

**LEGISLATIVE ASSEMBLY OF THE
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THE N.W.T. - CANADA RESOURCE MANAGEMENT AND REVENUE SHARING
PROPOSAL: PRECEPTS, NEGOTIATING POINTS AND PROPOSALS FOR
SETTLEMENT

Precept #1

Resource revenues are necessary to maximize the net benefits of resource developments in the NWT and to meet other GNWT funding priorities and requirements.

- that the GNWT obtain a share in resource revenues resulting from resource development and production;
 - the GNWT should receive all royalty revenues from mineral and hydrocarbon production within limits.
 - Resource royalty revenues should be collected through, and administered by, the GNWT in a manner consistent with the move toward responsible government.
 - If the GNWT believes it to be in the best interest of northern constituents, it may levy any direct taxes, either generally or exclusively against the resource industry except as provided for in negotiation with the Federal Government, and the revenue collected through these taxes will not serve to reduce any existing operating and capital grant.
 - All rental fees, leasehold payments, bonus bidding payments and license and registration fees along with any other resource revenues that would normally accrue to a provincial government should also accrue to the GNWT as a matter of principle.
 - The collection and administration of these revenues should be handled by the GNWT except where stipulated by negotiation.
 - Any "Resource Management and Revenue Sharing Agreement" signed between the Federal Government and the GNWT should be transferable to any new political body or bodies established to carry out the same responsibilities as the GNWT.
- that the GNWT obtain a "back-in" equity position in the oil and gas sector of the NWT economy.

PetroCanada should sell to the GNWT or to a public corporation designated by the GNWT, an interest in all rights in Canada Lands within the boundaries of the NWT. This interest should be sufficiently large to secure the GNWT a role in the decision making process of each project development and to provide a meaningful share of corporate profits. Further, PetroCanada should sell such interests at cost with payment for these interests being made subject to future excess resource revenues accruing to the GNWT.

- that the GNWT obtain a pricing agreement for the oil and gas industry in the NWT similar to that of Alberta with possible exceptions:

- the GNWT will obtain a pricing agreement for the oil and gas industry in the NWT, similar to that of Alberta. This agreement should contain safeguards to ensure a reasonable product price for industry and a minimum level of revenue for the GNWT.

- The NWT should derive reasonably priced energy benefits and receive secure energy supplies from energy producing projects to help offset the loss of resources and to contribute to the achievement of energy self sufficiency.

2's.

- That the GNWT sit on the Policy Review Committee of the Canada Oil and Gas Lands Administration when matters concerning the NWT are being discussed:

- That the Policy Review Committee be expanded to include GNWT representation and that this representative have full membership status at those meetings during which northern issues are being discussed.

- That COGLA require developers to sign a socioeconomic action plan with the GNWT, which would then be incorporated into the Canada benefits package as the Northern component.

- COGLA should permit the GNWT to review and comment on those oil and gas agreements which affect the North, well in advance of when approval is granted.

- That a socio-economic subcommittee of the Policy Review Committee be set up to establish northern social and economic objectives and to make recommendation to the Minister on expenditures from the Impact Development Fund.
- That the GNWT have the option to take an active role within all organizations designed to administer or regulate resource exploration, development or production in the NWT.
 - That the GNWT will have the authority to encourage and discourage specific activities within the resource sector through the use of enhanced fiscal policies as provided for through the collection and disbursement of resource tax revenues.
 - The GNWT should set royalty rates in consultation with and assistance from the Federal Government.
 - Where it is in the interest of northerners to be involved in Federal Government sponsored organizations or administrative groups dealing with resource activities, the GNWT should have the option to take an active role.
- 1. 1. - That funds be made available by the Federal Government now, to meet present infrastructure and program needs as a result of resource development and production activities, and that repayment of these funds be contingent on future resource revenue accruing to the GNWT.
 - The Federal Government in conjunction with the GNWT should set up an Impact Development Fund so that the GNWT can meet those public expenditures for which it is responsible where such expenditures are above and beyond regular requirements and result from resource activities. Repayment of these funds would be contingent on future excess resource revenues accruing to the GNWT.
- That the Federal Government acknowledge and support the GNWT Resource Development Policy as the mechanism for coordinating public consultation, assessment and review and monitoring of resource development activities in the NWT.

Precept #2

The objectives of the negotiations are to provide the GNWT with a stable and secure source of funding to replace in parts the current operating and capital grant paid to the GNWT and to provide a greater level of discretionary funding consistent with the GNWT move toward responsible government.

- That a special revenue sharing formula be derived to moderate fluctuations in resource revenues accruing to the GNWT.
- . GNWT royalty revenues should be used as an offset to the operating and capital grant in accordance with the following formula:

For every dollar received from royalties, the operating and capital grant shall be cut by "X¢" after a deduction is made for the costs of royalty revenue collection and the related administration.

- . If royalties exceed the total government operating and capital grant as determined by a financing proposal by a fraction of $(1 + (1 - "X¢"))$ then the revenue sharing formula shall be adjusted to allow the Federal Government to receive grants from the Territorial Government equal to the equivalent "Y¢" of the excess royalty revenues.
- . The net revenues derived from leasehold payments, bonus bidding payments and other related resource revenues, after allowances for collection and administration costs are made, should be offset against the operating and capital grant in accordance with the following formula:

For every dollar received from other resource revenues, net of related expenses, the operating and capital grant shall be cut by "A¢".
- . If there is no operating and capital grant then the GNWT will forward to the Federal Government a grant in an amount equal to "B¢" of excess leasehold payments, bonus bidding payments and other related resource revenues.

- The total level of discretionary funding available to the GNWT resulting directly from resource revenue receipts received in excess of the operating and capital grant, should be limited to an amount no greater than "P%" of the funding requirements of the GNWT as determined through Formula Based Financing with the Federal Government.
- That every "N" years this agreement be revised to reflect the increasing roles and responsibilities of the GNWT and to determine the extent to which discretionary funding should be limited (if at all).
- That the GNWT receive, through a revenue sharing formula, a level of resource revenues sufficient to ensure "fiscal equity" of its residents with that of other Canadians.
 - The GNWT will obtain funds based on "fiscal equity" through Formula Based Financing. Any concept of revenue sharing will reflect this position.
 - The Federal Government should recognize the unique financial circumstances surrounding resource activities occurring in the NWT and in recognition should provide impact and program funding to the GNWT for encouraging local labor and business involvement in resource related activities.
 - The Federal Government should recognize the critical importance of off-oil energy alternatives to the north and special financial agreements should be made to assist in the rapid and efficient switch over in energy supplies.
 - The Federal Government should recognize the duties and responsibilities of the GNWT and its requirement for an indigenous source of funding.

Precept #3

The GNWT will recognize the interests of the native groups in sharing revenues from resources.

- . The existence of native claim agreements should not by themselves result in additional GNWT expenses. However, the GNWT may be expected to deliver an additional basket of services to satisfy the terms of native agreements. To the extent that these services are above those normally provided other territorial citizens the GNWT expects the Federal Government to fully reimburse costs.
- . Through the terms of a native claims agreement native organizations may obtain some authorities and responsibilities normally accorded a provincial government. If such items are up for negotiation the GNWT expects to be involved in discussions at an early stage. Mechanisms will need to be established to provide the GNWT with the authority to maintain its established management processes, deliver its programs, implement its policies and collect its revenues.
- . A mechanism should be designed for the purpose of compensating the GNWT for its revenue losses resulting directly from native claim agreements. Such revenue losses should be considered those revenues flowing to native organizations which would normally flow to a provincial government.

Precept #4

Direct taxation is the responsibility of the GNWT as legislated by the Northwest Territories Act, Section 13, subsection a.