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KEY POINTS

- Ambitious collaboration between all relevant Arctic stakeholders is essential to overcome the high costs and risks associated with resource development in the Canadian Arctic. For example, cooperation is needed between the federal government, territorial governments, Northern communities and private sector to promote safe Northern shipping.
- Canada should promote responsible resource development through standardized offshore oil practices across all Arctic states and by supporting the government's prosperity agenda by facilitating infrastructure development contingent to Arctic mining expansion.
- Sustainable circumpolar communities can be supported by increasing the opportunity for skills-based employment in the North through enhanced education pathways, promoting trade skills and establishing apprenticeships for Northern youth.

IMPLEMENTING CANADA'S ARCTIC COUNCIL PRIORITIES

MONIQUE MCCALLUM, NABEEL SHEIBAN AND SIMONE STAWICKI

INTRODUCTION

In May 2013, Canada began its two-year chairship of the Arctic Council. Canadian Arctic Chair Leona Aglukkaq stated Canada's three priorities as responsible Arctic resource development, safe Arctic shipping and sustainable circumpolar communities. These are also common themes across all Arctic states. Canada's pursuit of these priorities face enormous cost barriers. The safety of any Arctic maritime activity, be it shipping, oil exploration or community resupply, is contingent on the level of infrastructure in the area. These costs also limit opportunities to join the wage economy. An ambitious agenda of infrastructure development and nation building is needed in the Canadian Arctic to meet Canada's objectives.

One way to alleviate the challenges presented by overwhelming capital costs is through the integration, cooperation and collaboration of all relevant actors through effective public-private partnerships (PPPs). There are established models of PPPs in the Canadian context; for example, the 2002 Sanarrutik Agreement created a new nation-to-nation relationship between Nunavik and Québec, which put forward a common vision of economic and community development. This project successfully created and carried out a marine infrastructure development program that contributed needed marine infrastructure to all 14 Nunavik communities. These marine facilities have been designed to meet the unique needs of each community and the challenges

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The CIGI Junior Fellows program at the Balsillie School of International Affairs provides students with mentorship opportunities from senior scholars and policy makers. The program consists of research assistantships, policy brief writing workshops, interactive learning sessions with senior experts from CIGI and publication opportunities. Working under the direction of a project leader, each junior fellow conducts research in one of CIGI's program areas. This series presents those policy briefs that met CIGI's publications standards.

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associated with tides, currents, waves, ice movement and changing weather conditions (Makivik Corporation, 2013).

Outside of Nunavik, the remainder of Canada's Arctic exists in the Yukon, Northwest Territories and Nunavut; thus the federal government retains considerable responsibility for economic development in these areas. In 2009, the government created P3, a Crown corporation tasked with promoting large public infrastructure projects that offer better delay controls, lower individual costs, and create an optimization of risk and resources. Expanding P3's mandate to include community development will allow the inclusion of traditional lifestyle values in the decision-making process that may have not been possible otherwise. Through the promotion of PPPs, Canada will be better suited to implement the domestic and international aspects of its Arctic Council priorities.

RESPONSIBLE ARCTIC RESOURCE DEVELOPMENT CHALLENGES

OFFSHORE OIL EXPLORATION

Interest in offshore oil exploration across the Arctic has grown, particularly in Russia, where the majority of commercially viable Arctic oil and gas reserves are located. Russian energy companies have recently signed major partnership agreements with Shell, ExxonMobil, Total, Statoil and China National Petroleum Corporation. Given the interconnectedness of the Arctic ecosystem, the lack of an Arctic-wide treaty that deals with liability and compensation for pollution caused by offshore oil infrastructure means there is a serious risk that standards will vary across states, leading to poorer environmental stewardship. Currently, the council is in the process of implementing an oil spill contingency plan for Arctic oil

activities that will be used by all Arctic states. However, this is still a reactionary strategy and does not address the preventative measures needed for safe and responsible offshore oil development.

Liability caps for offshore oil activity have the potential to promote safer offshore oil practices in the Arctic, but there is significant variability in the value of the caps. For example, the United States has a liability cap of $75 million dollars, one of the lowest in the region. Meanwhile Greenland and Norway both have unlimited absolute liability in the case of a spill (Commissioner of the Environment and Sustainable Development, 2012). Most recently, Canada increased their Arctic liability cap to $1 billion dollars. Lower liability caps mean more of the costs of an oil spill are shouldered by taxpayers, as opposed to higher caps. This discrepancy affords oil companies the incentive to operate in a state with lower cap schemes, reducing their liability in the event of an accident thus promoting more risky behaviour.

MINING

While offshore oil exploration and extraction will become central to Canada's Arctic future, the main operational activities surrounding resource development today revolve around the mining industry. In 2012 there were 65 explorative mining projects located in Nunavut alone (Government of Nunavut, 2012). While only one mine was operational in that year, between six and 10 mining projects are expected to become operational in the next decade. Overall, Northern metal and non-metallic mineral output is expected to grow by 91 percent by 2020 (Rhéaume and Caron-Vuotari, 2013: 7).

The expansion of infrastructure into remote areas of the Arctic has often been led by the mining industry. For mining companies, exploration and start-up costs in the Arctic are high and exacerbated by poor infrastructure and the harsh climate. For example, the joint venture between Xinxing Ductile Iron Pipes and Canada's Advanced Explorations Inc. has an estimated initial capital cost of $1.1 billion dollars. The joint venture between Peregrine Diamonds and BHP Billiton spent $18 million dollars in 2011 on exploration alone, while Xstrata Zinc said it would spend $50 million dollars in four years on exploration as well as a feasibility study ("Main Exploration Projects," 2011).

In December 2012, the Baffinland Mary River Iron Ore project was approved by the Minister of Aboriginal Affairs and Northern Development based on the recommendation of the Nunavut Impact Review Board. Initially, this project was anticipated to invest more than $4 billion dollars towards the construction of a road, railway, a deepwater port and mine site infrastructure that would employ an estimated 1,500 people during construction and a further 900 people during operations (Government of Nunavut, 2012: 4). However, due to general economic uncertainty and lower prices of iron ore, the consortium has scaled back the initial capital investment considerably to $740 million dollars at the beginning of 2013. Consequently, the construction of a railway and deepwater port on Baffin Island has been pushed off the short-term agenda and a timeline for construction of this much-needed infrastructure has not been released.

The Mary River Iron Ore project illustrates a number of key uncertainties and challenges the Canadian Arctic faces in regards to responsible resource development, while simultaneously highlighting potential opportunities. The lack of adequate infrastructure located in the Arctic is problematic for any company looking to develop natural resources in the area. Inadequate infrastructure also hinders the economic development

of local communities and increases the risks of shipping in Canadian Arctic waters. The Mary River project illustrates that companies looking to conduct business in the Canadian North are willing to financially assist in the development of needed infrastructure that will simultaneously benefit projects and communities. Due to very large initial capital costs, however, without a degree of certainty and predictability, initial plans and proposals like the Mary River project may change. As it currently stands, the projected increase in the development of operational mines in the Canadian Arctic will not be possible with existing infrastructure.

SAFE ARCTIC SHIPPING CHALLENGES

Canada's Northwest Passage will not become a viable international shipping route in the near term. Despite this, a significant increase in Arctic shipping is expected by 2020, due to an approximate doubling of current eco-tourism voyages and the development of several large-scale mining projects. By 2050, Arctic shipping in Canadian waters could increase by a factor of six, if large-scale gas production occurs (SENES Consultants Limited, 2009). As maritime activities continue to increase, the levels of resupply to northern communities will also increase as populations grow. Problematically, only 10 percent of Canada's Arctic waters are charted to modern standards, according to the Canadian Hydrographic Service, and few navigational aids are available.

To acknowledge the need for infrastructure, since 2007, the federal government has attempted to address the lack of deepwater port infrastructure in the Arctic region by committing $100 million dollars to turn the port from an old mine in Nanisivik, Nunavut, into a deepwater facility. In March 2013, however, the federal government announced a major downsizing of this infrastructure development due to budget constraints.

The increasing gap between service requirements and capabilities in the Canadian Arctic highlights the lack of infrastructure in the area. The lack of infrastructure — including road and rail networks, deepwater ports, harbours, paved runways, geology and topographic maps — not only impedes safe shipping, but also makes exploration and resource development extremely difficult, risky and more expensive. Without significant investment in these areas, Inuit organizations have made it clear that they will not support resource development.

SUSTAINABLE CIRCUMPOLAR COMMUNITIES CHALLENGES

Northern communities are supportive of development on their land as long as it is sustainable, safe and inclusive. As development continues in the Canadian Arctic, Northerners' ability to adapt is enhanced by the promotion of employable skills. Nunavut currently has Canada's highest high school dropout rate of 50 percent, which impedes integration into the wage economy (Government of Canada, 2011). Furthermore, traditional Canadian education does not facilitate job opportunities in the Arctic. Therefore, switching to an apprenticeship/skills-based learning program that capitalizes on opportunities in the North will be beneficial. To help ameliorate unemployment in the Arctic, where it is as high as 20 percent in Nunavut (Government of Canada, 2013), there has been a push to mandate hiring policies for new industries in the Arctic to include Northern peoples; however, the available positions are generally unskilled and do not allow for advancement or growth. Therefore, building the skill capacity of Northern youth must be a key objective, to ensure new opportunities bring maximum benefit to local communities.

POLICY RECOMMENDATIONS AND WAYS FORWARD

RESPONSIBLE RESOURCE DEVELOPMENT

Offshore Oil Exploration

Promote the adoption of a standardized liability cap by all Arctic States and support the application of the Association of Oil and Gas Producers for Observer status in the Arctic Council.

Canada's federal government has promised to create a more robust system of liability caps in the billions of dollars to address safety concerns regarding offshore drilling in the Canadian Arctic and, consistent with the PPP model, is already consulting with resource companies and environmental groups about the new legislation (McDiarmid, 2013). Given that offshore oil regulations differ across Arctic states, environmental protection from an oil spill will be most effective through the implementation of a harmonized system of safety measures. Canada should use its upcoming chairship of the Arctic Council to promote the adoption of a standardized liability cap by all Arctic States. This initiative incentivizes companies to reduce the risk of offshore activities by operating in an equal environment, thereby eliminating moral hazard and shifting the burden for cleanup from taxpayers to companies. This is important because if Canada does not address its liability cap scheme in a way that promotes uniformity among all Arctic states, the end result may lead to riskier offshore oil activity in the Canadian Arctic. In the spirit of engagement, Canada should also support the application of the Association of Oil and Gas Producers for Observer status in the Arctic Council to foster dialogue on this issue.

Mining and Infrastructure Development

Promote infrastructure partnerships with mining companies holding long-term leases in the Canadian Arctic to support infrastructure development.

Stakeholders in the Canadian Arctic — territorial government, federal government, indigenous communities and mining companies — have overlapping, but distinct interests in Canada's North. While the federal government is responsible for the development of infrastructure and shipping aids that are intended for use by all, mining companies will construct infrastructure that is geared towards their own resource development projects. Because of the enormous costs of operating in the Arctic, the optimal way forward is through collaboration between the relevant parties that exploit the various competencies of each actor.

Mining projects in the Canadian North have the potential to support the Government of Canada's prosperity agenda by effectively promoting and increasing economic opportunities available to Canadians and Canadian companies. To attract foreign investment, the federal government should commit resources to infrastructure partnerships with mining companies holding long-term leases in the Arctic to support existing infrastructure plans. When companies do not have to be responsible for the entire cost of infrastructure, the likelihood of development will increase even if in the face of uncertainty in commodity markets. Combined with added support from the territorial governments, these partnerships could prevent setbacks, like the Mary River Iron Ore project, from occurring while facilitating consultation and fund contributions from local communities.

SAFE SHIPPING

Identify key Arctic shipping routes in order to encourage all possible actors working towards common marine infrastructure development goals.

Marine infrastructure development in Canada's North should be considered as an exercise in nation building. Marine infrastructure in the Arctic should be planned in a strategic manner that incorporates the cost-effectiveness, current and future applicability, as well as the potential value-added to local communities. This will ensure that the short-term infrastructure needs for community resupply, passenger and destinational shipping are being considered simultaneously.

The creation of Arctic marine "highways" should be considered in the Canadian Arctic that boast safe, secure and efficient maritime shipping lanes (Higginbotham, Charron and Manicom, 2012: 6). By identifying key shipping routes, strategic infrastructure development could effectively be planned and carried out. PPPs have the potential role to develop the needed charting information, deepwater ports, harbours, docks, search and rescue infrastructure, and navigational aids that are essential for safe shipping along these key routes first. The focus should rest on the creation of safe and secure intra-arctic shipping corridors that benefit both communities and industries and facilitate PPPs working towards common development goals. Consultations between government, industry and the community are vital to the success of this endeavour. The Sanarrutik Agreement shows how businesses and governments can effectively cooperate with one another to achieve common development goals and create the needed marine infrastructure.

SUSTAINABLE CIRCUMPOLAR COMMUNITIES

Expand P3's mandate to include community development programs where large infrastructure development will occur that focusses on skills-based education programs.

In order to promote sustainable circumpolar communities, there is a need to build the capacity of Northern youth. Although there is an Arctic College that provides programs in skills-based training with certification in Arviat, Nunavut, the remote location bars many potential students from enrolling. By expanding P3's mandate to include community development programs where large infrastructure development will occur, an opportunity exists to promote scholarships, skills-based training, apprenticeship programs and employment opportunities to Northern youth.

An excellent resource that can help steer Northern students to appropriate educational institutions is the Tukitaarvik website that was set up by the Nunavut School Board. This online resource works as a virtual guidance counsellor, helping Northern youth interested in furthering their education find appropriate opportunities. By increasing education pathways, promoting skills-based education and establishing apprenticeship opportunities that are funded by public-private partnership engagement, Northern youth will be better equipped to capitalize on the changing Arctic. Criticisms of job opportunities for Northerners being primarily low-skilled and labour intensive will be ameliorated as skilled capacity grows. The promotion of these partnerships will have a multi-functioning purpose as it will continue to help Canada fulfill its Arctic Council mandate of engaging industry with local communities while supporting the Economic Action Plan's pledge to foster and create skills-based jobs for Inuit youth.

CONCLUSION

Canada has the opportunity during its upcoming Arctic Council chairship to demonstrate leadership in Arctic governance by addressing its three priorities: responsible resource development; safe Arctic shipping; and establishing sustainable circumpolar communities. The optimal way forward is through the use of PPPs. Promoting a mantra of nation building will help encourage large-scale infrastructure projects, increase harmonization among regulatory regimes, and be more inclusive of Northern and indigenous communities' interests. Both responsible resource development and safe Arctic shipping can facilitate sustainable circumpolar communities through PPPs dedicated to community building and educational achievement. Through the ambitious pursuit of Canada's domestic priorities, Canada will increase its legitimacy and authority over Arctic matters, thereby enhancing its international reputation and improving its stature in the Arctic Council.

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