the

- NWT Geoscience Office
- Mineral Resources division
- Client Services and Community Relations unit
- Financial Analysis and Royalty Administration division
- Policy, Legislation and Communications division

In addition to positions filled by affected federal employees already living and working in the NWT, new positions have been created in ITI to replace work being done in Ottawa.

## WHAT'S NEW?

To integrate new programs and responsibilities ITI will make some changes to its organization, including:

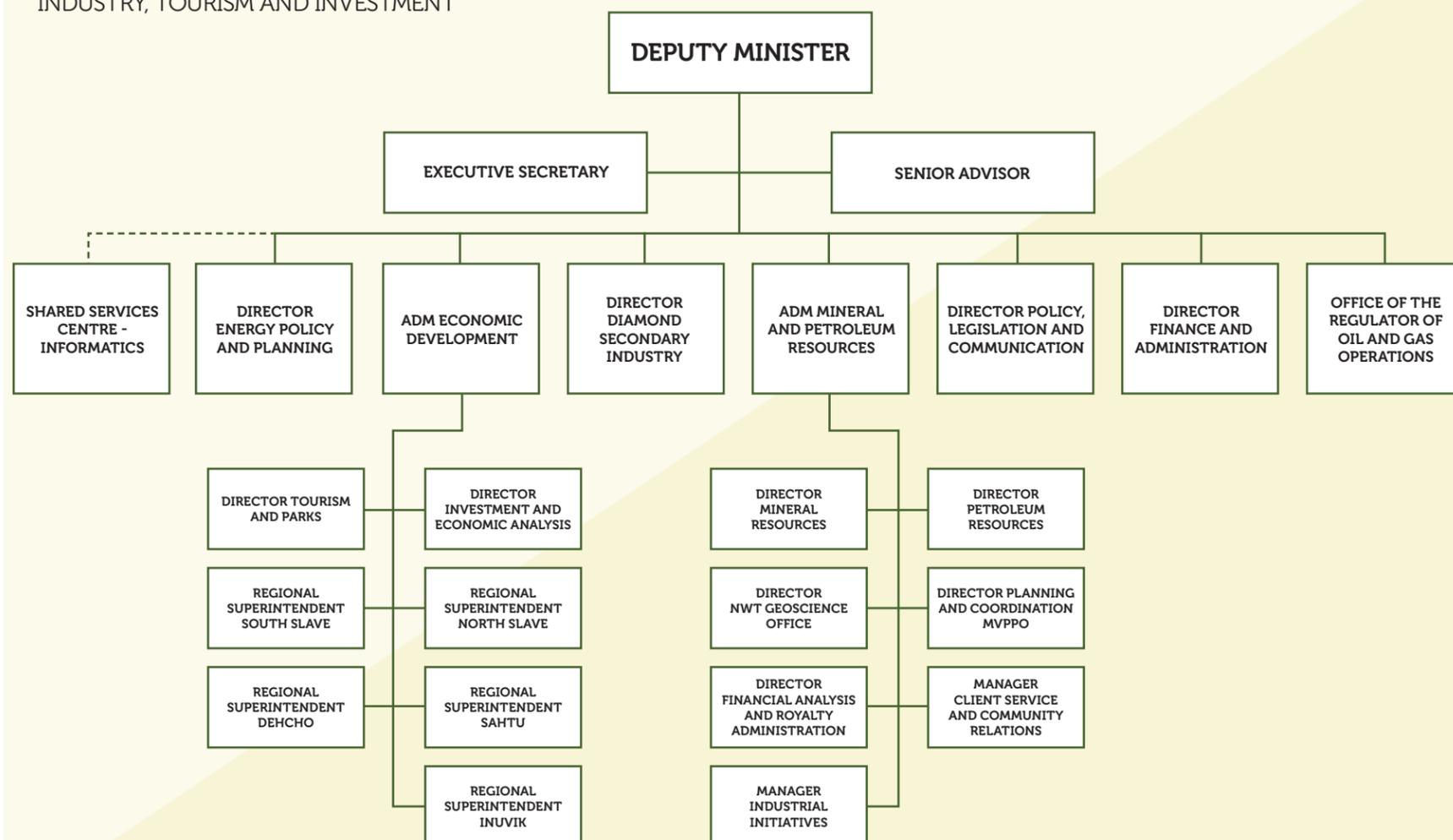
- **A new Assistant Deputy Minister** responsible for Mineral and Petroleum Resources
- **A new Petroleum Resources division** in Inuvik
- **A new Financial Analysis and Royalty Administration division** to manage royalty calculation, collection and auditing
- **A new Client Services and Community Relations unit** to help industry and communities maximize economic opportunities from resource development. The unit will also provide guidance on regulatory and community engagement practices.
- **A new Mineral Resources Division** that will also house the Mining Recorder's Office.
- **A new Office of the Regulator of Oil and Gas Operations** to support the ITI Minister as Regulator.
- **Full responsibility for the NWT Geoscience Office**, formerly a joint federal-territorial office

## WHAT WILL STAY THE SAME?

- The structure of the Mackenzie Valley Petroleum Planning Office (formerly the Mackenzie Valley Pipeline Office) will not change.
- The Industrial Initiatives unit, which leads the negotiation, implementation and evaluation of GNWT socio-economic agreements with industry, will not change.
- The Mining Recorder's Office, formerly a federal office, will remain at its existing location in the Gallery Building in Yellowknife to ensure business continuity.

## ORGANIZATIONAL STRUCTURE

INDUSTRY, TOURISM AND INVESTMENT



# COLLECTING AND SHARING RESOURCE REVENUES

Resource revenues are royalties, taxes, lease payments and fees collected by the government from mineral and oil and gas production, quarrying, and uses of water on public land in the NWT.

## Before Devolution

Right now, almost all resource revenues from public land in the NWT are collected and kept by the federal government. Last year, Canada kept about \$130 million from development in the NWT. Right now, the Government of the Northwest Territories

(GNWT) receives no resource revenues, but is responsible for providing public services and infrastructure that residents use and rely on every day.

## After Devolution

After devolution, the GNWT will collect and distribute the resource revenues from public land, pursuant to the Devolution Agreement. Since most royalties are paid the following year, the GNWT will collect the majority of its first resource royalties in 2015-2016 – about a year after devolution takes place.

## Canada's Share

Up to 50% of these revenues will stay in the NWT. Canada will deduct its share (the remaining amount) from the NWT's federal transfer payments.

## A Fair Share for the NWT

Because the NWT receives significant transfer payments from Canada, there is a maximum amount of resource revenues that the GNWT can keep each year. This maximum benefit is a percentage of the GNWT's annual budgetary needs. This means it will grow

as the territory grows. These arrangements are similar to those of provinces that also receive federal transfer payments, creating national fairness and consistency.

## Aboriginal Government Share

The GNWT will share up to 25% of its resource revenues with Aboriginal governments that have signed the Devolution Agreement. This is in addition to any revenue Aboriginal governments receive through their land claim and self-government agreements.

## MANAGING RESOURCES TOGETHER

Devolution will create new opportunities for governments to cooperate on resource management. The Devolution Agreement establishes:

- **An Intergovernmental Council** to facilitate coordination of land and resource management among participating northern governments.
- **An Onshore/Offshore Cooperation Agreement** to coordinate trans-boundary oil and gas development among the GNWT, Inuvialuit Regional Corporation and Canada.

## OIL AND GAS REGULATION AFTER DEVOLUTION

The GNWT's department of Industry, Tourism and Investment (ITI) will be responsible for the regulation of onshore oil and gas development in the NWT. Regulation includes ensuring public health and safety, environmental protection, and conservation of petroleum resources.

Currently, the National Energy Board (NEB), an arms-length federal agency, serves as the Regulator of oil and gas activities throughout the Northwest Territories.

After devolution, responsibility for NWT oil and gas regulation will be as follows:

**Offshore (Beaufort Sea)** – Canada will retain jurisdiction for the offshore. The NEB will remain the Regulator of oil and gas activities in the offshore operating under existing federal legislation.

**Inuvialuit Settlement Region (ISR)** – The NEB will remain the Regulator of oil and gas activities in this region for the next 20 years. This will ensure consistent regulation of resources that straddle the onshore/offshore. The NEB will operate under territorial legislation in this region.

### Onshore Outside of the ISR

The Minister of ITI will become the Regulator of oil and gas activities in onshore areas outside of the ISR, guided by an integrated resource management approach. When necessary, decision making will be delegated to independent, expert staff within ITI. This is consistent with conventions supporting Ministerial governance in the NWT and in Canada generally.

Public hearings on regulatory matters will continue as a part of the environmental assessment process, pursuant to the *Mackenzie Valley Resource Management Act*, and requirements to hear directly affected parties under the *Oil and Gas Operations Act* will not change.

## HOW ROYALTIES WORK

### Q. Who sets resource development royalty rates in the NWT?

A. Currently, Canada sets resource development royalty rates pursuant to the *Canada Petroleum Resources Act* and NWT Mining Regulations in the *Territorial Lands Act*. The GNWT will initially mirror these laws and regulations to ensure a smooth transition. After devolution, the GNWT will be able to change this legislation, if a need is identified.

### Q. Will the GNWT change royalty rates in the NWT after devolution?

A. After devolution, the GNWT will have the legislative authority to set royalty rates in the NWT. The GNWT recognizes the importance of resource development to our economy and the long term importance of a competitive investment climate, and does not anticipate changing royalty rates in the foreseeable future.

### Q. How are mining royalty rates set in the NWT?

A. NWT mining royalties are assessed based on a profit-based progressive rate. Royalties are paid on the lesser of either 13% of the total value of the output of the mine according to a profit-based scale. At the progressive rate, if the mine output value is less than \$10,000, no mining royalties are assessed. From \$10,000 to \$5 million the royalty is 5%, with an increase of 1% for every \$5 million in output value, to a maximum of 14% for profits exceeding \$45 million. These rates are comparable to many other jurisdictions in Canada.

### Q. How are oil and gas royalty rates set?

A. Oil and gas royalty rates in the NWT are profit sensitive, taking a higher share from the most profitable developments and a lower share from less profitable developments. The rate adjusts automatically to changes in the price or quality of resources. This regime is competitive with other jurisdictions and with other investment options, providing an attractive return that encourages northern investment. A combination of resource rent royalty (royalty as a share of net revenue after payout) and a minimum ad valorem royalty (royalty as a share of the value of the resource) allows risks and profits to be shared. For a description of how oil and gas royalty rates in the NWT work currently visit [www.aadnc-aandc.gc.ca/eng/1100100036093](http://www.aadnc-aandc.gc.ca/eng/1100100036093).

### Q. Are royalties collected on pipelines, such as the Enbridge? Who sets toll rates for private pipeline owners?

A. No royalties or other revenues other than taxes are collected by governments on pipelines. Right now, the National Energy Board (NEB) sets the toll rates that industry pays to private pipeline owners to send oil and gas through their pipelines. After devolution, the GNWT will set the toll rates for pipelines that are located entirely within the boundaries of the NWT. The NEB will continue to set rates for pipelines that overlap jurisdictions.



## FOR MORE INFORMATION

If you have questions, comments or information you would like to see in future copies of this newsletter please contact the Office of Devolution. Tel: 867-873-7519 or E-mail: [devolution@gov.nt.ca](mailto:devolution@gov.nt.ca)

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