



17th Legislative Assembly of the Northwest Territories

Standing Committee on Economic Development and Infrastructure

Report on Transition Matters

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ECONOMIC DEVELOPMENT
AND INFRASTRUCTURE**

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**STANDING COMMITTEE ON
ECONOMIC DEVELOPMENT
AND INFRASTRUCTURE**

REPORT ON TRANSITION MATTERS

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REPORT ON TRANSITION MATTERS

INTRODUCTION

As the 17th Assembly concludes, the Standing Committee on Economic Development and Infrastructure continues to monitor several issues and initiatives with long-term implications and to remain engaged with the vital themes of energy and devolution.

The next Assembly will be the first to inherit post-devolution responsibilities from territorial colleagues. These will require close consideration in the next Committee. Energy and heating concerns also remain a priority, including costs-of-living and cost-effective power delivery, continuing low-water conditions and territory-wide dependence on diesel and other fossil fuels, the regulation of resource extraction, and the incorporation of renewable energies into our daily lives.

The Committee recognizes challenges of the projected downturn in mining, prospecting, and exploration. Going forward, the Government of the Northwest Territories (GNWT) has the opportunity to use its legislative, regulatory, and economic strengths to increase community sustainability and self-sufficiency through growth in "green" jobs and in traditional and conservation economies, in addition to established industries. This will empower current residents, encourage much-needed population growth, and foster economic diversification.

This report informs the public and Members of the 18th Assembly of work in progress and highlights areas we believe will require the continued attention of our successor committee.

BACKGROUND

The Standing Committee on Economic Development and Infrastructure includes six Regular Members of the Legislative Assembly. The Committee's role is to consider the following matters with respect to the Departments of Environment and Natural Resources; Industry, Tourism, and Investment; Municipal and Community Affairs; Public Works and Services; and Transportation:

1. Review multi-year business plans and budgets, bills, and boards and agencies, including the Workers' Compensation Commission of the Northwest Territories and Nunavut, the Northwest Territories Power Corporation, the Northwest Territories Business Development and Investment Corporation, and the Public Utilities Board;
2. Review departmental performance, including that of boards and agencies; and
3. Consider any other matter referred by the House.

LEGISLATION AND REGULATIONS

Hydraulic fracturing has been a matter of great public interest throughout this Assembly. Our successors are encouraged to consider the Committee's *Research Summary and Report on Horizontal Hydraulic Fracturing*, and seek an update respecting ongoing developments.¹

The Committee also encourages our successors to pursue the merger of the *Territorial Lands Act* and *Commissioners Lands Act* and to ensure that mandatory financial security applies consistently.

INTERDEPARTMENTAL MATTERS

Energy and Climate Change: Initiatives, Strategies, Solutions

Climate and Energy:

Climate change continues to impact NWT people, landscape, and wildlife, from shoreline erosion in Tuktoyaktuk to hunt-disrupting permafrost melt near Jean Marie River and from sweeping forest fire activity in the parched forests of the North Slave, South Slave, and Deh Cho to record-low water levels across the regions. Climate change also impacts energy needs and capacity, affecting local and regional costs of living, barge transportation and community resupply, residents' quality of life, and GNWT spending and planning.

Energy charrettes held in 2012 and 2014 affirmed that stabilizing energy costs, reducing greenhouse gas emissions, and ensuring a reliable energy supply are among the top territorial priorities.² It is necessary to continue the work of existing

¹ Committee Report 6-17(3), *Report on August 2012 Hydraulic Fracturing Study Tour: Toward a Policy Framework for Hydraulic Fracturing in the Northwest Territories*, tabled on November 5, 2012; Committee Report 1-17(5), *Report on Bakken Shale Formation Tour 2013*, tabled on November 7, 2013; Tabled Document 277-17(5), *Research Summary: Hydraulic Fracturing Filing Regulations*, tabled on June 4, 2015; and Report on Horizontal Hydraulic Fracturing.

² Tabled Document 271-17(5), *GNWT Response to the 2014 Energy Charrette Report*. See also, the *Charrette Working Group Final Report* (2012), the *Northwest Territories Energy Action Plan*, the *Charrette Final Report: Energy Solutions in*

strategies and to develop an action plan specific to climate change. Such a plan would describe concrete actions and target dates toward ending reliance on and divesting from fossil fuels, implementing effective and enforceable renewable energy standards for industry and transportation, and assessing carbon pricing. While great strides have been made improving GNWT energy performance, further advancement is needed in helping residents, business, and institutions make similar improvements.

Action is the order of the day. Recognizing the success of past energy initiatives (e.g., biomass capital projects and over-subscribed rebate programs), the Committee stresses the immediate pursuit of initiatives with effects that can and will be measured both qualitatively and quantitatively. Members also highlight improved energy conservation as a key continued pursuit.

The Committee particularly notes its support of the proposed *Energy Efficiency Act* (and forthcoming discussion paper), the GNWT's proposal to develop a territory-wide system for fuel data, and the Colville Lake solar-diesel-hybrid system. We highlight the need for additional and continued funding to the renewable energies Net Metering Program and the Renewable Energy Technology Fund, which was over-subscribed four months into the current fiscal year. Much-welcomed work on community funding formulas, particularly capital funding, would also do well to assess and account for climate impacts on territorial infrastructure

In the past twelve months, the GNWT has twice expended tens of millions of dollars in one-time subsidies to the NWT Power Corporation, while subsidy programs to address energy needs in the long-term, like the Net Metering Program, consistently run out of funding. Additionally, community renewable energy infrastructure has been excluded from GNWT planning. The GNWT has committed to supporting international efforts to limit the increase in global temperature to below two degrees Celsius and our successors might consider how these factors will impact territorial policy and development.

Strategies for the Future

Both the *Biomass Energy Strategy 2012-15* and the *Greenhouse Gas Strategy for the Northwest Territories 2011-2015* expire this year. However, the GNWT's goal of success in a low-carbon economy is as-yet unresolved, while biomass projects continue to show great promise, particularly in the South Slave and Deh Cho. Similarly, though the *Solar Energy Strategy* concludes in 2017, several goals remain as-yet unresolved, while solar projects continue to grow in popularity and practicality.³ The Committee urges our successors to recognize

the Northwest Territories (2014) and associated presentations, and Committee documents on the Diavik Wind Farm. A discussion paper on a potential NWT *Energy Efficiency Act* is expected in the fall of 2015.

³ Upon completion of the Colville Lake system, that community will be the NWT's first without regular road access to have high-penetration renewables. The next Committee may wish to closely observe the system's development, the better that

various renewable energy opportunities to reduce energy costs and our dependence on diesel and other fossil fuels, and to press for updated strategies and action.⁴

The Committee suggests visiting NWT biomass operations. We also note the Inuvik Storm Hills Wind Farm and the Yellowknife wind feasibility studies, and point to our work on the successful use of wind energy at the Diavik Wind Farm. We also flag waste management, including industrial and mining waste, for further consideration.

DEPARTMENTAL MATTERS

Environment and Natural Resources (ENR)

Forest Fires: Seasonal Reviews and Preparedness

While the 2015 season was not as severe as the previous year, it remains the second-worst on record, with similar conditions experienced across Canada and in other nations. Forest fires are a natural part of our forests' life-cycles, but fire severity combined with climate change, ongoing drought, and severe environmental pressures on Boreal forests, have serious implications for forest health and GNWT fiscal status. Approximately \$99 million has been spent fighting NWT forest fires in the past two years, a total that does not account for related impacts, including human health, lost business, and service and transportation interruptions.

The Committee encourages our successors to assess GNWT performance in the identified priority areas of public engagement, safety, and human resources, as well as the anticipated new air tanker fleet.⁵ Emerging opportunities associated with fires, including biomass operations,⁶ mushrooms, and other non-timber forest products are also noted.

Mushroom Harvest: Successes and Lessons

The 2015 morel harvest drew significant attention from pickers and buyers. The Committee encourages our successors to actively foster these and other young,

lessons learned may be carried to other communities, particularly in small thermal communities. Pursuit of a pre-project cost-benefits analysis, interim evaluation, and end-of-pilot reporting may also be valuable to our successors' future work.

⁴ Quoting from p.7 of **Tabled Document 65-16(5)**, *A Greenhouse Gas Strategy for the Northwest Territories: 2011-2015*: "If we stay dependent on fossil fuels, the Northwest Territories economy will continue to be impacted by global markets, our cost of living will increase with higher fuel prices and greenhouse gas emissions will continue to soar."

⁵ **Tabled Document 249-17(5)**, *2014 NWT Fire Season Review Report*, tabled on June 4, 2015.

⁶ Milestone forest management agreements were signed in 2014.

home-grown industries rooted in conservation economies, and notes that future work on the *Forest Management Act* must address more than one type of mushroom or one category of forest resources.

Industry, Tourism, and Investment (ITI)

Abandoned and Suspended Oil and Gas Wells

The Committee encourages our successors to press for further clarity on the number of abandoned and suspended wells under territorial jurisdiction, and to urge the development and implementation of an action plan for monitoring and management, including identifying and addressing leakages and site reclamation.⁷

Members feel strongly that the number of wells and specific locations for each should be made public and further note the need to manage orphaned wells.

Commercial Fisheries

The next Committee is encouraged to evaluate the *Fresh Fish From Great Slave Lake* branding strategy, and to seek an update on the fisheries business plan.⁸

Diamond Potentials

The Committee urges our successors to continue to press industry on socio-economic agreements and quotas for northern employment and contracting, and to monitor currently proposed expansions. Further, the Committee has been eager for progress in the territorial diamond manufacturing sector, particularly Yellowknife-based processing plants, for some time, but with no result. Decisions must be made and action taken. NWT artisans and jewellery may prove a useful future focus for value-added diamond potentials.

Economic Opportunities Strategy: Evaluation and Next Steps

The Committee recommends that our successors pursue a thorough review of the Economic Opportunities Strategy (EOS) to clearly assess its costs, benefits, and impacts.

Several other government strategies emerge from the EOS and the next Committee will likely be interested in monitoring their progress, including but not limited to those discussed below. Notably, the Committee's review of the Mineral

⁷ Tabled Document 250-17(5), *NWT Oil and Gas Annual Report*, tabled on June 1, 2015, and Tabled Document 254-17(5), *Office of the Regulator of Oil and Gas Operations 2014-2015*, tabled on June 2, 2015.

⁸ See *David Ramsay: Introduction of the Fresh Fish from Great Slave Lake brand* (February 10, 2015).

Development Strategy included a commissioned analysis by the Pembina Institute.⁹ We also encourage our successors to review the new China Strategy and Action Plan¹⁰ and to monitor the development of a new tourism plan.¹¹

Agriculture Strategy:

The Committee highlights the matter of lease rates for Commissioner's land used for agriculture¹² and encourages our successors to press the Department for timely development and implementation of the strategy itself.

Film Strategy and Action Plan:¹³

The next Committee is encouraged to meet with the new NWT Film Commissioner to discuss the Commission's direction and marketing strategies.

Oil and Gas Strategy:

This strategy is currently under development and the matter of oil and gas development, even during the current exploration downturn, is one of great interest to the Committee and to the public, and with great potential impact on the NWT. The Committee points to the report on public engagement on the strategy¹⁴ and encourages our successors to closely monitor developments, as oil and gas development carries great potential impact for the NWT.

Mines and Mining

Northern benefits are key: In 2014, fewer NWT residents held diamond mine jobs than those from other jurisdictions, increasing by nearly 50 per cent, while the number of residents holding positions increased only 20 per cent.¹⁵ The next Committee may also wish to examine royalty rates and other opportunities for northern revenue. We also encourage our successors to pursue a full-cost

⁹ **Tabled Document 154-17(4)**, *Responsible Extraction: An analysis of the Northwest Territories Mineral Development Strategy Panel report*, tabled on October 31, 2013.

¹⁰ **Tabled Document 309-17(5)**, *Government of the Northwest Territories China Strategy and Action Plan*.

¹¹ **Tabled Document 145-16(5)**, *Tourism 2015: New Directions for a Spectacular Future*.

¹² NWT communities, entrepreneurs, educators, and volunteers, continue to demonstrate strong capacity for local and sustainable food production, increased food security, community-centred efforts to reduce the cost-of-living, and building local and regional agricultural capacity. These initiatives include the Gamèti community garden, which grew more than 560 kilograms of food for residents in 2014, the long-lived Inuvik Community Greenhouse, the Hay River-based Northern Farm Training Institute, and the Yellowknife Farmers Market, currently drafting a Yellowknife Food Charter.

¹³ **Tabled Document 226-17(5)**, *Take One: Northwest Territories Film Strategy and Action Plan*.

¹⁴ **Tabled Document 289-17(5)**, *Pathways to Petroleum Development: Public Engagement Report for the NWT Oil and Gas Strategy*.

¹⁵ **Tabled Document 217-17(5)**, *2014 NWT Survey of Mining Employees Overall Report*.

accounting analysis of net benefits gained from NWT-based mines where the majority of wages leave the NWT.

Additionally, we recommend industry requirements for investment in and commitment to renewable energies to reduce diesel consumption. Wind farm technology has already been proven viable in the NWT.

Northern Workforce

Workforce readiness and GNWT worker retention are vital to territorial capacity for growth

The Committee highlights NWT manufacturing and support for territorial businesses' competitiveness in tender processes. We point to the NWT Business Incentive Policy,¹⁶ and NWT-based providers of solar energy technology.

Northwest Territories Geological Survey

The Committee suggests expansion of NTGS environmental geoscience projects, including baseline data collection, investigation of permafrost slumps (including resulting catastrophic lake drainage and water impacts), and petroleum work.¹⁷

Northwest Territories Mining Advisory Board

To maximize benefits to NWT residents, the next Committee may wish to pursue further evaluation of the Board's composition and operation (e.g., expert representation in environmental regulation, poverty reduction, and Aboriginal affairs and governance).

Oil and Gas Exploration

The GNWT initiated its first call cycle for oil and gas exploration in October 2014 and lessons learned will likely be of interest. The Committee also recommends a review assessing subsidies to industry, including a responsive action plan.

Lands

Recreational Land Use Framework

There is an ongoing need for a clear plan to address concerns with squatters in the Yellowknife River watershed and the Inuvik Airport Lake areas. Members

¹⁶ GNWT Policy 63.02, *Business Incentive*.

¹⁷ Tabled Document 12-17(1), *NWT Geoscience Office Strategic Plan 2011-2016*, tabled on December 15, 2011.

also flag the ongoing matters of leases and sales along the Ingraham Trail and at Cassidy Point, and the collection of securities for all land-use sites.

Municipal and Community Affairs (MACA)

911 Services

The next Committee is encouraged to explore service model options, inter-community disparity, costs and cost-management, and consultation with Aboriginal and community governments.

Sport and Recreation Funding

The funding structure for territorial sport and recreation is notably complex and the next Committee is encouraged to seek a status update from the Department.

Public Works and Services (PWS)

Departmental Reorganization and Energy Planning

The Committee urges its successors to monitor the delivery of the Department's new responsibilities in energy planning, including the development of an *Energy Efficiency Act*, for which a discussion paper is expected near the end of the 17th Assembly.

Transportation (DOT)

Inuvik-Tuktoyaktuk Highway

We urge our successors continue to monitor the Inuvik-Tuktoyaktuk Highway project as it enters its third year of planned construction.¹⁸

NWT Transportation Strategy 2015-2040: Connecting Us

The Committee highlights two longstanding infrastructure initiatives: the Mackenzie Valley Highway and potential infrastructure development in the Slave Geologic Province.¹⁹

Additionally, airport repairs and the dredging of territorial rivers remain significant issues for several NWT constituencies. These include airports in Hay River and

¹⁸ Tabled Document 52-17(4), Tuktoyaktuk Highway Project (ITH) Risk Matrix Reviewed as of 11 March, 2013, and Tabled Document 53-17(4), GNWT Response to Inuvik to Tuktoyaktuk Highway (ITH) Project Review Panel Report.

¹⁹ Tabled Document 199-17(5), NWT Transportation Strategy 2015-2040: Public and Stakeholder Engagement Report, tabled on February 18, 2015, and Tabled Document 267-17(5), NWT Transportation Strategy 2015-2040: Connecting Us.

Inuvik, as well as the Hay River and Tuktoyaktuk harbours. Loss of permafrost and storm surges are causing persistent damage, while drought and low-water conditions continue to impede marine transportation as well as the quality of the territorial waterways on which our small communities rely.

CONCLUSION

This concludes the Standing Committee on Economic Development and Infrastructure's *Report on Transition Matters*. Members respectfully suggest that our successor committee consider requesting updates on the above matters from the Government, and wish them the utmost success in fulfilling their mandate.