



CENTRE FOR
NATURAL
RESOURCES
POLICY

CANADA WEST FOUNDATION



FROM THE
Ground Up

EARNING PUBLIC SUPPORT
FOR RESOURCE DEVELOPMENT

MICHAEL CLELAND
NEXEN EXECUTIVE-IN-RESIDENCE
MAY 2014

CanadaWest
FOUNDATION

CANADA WEST FOUNDATION

This report was prepared by Michael Cleland, Nexen Executive-in-Residence, for the Canada West Foundation's Centre for Natural Resources Policy. The author extends his thanks to the participants of the Honourable James A. Richardson Discovery Roundtable that was held in Victoria on Nov. 19, 2013. Thanks are also extended to David Collyer, Gord Lambert and Ed Wojczynski for providing comments on a draft of the report. Any errors or omissions remain the responsibility of the author. Finally, the author wishes to acknowledge the contributions of Canada West Foundation staff Len Coad, Dylan Jones, Robert Roach and Shafak Sajid.

The opinions expressed in this report are those of the author and are not necessarily those of the Canada West Foundation's Board of Directors, advisers or funders. Permission to use or reproduce this report is granted for personal or classroom use without fee and without formal request, provided that it is properly cited. Copies may not be made or distributed for profit or commercial advantage. Copies are available for download at no charge from the Canada West Foundation website at www.cwf.ca.



© Canada West Foundation 2014
ISBN 978-1-927488-11-9

Canada West Foundation is a registered Canadian charitable organization incorporated under federal charter.
(#11882 8698 RR 0001)

Our 2014 Centre for Natural Resources Policy Patrons

The Arthur J.E. Child Foundation
ATB Corporate Financial Services
Coril Holdings Ltd./Ron Mannix
Crown Investments Corporation of Saskatchewan
Enbridge Inc.
Government of Alberta
Imperial Oil Limited
Max Bell Foundation
Nexen, a CNOOC Limited company
James Richardson & Sons/
Richardson International/
Tundra Oil & Gas Partnership
Jim Richardson
Saskatchewan Ministry of the Economy and Enterprise Saskatchewan

Patrons are listed as of April 9, 2014. The Canada West Foundation has made every effort to ensure that all patrons who wish to be recognized are listed. If there is an error or omission, please contact us at 1 888.825.5293. (Patrons are donors who provide \$25,000 or more to the centre on an annual basis.)



CENTRE FOR
NATURAL
RESOURCES
POLICY

The Centre for Natural Resources Policy focuses on the economic importance of natural resources to Canada's prosperity and challenges the West to be a world leader in environmental performance and innovation.

EXECUTIVE SUMMARY

Canada's current *ad hoc* approach to building public support (a.k.a. social licence) for resource development is inadequate to the challenges ahead of us. A more systematic approach is required before stakeholders can hope to begin reversing current trends.

The essential ingredient in renewed public support is real improvement in how companies perform “on the ground” in communities directly affected by resource development. More widespread understanding of what is taking place on the ground – supported by objective facts and analysis – will underpin broader public support, both domestically and in important external markets.

The substantive issues with respect to resource development are not new. They range from health and safety to economic benefits and costs, to environmental and social impacts.

At the same time, there are many societal forces at play that were of little importance even a few years ago. The most important may be the decline of deference and the mistrust of elites. In this context, communities have much more inherent power, while methods used by elites – such as efforts to move projects forward or influence opinion through advertising – may be ineffective or even counterproductive. Another important force is the growing fragmentation in society that sees individual communities and narrow interest groups driving a particular agenda with little reference to the broader public good. And all of this plays out in the context

of the unique issue of climate change and the supercharged communications environment of social media.

The single most critical strategic choice facing those looking to build public support is whether the weight of effort should be at the local level, with an implicit emphasis on performance, or the societal level, where the implicit emphasis is on communications. Analysis of the strategic environment argues for placing priority on the local level because this is where the issues are most visceral, because positively inclined local voices are a necessary (albeit insufficient) condition for establishing and maintaining public support, and because a positive brand will only endure if it is based on solid and constantly improving performance at the local level.

As such, the weight of effort in the short-term needs to be performance-driven, industry-led and centred on engaging supporters in affected communities.

Nonetheless, the only long-term route to a more stable environment for securing public support requires federal, provincial and territorial governments to be much more active and systematic in their approaches to everything from land use planning and environmental regulation to scientific monitoring and the duty to consult Aboriginal communities.

Rebuilding public support also entails an emphasis on communications, but communications of a different sort than we often see from industry or government. Communications does not equate to

advocacy. It also entails methods that allow the facts about performance to be made available to anyone who wants to know and in ways that are perceived as credible. By and large, the facts on the ground are positive and they will become more positive over time, based on a performance-driven strategy. If the facts are more widely known, they might begin to cut through the celebrity-driven opposition that dominates the advocacy communications game.

A public support strategy must address multiple issues:

Local Economic Issues

- Employment
- Business Opportunities
- Training
- Ownership
- Government Revenue Sharing

Local Community Issues

- Health and Safety
- Cultural Protection
- Social Planning and Policy
- Community Investment

Environmental Issues

- Regional Land Use Planning
- Environmental Assessment and Project Approvals
- Land/Water/Air/Habitat Protection
- Greenhouse Gas Management
- Monitoring, Measuring, Reporting

Engagement Issues

- Starting the Conversation
- Sustaining the Conversation
- Completing the Conversation

INTRODUCTION

This paper sets out a path to restore public confidence in, and support for, resource development in Canada. It works from two key perspectives. The first is that many individual company, government and community actions need to be accompanied by collective efforts in several spheres. The second is that much more emphasis needs to be placed on constantly improving performance on the ground in communities directly affected by resource development and establishing better and more widely available information about that performance.

The paper is organized in four sections:

Section 1: Framing the problem: What drives support or opposition?

Assessing how to address the problem needs to start with what the problem is, what drives it and what the trends are. Longstanding issues are increasingly projected through societal forces that are distinctive to our era and the trends are mainly in the wrong direction. The effect of those forces makes the task of securing public support ever tougher. A realistic analysis of them is an essential foundation for a robust path forward.

Section 2: Approach to strategy

There is no one strategy that makes sense for all the actors and situations. But those with an interest in facilitating resource development – companies, governments and supporters in local communities – need to act with some measure of coordination. More importantly, the analysis in Section 1 leads to the following conclusions:

- An emphasis on high-level communications may be misplaced and sometimes counterproductive
- Community support is the essential condition for success and that can only derive from on-the-ground performance
- More widespread understanding of what is taking place on the ground – supported by objective facts and analysis – will underpin broader public support, both domestically and in important external markets

Section 3 Scoping the issues

Getting a grip on the specific actions that are needed requires a general understanding of the range of issues, where things stand and where improvement is needed. Section 3 offers a perspective on this, presenting ideas both for how to approach the issues and how to make progress using the familiar rubric of economy, environment and community augmented by a fourth element which underpins it all – engagement.

Section 4: A roadmap to improved public support

Much of what needs doing rests in the hands of individual communities, companies and governments. But some of what needs doing requires more organized action. There are four general areas that warrant attention:

- developing better understanding of the Canadian landscape
- fixing what needs fixing
- debating the tough issues, and
- building capabilities for the future

¹ Brownfield development refers to re-development of previously developed sites.

² Vancouver is an exception as its charter allows a greater degree of autonomy.

1. Framing the problem: What drives support or opposition?

Canada West Foundation staff met with senior leaders from industry and government at a workshop in Victoria in December 2013 to discuss how best to approach the problem of social licence, put another way, securing and sustaining public support for energy and other natural resource projects. The discussion was animated by a [discussion paper](#), which is available on the Canada West Foundation website.

The following section consists of a compressed version of the Victoria discussion paper modified in important ways to reflect the insights gained from the roundtable discussion. We see 10 essential elements that should underpin any discussion of public support for resource development. These elements are the forces driving the issues; understanding them is essential to developing a coherent approach. They lead to conclusions as to what is most likely to work or not work in an overall strategy (see Section 2).

Essential elements to underpin thinking

1. The issues are old and enduring

The issues range from health and safety to economic benefits and costs to environmental impacts and social and cultural impacts on a community. They have been around as long as communities have been around but a few observations are important:

- What matters, and what matters most, are location dependent.
- Some issues essentially engage interests, which tend to be negotiable; others are more rooted in values, which are much less amenable to negotiation.

Delving deep into what motivates a specific community is an essential first step in developing the community support that will underpin broader public support.

2. The context in which the issues play out is new and rapidly changing

There are many societal forces at play that were of little importance even a few years ago. The most important may be the decline of deference and the mistrust of elites. In such a context, communities have much more inherent power while methods used by elites – such as efforts to move projects forward or high-level advertising – may be ineffective or even counterproductive.

Top 10 Things to Consider When Seeking Public Support for Resource Development

1. The issues are old and enduring.
 2. The context in which the issues play out is new and rapidly changing.
 3. The issues play out at both the local and societal level.
 4. The position of Aboriginal communities is unique and not so unique.
 5. Brand and reputation can be enduring or ephemeral; either way they are very hard to control.
 6. The medium may be far more powerful than the message.
 7. Economics still matters.
 8. Canada is not a superpower.
 9. Events can undercut the best efforts.
 10. Those with most at stake need to lead in getting it right.
-

The next most important may be the growing fragmentation in society, with individual communities or narrow interest groups driving a particular agenda with little reference to the broader public good. In this context, the balance between being respectful of narrower or more local interests while still allowing society to function has become extremely difficult to find.

Other sociological phenomena – such as environmental awareness, the political effects of the climate change issue, risk aversion, social media and the new expectations of Aboriginal Canadians – all affect the way we need to think about strategy. We need to understand these forces much better than we do.

3. The issues play out at different levels

- **Local:** where interests are heavily engaged as well as values, where elites are often heavily mistrusted and where the focus is on substantive performance.
- **Societal:** where issues are largely driven by values and mainly elite in orientation, in some cases utterly non-negotiable and where the focus is on communications.

A division between local and societal may be somewhat simplistic. For example, the people of a province may generally lean in a different direction, both from particular local communities and from the broader North American run of opinion. Still, the local/societal distinction is a useful guide to thinking. The two levels may be reinforcing or in opposition, but they always interact.

4. The position of Aboriginal communities is unique and not so unique

The emergence of Aboriginal Canada as a force in debates over resource development is of enormous importance, but it needs to be seen in the context of the broader set of questions.

- The position of Aboriginal communities is unique because of the distinct sociological character of Aboriginal societies and a distinctive legal and, at least arguably, moral relationship to the rest of Canadian society.
- But the underlying issues – both interests and values – are much the same. Everyone cares about jobs and community facilities. Everyone cares about traditions. And everyone cares about the environment.

A model for securing community support should be applicable across Canadian society, but with special application to Aboriginal communities.

5. Brand and reputation can be enduring or ephemeral; either way they are very hard to control

At the societal level at least, some industries have brands that are generally positive and have endured for decades (e.g. agriculture). Others have also endured but have been negative, such as the oil industry. It is likely that no communications campaign will ever change either of these.

Other brands have flipped back and forth, with natural gas being an interesting case in point. The image of natural gas has gone from positive to negative to positive in the course of 15 years as resource prospects changed. Nuclear power was once the fuel of the future, until Chernobyl, after which it became negative. It made a comeback in the past decade as a way to deal with GHG emissions and then got hit by Fukushima. In neither the natural gas nor the nuclear case was anyone's conscious

communications strategy a material factor. Facts on the ground, surprises – good and bad – and almost instantaneous public reaction drove everything.

6. The medium may be far more powerful than the message

Rational ideas put forward by elites, such as enhancing energy literacy or explaining the economic value of resource industries, may well be necessary, but seem unlikely to have much impact. A society that distrusts most elites will find such efforts at best suspicious, at worst irrelevant.

In any event, even though society distrusts elites, it still listens to celebrities. The power of celebrities can easily overwhelm any corporate or government communications efforts.

7. Economics still matter

Canada benefits economically from resource development – from incomes in local communities to government revenues to the underpinning of other industries, such as financial services. Canada has many advantages as a destination for investment – most of them centred on good governance – but we are also a high-cost producer in world terms for most resource commodities. Stability and good governance matter, but so do costs. A measured approach to building public support can enhance stability and even contain costs in the longer term. A reactive, crisis-driven approach with inadequate attention to costs will do the opposite and quite possibly tip the investor calculus against Canadian resources.

8. Canada is not a superpower

When we get on the wrong side of world opinion, our options are limited:

- We have limited leverage in most of our international relations.
- We are heavily exposed to external trade and investment and, therefore, pay a big price from any actions taken against us.
- We are stewards of a large land base that is increasingly perceived by powerful outside interests as part of their responsibility to protect, whether we like it or not.
- As an open and democratic society we (thankfully) do not have the luxury of simply ignoring or suppressing opinion.

We are, in sum, an easy and natural target. And we have made ourselves more of one by our climate policy – overpromising for the Kyoto Protocol and under-delivering ever since, making ourselves convenient scapegoats in a world where virtually every country has failed to deliver.

9. Events can undercut the best efforts

Events can unhinge any strategy, especially one heavily based on communications and high level opinion. The examples of natural gas (the emergence of hydraulic fracturing) and nuclear (Fukushima) make the point.

10. Those with most at stake need to lead in getting it right.

Everyone has an interest in what happens to the natural resource and energy industries in Canada. We all need energy. We all benefit from economic activity and government revenues generated by oil, gas, forestry, mining and agriculture. And we all care, or should care, about environmental and social impacts. But diffuse interests, even if positively disposed, will never mobilize the effort to fundamentally change things. That requires the engagement of those whose interests are most concentrated:

→ Industry

- it gains returns for shareholders
- its practices are what makes the difference on the ground
- apart from local people, it has the closest appreciation of local communities and their concerns

→ Government

- benefits from resource rents and taxes
- has the responsibility to establish trusted planning and regulatory regimes

→ Local communities

- responsible resource development is a potential boon
- need to develop the capabilities, such as skills and institutions, to both cope with development and to maximize its benefits

2. Approach to Strategy

Those who wish to sustain resource development in Canada share the responsibility to act in support of that wish. As noted above, there are three groups of primary actors with this wish in common:

- industry
- government
- supportive local interests

Every government, industry, individual company and group of supporters in local communities will need to develop its own detailed strategies and tactics. Beyond this, there is arguably a need for an overarching strategy built on the elements described in this framework and set in the context of time horizons and responsibilities.

The single most critical strategic choice is the question raised under Element 3 in the previous section: whether the weight of effort should be at the local level, with an implicit emphasis on performance, or the societal level, where the implicit emphasis is on communications. Analysis of the strategic environment argues for a priority on the local level. Here is why.

There's Something About the Climate

It is impossible to escape the effects of an issue that is not local at all – climate change, or carbon for short. For all resource projects – some for good some for bad – carbon is a very big or sometimes driving issue and one that operates well up in the advocacy communications realm.

There are very real issues here. For more than 20 years, Canada has made unrealistic commitments and has failed to support its commitments with proportionate action. More needs to be done to manage emissions from both the resource sectors and the rest of Canadian society. But in the world of advocacy communications, Canada and its energy industry have acquired symbolic significance far out of proportion to our substantive importance – at least insofar as the facts would attest.

The advocacy game, in other words, is afoot.

Canada needs to continue making its advocacy case, but it seems naive to think that we can win at that game in the short term. We have been digging ourselves into a hole for almost 25 years and it may take that long to get out of it. In the meantime, more attention to action on all issues – including carbon - seems like something that will eventually contribute to restoring our national reputation. In the meantime, too much arm waving and bluster could as easily worsen our position as enhance it.

1. The issues are real

Despite a record of performance that is undoubtedly much better than many critics would suggest, Canadian resource industries, regulators and policymakers have much work to do across the issue spectrum. This requires serious attention and significant investment that will take time to bear fruit. The timeframe is now (and ongoing into the distant future) and the responsibilities rest on all three players: industry, government and local communities themselves.

2. Local communities are in a position to demand better performance

In the context of Canada in the 2010s, people in local communities – whether Aboriginal or non-Aboriginal – are engaged and they will be heard. Positively inclined local voices are a necessary, if not entirely sufficient, condition for establishing and maintaining public support.

3. A stable brand can only rest on reality on the ground

The ultimate goal is to shift the brand image of Canadian resource extraction or strengthen it where it is already relatively strong. But a positive brand will only endure if it is based on solid and constantly improving performance on the ground at the local level.

4. Canada and its resource industries hold a weak hand at the communications table

Canadian resource producers, and Canada in general, are poorly positioned to succeed in the short term, and even less so over the long term, with a strategy that primarily emphasizes high-level advocacy communications. There are at least three reasons for this, all alluded to in the preceding framework discussion:

→ Brand and spokespersons are inseparable and the opposition can produce celebrities and other individuals who successfully claim more credibility with the public, such as environmental figures and

scientists, irrespective of their qualifications or the facts they present.

- Internationally, we hold an even weaker hand and international opinion appears to be growing in importance.
- Like everyone else, we have no control over events, and events have the power to simply erase the effects of any communications effort. A heavy emphasis on communications is akin to placing all one's chips on a table that might collapse at any minute.

All of this plays over different time horizons.

The Short Term

Ultimately, communications will be critical to repositioning the Canadian brand both domestically and internationally. In the short term, the most important focus should be on performance at the local level and, based on that performance, engaging supporters in affected communities.

The burden of better performance falls essentially to industry in its operations and practices and to government in its regulatory and planning roles. But governments are slow to act, swamped with pressing responsibilities in other fields and instinctively lean toward advocacy communications (i.e. pitching their point of view, focusing on the short term and using highly targeted strategies). Given this, the weight of effort in the short term will need to be taken on by industry rather than government.

The Medium Term and Long Term

For the medium to long term, the only route to a more stable environment for securing public support is one with appropriate policy, regulatory and institutional support. This requires federal, provincial and territorial governments to step up much more actively and systematically. Only government can take responsibility for actions such as land use planning, social planning, environmental assessment, environmental and health and safety regulation, and formal approval processes. Government is best placed to create the institutional frameworks for information and monitoring. Government is the recipient of the public share of resource rents that may need to be reallocated to secure local support. And government cannot delegate the duty to consult and accommodate Aboriginal interests. Industry and local communities – along with other stakeholders – can help governments shape their approaches to these matters, but only government can actually do it.

The medium term also entails an emphasis on communications – but communications of a different sort than we typically see from industry and government. Communications should not be reduced to advocacy. It should include methods that allow the facts about performance to be made available to anyone who wants them and in ways that are perceived as credible. This is a big organizational and institutional challenge, but by and large the facts on the ground are positive and they will become more positive over time based on a performance-driven strategy. If the facts are more widely known, they might begin to cut through the celebrity-driven opposition that dominates the advocacy communications game.

All of these involve complex, lengthy policy processes that can logically follow the industry lead in creating better on-the-ground performance. But they cannot follow far behind. The medium-term effort needs to be performance-driven while focused on local supporters and getting the facts out, but it must increasingly be government-led and centred on policy, regulation and institutions.

Finally, local community supporters have critical roles in converting short-term results into an enduring brand over the long term. They need to mobilize and secure broad-based local support, establish local institutional capacity to manage both relationships and impacts, and contribute to the longer communications effort by weighing in visibly and publicly.

Social Media Are Not Always That Sociable

Another argument against greater emphasis on local performance is the pervasiveness of (non-local) social media as a shaper of opinion and the possibility that more aggressive employment of social media might be needed to counter inaccurate reporting.

For all its benefits, social media operates at a velocity and volume that tends to confound attempts at reasoned debate or deep reflection. Social media provides a platform for everyone. This includes ideologues and the emotionally unhinged as well as those who are genuinely concerned and thoughtful. Exactly who is who is by no means always clear and – as with mainstream media – the emotionally unhinged and the ideologues may well have the advantage in terms of gaining attention.

Given this, do proponents of resource development need to act more vigorously in the social media space? Undoubtedly. Should they expect to win hearts and minds that are as yet closed to their message? Probably not, or at least not without a long steady effort and the recruitment of more messengers whose voices can cut through the noise. That is one of the places where improvements in local performance may pay long-term dividends, especially if they lead to more local voices sharing positive messages via social media.

3. Scoping the Issues

This section is intended to scope the main sets of issues affecting public support. It is organized in the first instance around the three pillars of sustainable development: economy, community and environment. These pillars encompass the full range of substantive issues, are familiar and have withstood the test of time since their introduction in the late 1980s.

A fourth set of process issues dubbed “engagement” has been added to this frame.



The main components under each of the overarching issues have been identified with the intention of being as close to exhaustive as possible. In essence, this is a menu of possibilities, but exactly what needs doing and when will depend on much further consideration.

This scoping piece and the roadmap that follows in the next section should be read with a few underlying considerations in mind.

Economic fundamentals matter

If public support rests at its base on fairness – an acceptable balance in the distribution of benefits and costs – resource projects and activities seeking public support still rest fundamentally on economic efficiency. By economic efficiency, we mean the ability to attract investment on favourable terms, the

ability to compete in the marketplace on the basis of both cost competitiveness and timeliness and, for price-regulated products such as electricity, the ability to serve consumers at prices competitive with those in other jurisdictions.

Many, but not all, of the measures that may facilitate public support are broadly consistent with these needs. Better environmental management is usually as much a benefit as a cost, at least in the long-run; local employment should be cost-effective; local support should facilitate timeliness in the marketplace. But there are limits. For several reasons, Canada is a high-cost producer in most resource sectors. Additional costs, such as community benefits, training, or reducing carbon emissions, all come out of the returns to the development whether those returns fall to shareholders or to government in the form of royalties

or taxes. At some point, investors will turn to alternatives elsewhere in the world and Canada needs to keep that fact in mind.

Local takes many forms

Questions around public support touch people from remote northern communities to urban communities concerned about power plant developments. Many remote communities are Aboriginal communities, but by no means all. Some of the issues, such as health and safety, environmental management and appropriate consultation, apply across the board, but only in remote Aboriginal communities is the slate of issues outlined in this section fully relevant. And finally, local can be anything from a small community to a region.

Linear infrastructure creates unique issues

Linear infrastructure (pipes, wires, roads and rail) is essential to almost all development, from oil sands to mineral developments to wind power projects. If it is blocked, other investments become collateral damage. Linear infrastructure touches on multiple communities, each of which may feel harmed or put at risk and may insist on something approaching a veto, even though the implications of such a veto are potentially harmful to many other communities. For the most part, linear infrastructure creates very limited potential for local benefits and the appropriate balance of distribution of benefits and costs may be especially elusive. In other words, the approaches outlined below need to be applied with special considerations to pipes, wires and other linear transportation infrastructure.

It's not all doom and gloom

Finally, it is important to underscore that for every problem there are also positive examples and that we have experience with mechanisms that make things work. One particularly important mechanism is an Impact and Benefit Agreement (IBA) under which a project proponent and a community establish a contract to manage their relationship.

Impact Benefits and Agreements

IBAs form an essential part of both community engagement and ensure that the benefits from resource development are equitably distributed. These agreements contribute to a shared understanding of the direct impacts of resource development on local communities. They can be used to provide clarity on such issues as the level of employment that will be offered, the types of jobs, the nature of preferred access, the skills required, opportunities for local businesses, investments that will be made in community level infrastructure, and anything else that the parties are willing to include.

IBAs come with challenges that relate to confidentiality, decision processes and implementation details, but they can promote discussion and build trust.

Economy

Viable economies lie at the heart of all successful communities; without a viable economy, no community can succeed. Resource development stands to provide the catalyst for the creation or enhancement of viable economies in remote communities throughout Canada. The core elements of policy and action needed to generate results are fairly clear:

- **employment** – the most basic need
- **business opportunities** – the counterpart to employment for those of an entrepreneurial bent
- **training** – the necessary underpinning for success in both employment and business
- **ownership shares in project revenues** – a possible foundation for community commitment to the success of resource activities and a potential source of financial resources for local communities, and
- **government revenues** – another potential source of financial support for the community

Employment

The issue: The creation of local employment opportunities is probably the most constructive single step toward securing the support of local communities, at least in communities where other employment opportunities and well-paying jobs are rare.

State of play: Since “local” community has no hard-and-fast definition, there is no inventory of the scale or growth of “locally sourced” employment. Currently, resource companies use impact and benefit agreements (IBAs) as an effective tool to engage local communities and to build a common understanding around the level of local employment that is offered. These negotiations and the resulting agreements are not universal to all resource projects, and there is room for improvement in both the process and the results, but they have proven to be an effective tool when properly implemented.

Examples of Aboriginal Employment in the Resource Sector

- More than 1,600 Aboriginal people are estimated to be directly employed by the oil sands industry in permanent operations jobs.
- In 2009, oils sands companies purchased more than \$810 million in goods and services from Aboriginal businesses.
- Manitoba Hydro is committed to working with Aboriginal communities and having a workplace that is representative of where they live and work. In keeping with their employment equity goals, in 2012-2013, Aboriginal employment at Manitoba Hydro was 17 per cent of its overall workforce and 42 per cent of its northern workforce.

Sources: Oil Sands Developers Group (<http://www.oscaalberta.ca/wp-content/uploads/2013/10/FINAL-OSDG-2011-Canadian.pdf>); Manitoba Hydro (http://www.hydro.mb.ca/community/aboriginal_relations/index.shtml?WT.mc_id=2204)

The opportunity: The scale of the opportunity rests in the first instance on the scope for expansion of resource industries, enhanced by the potential to increase the proportion of local hires. Relative to the size of the employment base and the scale of other opportunities in most remote communities, there is considerable potential.

Barriers: A lack of basic skills is often an impediment to hiring in occupations involving not only high skill levels but also extensive requirements with respect to health and safety practices. Local hiring still requires at least some willingness to be mobile. Hiring locally also raises the risk of discrimination against other Canadians, including those from other remote communities.

Actions needed: Better, and better understood, estimates of the extent of local employment would help make the point that this is an area where considerable progress is being made. Better estimates of the scale of future opportunities would help ground future policy options. Most companies have active policies aimed at fostering local employment. These need to be enhanced and become industry standards across the resource sector.

Business opportunities

The issue: Resource industries outsource numerous functions to other businesses. Perhaps even more so than locally sourced employment, contracting out has the potential to make local communities and their residents big winners from resource development. There is a corresponding advantage for resource companies derived from the familiarity and relative stability of local contractors.

State of play: The same definitional problems apply here as with locally sourced employment. Some jurisdictions use regional development corporations to define business opportunities. Others rely on the companies and communities. Again, IBAs play a role in setting out the opportunities and basic requirements for local businesses to participate in resource projects. This is an area where there is significant variability in the efforts directed to identifying and creating opportunities, developing capacity, and improving the quality of opportunities (basic support versus more specialized and higher value businesses) available to local companies.

The opportunity: The long-term future of the resource industries in Canada lies in some measure in the evolution of vital service and supply industries. Just as the opportunity from local employment is to develop marketable skills that are mobile, capable local businesses can thrive not only locally, but well beyond the local community.

Barriers: Small businesses everywhere and in every sector face numerous barriers. For local businesses in remote communities, limited opportunities for market diversification and a small pool of locally available skills are additional impediments. The resource sector is extremely exacting in the practices it demands from its contractors, especially with respect to environmental and health-and-safety practices, and supplier businesses have to develop company cultures that can live up to those standards.

Actions needed: As with employment, many resource companies have active policies aimed at ensuring not only that local companies are given opportunities but that they are also provided direct support to overcome business barriers. Governments and industry need to collaborate more systematically with local communities to establish pathways to stronger local business participation in resource projects.

Training

The issue: The lynchpin for success in securing employment or business opportunities is a combination of skills, aptitudes and experience, all three of which can be gained to some degree through structured programs. Investment by government, industry and local communities in this area is an urgent priority.

State of play: Industry, government and local communities are all actively engaged in providing training and mentoring programs. Some of these programs are mobile and bring the training to the community, while others are more centralized. The challenge is to ensure that the training offered is affordable, attractive to local workers, and provides a labour force that has the skills for which resource companies are looking. Current efforts are making progress, but there is still a significant gap.

Building Local Capacity

PotashCorp is committed to investing in education and training for First Nations and Métis people. One of the company's strategic focus areas is to develop long-term suppliers to the potash industry within Aboriginal communities by offering support, training and skill-building opportunities. In 2012, PotashCorp invested \$16.4 million in Saskatchewan, of which \$3.9 million was invested in programs that benefit Saskatchewan's Aboriginal communities. PotashCorp has supported training at the Rocanville potash mine site to have more trained Aboriginal tradespeople who can work while staying close to their communities.

Source: PotashCorp

The opportunity: The processes through which individuals acquire skills, work aptitudes and business acumen stand to benefit communities in the short term but – more important – will lay the foundations for long-term success, both within and beyond the local community. In this sense, there is a virtuous circle: Resource development is the catalyst for more fundamental change and that change lies at the heart of successfully establishing support for resource development over the long run.

Barriers: Numerous programs exist to support training particularly with respect to Aboriginal communities. But the deeper shortcoming in many communities is a lack of basic education that creates problems requiring very long-time horizons to overcome. Shortfalls in basic educational attainments will inhibit rapid progress for many years to come and no doubt frustrate all participants who stand to benefit – companies, individuals and communities. Programs supported by government, industry and communities are undoubtedly not as well funded as they might be, nor as well coordinated or matched to potential opportunities. On the job training for job progression is another area that needs additional focus. Most companies provide their employees with transitional employment opportunities – in other words, room to grow into new roles with increased responsibilities.

This is a key element of capacity building that is perhaps more urgent in small communities and is fundamental to the long-term success of resource industries.

***Actions needed:* Few steps on the road to securing public and community support are more critical than training and education. It is certain that no aspect is more urgently in need of attention. This area, more than most, requires a strategy which engages all governments and local communities.**

Ownership in project revenues

The Issue: In some instances, a local community may see it as in its interest to take a share (which can take various forms) in a resource project that is in or near the community. This may engender a stronger sense of commitment to the success of the project and it has the potential to provide an economic return to the community. There are several models that resource industries have explored. The company offers the community a share in the equity or revenue stream that results from the project. In the case of equity ownership, the company may put up the equity on behalf of the community and then be repaid from the project revenues (often described as a carried interest), the company may offer a loan or loan support, or the community may be able to fund its own investment. With the local community as an active partner, project reviews can be more collaborative and less confrontational. Whatever model one chooses to adopt, the fundamental challenge is to ensure that both sides of the agreement receive benefits in proportion to the value they add, and that the ownership position is consistent with overall project competitiveness.

State of play: Community participation in ownership of resource projects is not as widespread as other methods of sharing project benefits, such as IBAs. The idea of direct ownership has been realized in several hydro-electric projects as well as oil and gas projects at varying scales.

The opportunity: The potential for ownership stakes in projects will apply case by case, depending on the appetite of project proponents to engage partners and the appetite and the capacity of the community to assume such a role. The steps needed to allow communities to act as effective equity partners have the potential to build business acumen in the community.

Barriers: Resource projects are inherently high risk, subject to the vicissitudes of commodity markets, resource risk, technological risk and cost pressures. A resource company spreads these risks over multiple projects, something that a local community is unable to do. Infrastructure projects such as pipelines or other facilities such as hydro projects which may be rate regulated are inherently less risky and produce returns over a longer horizon although they also produce more modest returns. Very few local communities have the financial wherewithal or the management capacity on their own to step up to equity positions or to manage their interest effectively. For linear projects, the number of affected communities militates against equity positions unless those communities are able to organize themselves to act collectively.

***Actions needed:* Communities need to take a clear-eyed view of whether ownership is in their interest and how they need to organize themselves to take such positions. Very few communities, even if organized into large aggregations, have the management capacity to act as equity partners. Companies, governments and local communities need to act together to develop this capacity. Finally, the financial depth required to take even a modest share in multibillion-dollar projects will need some form of financial backstopping. This might be provided by individual companies but, on a more enduring basis, it seems that there may be a role for provincial and federal governments to deploy their financial strength through guaranteed mechanisms.**

Revenue sharing

The issue: An increasing focus in the debate centred on Aboriginal communities is the potential for government revenues to be shared directly with affected communities so as to secure their own source of financial capacity.

State of play: Some governments, notably British Columbia, have shown themselves open to revenue sharing arrangements. The underlying principle is that government agrees to commit a portion of its resource revenues to build capacity and infrastructure in local communities. Where revenue sharing is implemented, it has the potential to make industry, communities and government full partners in developing business, cultural and governance capacity. As capacity builds, revenue-sharing could be expanded to provide full revenue and even governance transfer to the local community. These concepts are in the very early stages of development.

Revenue Sharing in British Columbia

British Columbia was the first province in Canada to share mining, forestry and other resource revenue with First Nations communities. In 2010, B.C. introduced Forest Consultation and Revenue Sharing Agreements (FCRSA). The government recognized that a one-size-fits-all approach would fail and it created a number of tools that can be tailored to meet the needs of different communities. At the end of 2013, more than 100 First Nations have signed these agreements, according to the Government of British Columbia website. But revenue-sharing agreements are not limited to forestry. Mining is a huge economic driver for the province and Economic and Community Development Agreements (ECDA) are designed to help First Nations share the direct mineral tax revenue on new mines and major mine expansions.

The opportunity: The scale of the opportunity is proportionate to the scale and profitability of development. The potential to realize the opportunity turns on addressing the very real question marks that surround the issue.

Barriers: Some governments take the view that, as a matter of principle, resource rents should accrue to the owner of the resources which, in the case of subsurface resources, is the provincial government (unless subsurface rights have been transferred via a comprehensive land claim settlement agreement). The basis for this position is that the provincial government is best placed to ensure fair and efficient distribution of the benefits from the revenues across the whole population of the province or territory in question and revenues foregone or otherwise allocated have to be made up at a cost to other residents. In any event, if revenues accrue only to communities that overlie resource deposits, the result could produce enormous inequities. If the revenues accrue to some collective body, such inequities may be mitigated, but this raises the question of why one collective body and not another or why not the provincial population as a whole. Various forms of tiered benefits based on proximity or the level of direct impacts of resource development on communities can help overcome the challenge.

Linear projects may be the source of concern for many communities and these projects do not produce resource rents (although they do produce taxes and other fees). Finally, resource revenues are notoriously volatile. Some provinces are being urged to reduce their dependency on such revenues. A local community would be doubly vulnerable, both because the share of its financial base might be even greater but also because it would be subject to both resource price swings and the inevitable decline of production from any given deposit.

Actions needed: This issue, more than most, needs a careful assessment of the realistic potential for revenue sharing based on broadly agreed principles centred on questions such as: fairness to residents of a given jurisdiction; fairness among local and most notably Aboriginal communities within a province; the financial risks to a community heavily dependent on a uniquely volatile revenue base; and the potential for other mechanisms to provide revenue streams to local communities.

Community

In the typical characterization of the term “sustainable development,” there are three legs: economic, environmental and social. This report uses the term “community” to capture the idea of the social leg because there are multiple aspects of community integrity, not all of which might easily be thought of as “social.” There are several key elements:

- health and safety
- cultural protection
- social planning and policy, and
- community investment

Health and safety

The issue: Resource extraction and delivery systems, given what they have to do and given their inherent hazards, are remarkably safe largely because there are highly evolved systems of safeguards – standards, industry practices and regulations. But failures do occur and potentially chronic health issues may follow from badly managed environmental emissions. Any community being invited to host resource facilities will inevitably seek assurances that chronic issues will be minimized and that accidents will not occur in their community.

State of play: The range of possible hazards (both perceived and real) is extremely broad and encompasses all forms of resource production, including energy production from oil and gas (explosions, hazardous emissions) to wind farms (noise effects) to power lines (electromagnetic fields[EMF]) to nuclear power (radiation) to mining operations (emissions into the air and water). Some hazards are not yet proven to be real problems (such as EMF from power lines), their effects may be exaggerated (such as NOx emissions from power plants) or the incident rate may be small and getting smaller. Despite this, our increasingly risk-averse society demands guarantees of zero risk.

The opportunity: Resource industries are at the leading edge of health and safety practices in the economy because they have no other choice. One of the collateral benefits of resource industries in a community is the propagation of a health-and-safety culture to the broader community. In addition, if there is one thing on which there are very good and publicly available statistics, it is on incidents (spills, fires, leaks) and their effects. Placed in context, and with adequate explanation, the health-and-safety record of the energy and resource systems could prove more reassuring than alarming, at least to fair-minded observers, whether in local communities or in society as a whole.

Barriers: When accidents occur, they are often high profile and, in rare cases, horrific in their consequences. There is little comfort in knowing that one's community was the "one in a million" that had a catastrophic accident. Some things do not lend themselves to rational debate – such as the purported health effects of wind turbines and electromagnetic fields from power lines – two fears for which there is no scientific evidence. Activists are often successful in building real but minor issues, such as the health impacts of emissions from a gas-fired power plant, into mortal threats. Some concerns, such as radiation are mysterious and all the scarier for it. Finally,

unlike incidents, chronic effects from emissions – that is to say both the emissions and their health effects – are much harder to assess and measure.

Actions needed: Health and safety is essentially non-negotiable and only a constantly improving performance record – which is known and understood – can allow the industry to navigate the shoals of community fears. More readily available information from credible sources and assembled in ways that are understandable to ordinary people might make the navigation process easier.

Cultural protection

The issue: This arises particularly, but not only, in Aboriginal communities. Protection of sacred land and heritage buildings should be a no-brainer. Protection of large swaths of land, such as old growth forests – whether for cultural, economic or eco-system management reasons – entails more opportunity cost. Protection of the underlying culture of a traditional community from the effects of a modern industrial economy is much harder still.

State of play: This set of issues is one to which most industry was slow to respond. People of a mind to get things done and build modern prosperity may not readily grasp the values that underlie concerns about cultural integrity. On the other hand, progress is being rapidly made simply because industry is faced with no choice. As a result, there are growing success stories. Resource projects bring with them a different culture and sometimes it is challenging to adapt to the community's needs and interests. Most Impact and Benefit Agreements focus on the social and cultural impacts of a project as well as the economic benefits. The contents of the social provision aspect of an IBA may include language of the workplace, protection and conservation of archaeological sites and specimens, information flow and interpretation, as well as cross-cultural training.¹

¹ Knotsch, C, and Warda, J. 2009. Impact Benefit Agreements: A Tool for Healthy Inuit Communities? National Aboriginal Health Organization.

The opportunity: As with health and safety, the opportunity here is to better demonstrate both the potential for cultural values to be protected from the effects of resource development and the many ways it can be done. Positive lessons that are widely known can provide the grist for debate and negotiation as a community's acceptance is being sought.

Barriers: Likely the biggest barrier arises where a significant part of a community wishes to keep its traditional culture intact. It is extremely difficult to reconcile that with the inevitable effects – not so much of the physical impacts of facilities as of the sociological effects of an industrial economy.

***Actions needed:* Industry and government need to continue raising their sensitivity levels with respect to cultural values, probably spending much more time listening than they are accustomed to doing. They have to be ready to relocate, reroute and protect some of what might otherwise be prospective land for resource development. And they have to be ready to invest. Finally, as a body of positive experience grows, that information needs to be made readily available.**

Social planning and policy

The issue: Resource development can be a disruptive social force. Economic booms bring challenges as well as opportunities.

State of play: Communities throughout Canada typically watch the arrival of new resource industries with a mix of positive anticipation about the economic benefits and trepidation about the social impacts. Communities often lack the tools needed to address the sudden changes that follow in the wake of a localized resource boom.

The opportunity: The lead time from when a resource development is conceived to when it actually occurs is normally several years. If government, industry and local communities use this period to prepare and make the appropriate investments in social infrastructure, the negative side effects that accompany resource development could be greatly reduced.

Barriers: A lack of familiarity with the social impacts of resource development can lead to complacency in the face of looming change. Conversely, the natural human tendency to take the counsel of one's fears about what might happen can lead to paralysis. There is also the unpredictability of whether projects will actually come about, how many and when. If the response is overbuilt, social planners will lose credibility.

***Actions needed:* Social issues and social investment tend to get short shrift compared to concerns about environmental issues. They need to be raised to the same priority level and become an integral part of early stage engagement with local communities and an ongoing part of the planning process.**

Community investment

The issue: Any community facing an influx of new jobs and wages will inevitably have need for new community facilities – health, education and recreation as well as other infrastructure. The need will typically grow faster than the revenue base needed to support them. Most communities facing social or environmental disruption will be amenable to some measure of community benefit to offset other costs.

State of play: As with most other aspects of relations between communities and resource developers, there are far more positive examples than is widely known – as well as much potential for improvement.

Investing in Communities

Impact and Benefits Agreement negotiations also focus on what kind of community support will be provided by project proponents. This can include investing in community programs or building physical infrastructure. Examples of the latter include Cenovus Energy's investment for renovations and upgrading of training centres in the communities of Janvier and Bigstone Cree Nation and ConocoPhillips Canada's support of the ongoing development of the Queen Elizabeth II Regional Hospital in Grand Prairie.

There are a number of examples of investments in community programs that focus on training and education. Cameco and Areva in partnership with the Government of Saskatchewan and other stakeholders developed a Community Vitality Monitoring Partnership which evaluates the impact of uranium mining activities on the social well-being and quality of life in northern Saskatchewan communities. The scope of the partnership rests on five areas: environmental, health, economic and social infrastructure, communication dynamics and relationships. The program evaluates how these areas are affected by industrial activity and determines what program supports are needed by the community.

The opportunity: Remote communities disconnected to the wage economy characteristically not only lack employment prospects but also suffer from underinvestment in community facilities and infrastructure. The most obvious benefit of the arrival of a resource industry in a community is to be found in jobs and business opportunities. Close behind is the potential to significantly upgrade community infrastructure, thereby creating better, healthier, more attractive communities.

Barriers: Likely the biggest barrier is money. The extent of underinvestment in many communities in facilities and infrastructure is often very large. A modern industrial economy brings many things and one of those is raised expectations, including the expectation that community facilities and

infrastructure will be comparable to other places. The scale of investment implied may be very large and, if not beyond the capacity of industry, is almost certainly beyond its responsibility.

***Actions needed:* The processes of early engagement and social planning need to account early on for the scale of investment in community facilities needed and desired. The investment plan, involving industry, government and the local community needs to be agreed on early in the process. To the extent that benefits flow ahead of costs, the necessary levels of local support for a project are likely to grow and the local proponents are likely to gain in credibility.**

Environment

The processes of environmental management are complex and a brief treatment can hardly do the subject justice, but there are arguably five distinct areas of focus in the environmental management system:

- regional land use planning, including the issue of cumulative effects
- environmental assessment and project approvals
- environmental regulation – land/water/air/habitat protection
- greenhouse gas management, and
- monitoring, measuring, reporting

Regional land use planning

The issue: Two primary concerns require planning – the need to accommodate multiple and often conflicting land uses; and the need to assess and manage the cumulative effects of multiple developments.

State of play: Provincial governments engage in reasonably good land use planning that deals with multiple uses. Cumulative effects, however, are harder to deal with and the track record is spotty.

The opportunity: Better planning, including a full consideration of cumulative effects, is arguably one of the most basic requirements for building local community confidence in the environmental management system. It also has the potential to lift much of the controversy surrounding projects out of the formal, legalistic and often adversarial project assessment and approval system and into forums better suited to debating larger, longer-term issues.

Barriers: Land use planning (from urban to regional scale) is inherently fraught in a market economy where it is the actions of individual investors that drive most results and individual economic interests often compete with larger societal interests. Anyone who has been involved from one side or another in a rezoning process will understand this. It is always controversial. Dealing with cumulative effects compounds the problems because there are issues of measurement and attribution, timing and sequencing of projects and the inherent risk of injustice when the last investor in has to bear the consequences of the actions of predecessors. The reason for many decades of – at best – limited success in regional planning and mainly failure in cumulative effects management is because they are hard to do in a democracy and a market economy.

Actions needed: Provinces need to improve their regional planning efforts, encouraging increased engagement of local communities and industry and inviting more engagement by the federal government. This is an area where research – experience in other jurisdictions and case studies – would pay dividends, allowing learning to be more broadly disseminated than has been done to date and providing a better foundation for getting past ideology and on to solutions.

Environmental assessment and project approvals

The issue: Virtually all resource projects undergo extensive processes of environmental assessment. Infrastructure projects, such as pipes and wires, typically also seek formal economic approval through hearing processes conducted by federal and/or provincial economic regulatory agencies. These processes constantly beg for improvement, but what constitutes improvement is in the eye of the beholder.

State of play: The most significant recent developments in project approvals concern the federal government's efforts to streamline processes and to devolve as much as possible to provincial processes so as to avoid duplication of efforts. While these reforms may improve efficiency and timeliness, they have also reduced the perceived legitimacy of the process on the part of the broad public. It is quite possible that the loss of legitimacy may, perversely, make some processes less efficient in practice.

The opportunity: As a general proposition, the tension with respect to both federal and provincial processes turns on the trade-offs between efficiency and legitimacy. There is no inherent reason why these trade-offs need be intractable. Canada's economic regulatory agencies at both federal and provincial levels, as well as its environmental assessment and management agencies, are highly sophisticated, with a wealth of experience – in both mistakes and successes – that can form the basis for a system that meets the needs of most stakeholders.

Barriers: By far the biggest barrier to resolving the inherent tension is the fact that each project approval process is forced to address, if not resolve, any number of larger policy issues that should properly be addressed in other processes, such as regional planning, land claims or legislation. In other words, policy failure has simply been delegated and become regulatory failure. Aside from that, the complexities of the modern world make all processes more and

more complex and time consuming. The expectations of stakeholders are often unrealistic or, where opposition is intractable, impossible to reconcile with any outcome short of refusal.

Actions needed: The loss of confidence in regulatory agencies in Canada is widespread and found in urban as well as rural settings. Governments find them cumbersome and misaligned with policy; proponents find them complex, untimely and overly costly; other stakeholders find them daunting and believe them to be unfair. Some stepping back from individual cases may be warranted to assess what are the fundamental characteristics of regulatory processes that best balance legitimacy (open, fact-based, expert, procedurally fair) with timeliness and certainty. Every jurisdiction will have its own model, but it does seem that we have lost sight of the role of regulatory agencies and their appropriate relationship to policy.

Environmental regulation – land/water/air/habitat protection

The issue: The protection of a multitude of values in the natural world involves a complex, constantly evolving set of legislative, regulatory and voluntary actions rooted in science, local knowledge and the constitutional and political mandates of multiple levels of government operating in various geographic locations. It is often, but not always, effective, sometimes costly and, more often than not, distrusted by many key stakeholders.

A Distinct Lack of Confidence

A recent opinion poll shows that less than 40 per cent of Canadians believe the federal government is finding the right balance between economic growth and environmental protection, and less than half of Canadians believe their provincial government is finding that balance.

State of play: The fact that the state of play in this area would be impossible to characterize in anything but several volumes says a great deal. Many credible voices in government and industry argue that Canada has among the most sophisticated and effective environmental protection systems in the world. Most of those voices also concede that it has to get better. Other credible voices are convinced that the system overall is far from adequate to the task and believe that recent reforms have harmed the system. The deep technical nature of the system and its complexity make it opaque and impossible for almost any expert – far less a layperson – to fully understand.

The opportunity: Canadian resource companies and the governments that oversee their environmental impacts can focus on two directions. Where Canada's environmental performance standards represent best practices, they can communicate this reality to society at large, contributing to brand strength. Where performance is lagging, the opportunity is to improve performance to exceed best practices, also contributing to brand strength.

Barriers: Environmental science (including detection, understanding of ecosystem processes and understanding of human health effects) is rapidly evolving and, in turn, constantly raising the environmental protection bar. This, combined with the inevitable environmental disruption associated with resource development, creates an unending list of possible targets for criticism. The technical complexity of the effects, the science behind them and the methods for mitigating and monitoring make it impossible for any but technical experts to make valid judgments. All sides of the ongoing debates are rightly skeptical that information that is being promulgated by others may derive from poor science or may be more works of advocacy than of science.

Actions needed: This set of issues turns on a mix of substance and perceived legitimacy. Improved characterization of the system at a broad level – core issues, responsibility, state of play, areas needing progress – might provide a foundation for more rational debate. Many individual areas no doubt require more substantive efforts in areas of measurement, effects assessment, better regulatory frameworks and better industry practices.

Greenhouse gas management

The issue: The question of greenhouse gas emissions is unique and should not be conflated with other environmental issues. GHG emissions are world scale, not at all local in its direct effects and inherent in energy processes (all resource development is energy intensive) and will remain so as long as we derive energy from fossil fuels. GHG emissions are not a pollution issue; they are an economic structure issue.

State of play: World emissions are growing. This growth is driven mainly by developing economies. OECD emissions are for the most part still above their 2005 level, but declining for several reasons – many of them are as much a result of structural changes as of government actions. Emissions in Canada follow the general trend, although resource-related emissions rise as development continues (mainly oil sands). Canada will fall well short of its latest reduction commitment and our reputation as a climate shirker will continue to bedevil us.

The opportunity: Canada will not easily get on the good side of the climate ledger. The emissions intensity of our economy is steadily declining, but still very high, and Canadian resource development will tend to drive growth when much world opinion expects steep reductions. Canada's reputation will not change easily, but it will not change at all until we do two things: introduce more, and more meaningful, measures to manage emissions; and reset our commitments to reflect the fact that we are a resource-based country. On the last point, Australia bit the bullet in 1997 in Kyoto and made

commitments more consistent with their economic reality (108 per cent of 1990 emissions by 2012) and did so without becoming a world pariah. Compared to Australia, Canada would be very late at the honesty game, but it is hard to see how it could hurt us at this point.

Barriers: The barrier to being honest about commitments is essentially the diplomatic game of “being in good company.” If others are doing something, we have to do much the same and this is deeply embedded in our national psyche. The process of moving to a more realistic stance would undoubtedly generate intense criticism, although what harm that could do relative to the status quo is hard to discern. The implementation of real actions – essentially carbon pricing across the nation – is more a problem of public opinion than it is one of cost. Cost issues would be real and daunting for some industries or vulnerable consumers at any carbon cost much higher than B.C. experiences today, but there is little evidence that carbon pricing at that level would damage the economy, provided it is balanced by offsetting tax reductions elsewhere. The net benefit/cost might well be positive for resource industries since a stable carbon management regime would add to policy stability and social legitimacy. Public support for carbon pricing, on the other hand, is a harder nut to crack.

Actions needed: Canada needs to restart the national dialogue on this issue. We need to live up to our obligations as world citizens with properly considered but challenging commitments that reflect our own reality and real actions across the economy, some of which may be politically tough. But it is not only because we are do-gooders that we need such a dialogue. It is because our reputation is hurting us and it is especially hurting our ability to address perceptions in key markets and to generate support for many resource projects.

Monitoring, measuring, reporting

The issue: By and large, the issues around monitoring, measuring and reporting are subsets of the issues outlined above under environmental regulation. They go to questions of constantly evolving science, the limits of lay understanding and questions of legitimacy and trust. This issue is a priority that, left unresolved, can undercut any progress in the more substantive aspects of the environmental management system.

State of play: As with the regulatory system more generally, these systems are far too complex to characterize in less than several volumes. In all likelihood, a fair assessment of the state of play in Canada would find a mixed bag – some good, some bad and some ugly.

Working Together

Alberta's Wood Buffalo region is home to much of the province's oil sands development. Several organizations have been formed to allow all stakeholders to participate. The Wood Buffalo Environmental Association and the Regional Aquatics Monitoring Program are two such initiatives. They combine science, traditional knowledge, community input, and measurement. Although the processes have been criticized, they represent a step forward in building public support by building better understanding of environmental pressures and their solutions.

The opportunity: The set of issues around monitoring, measuring and reporting lend themselves more than most to actions that can best be captured under the term “transparency.” If environmental data are made more readily available, made more understandable and are trusted (for example, through mechanisms that involve stakeholder participation or joint management), this will contribute to broader legitimacy not only of regulatory systems and

voluntary industry actions, but also of planning and project approval systems. It is the foundation of legitimacy.

Barriers: Leaving aside technical questions centred on science, in all likelihood the biggest barrier is the sheer volume and complexity of the information such that any observer, no matter how technically adept and unencumbered by time constraints, would be overwhelmed. At some point, for most people, legitimacy will need to turn on trust, and trust is in very short supply. Apart from that, industry and government start out with an inherent reluctance to offer up information, usually because of a lack of trust that the information will be fairly used (the failure of trust works in all directions). Finally, legitimate systems necessarily entail substantial costs, deep engagement of people from local communities, technical capacity and new governance arrangements, all of which pose their own challenges. In a federal nation such as Canada, jurisdictional questions compound all of these barriers.

***Actions needed:* There is need for an inventory of the systems in place, a gap analysis to identify shortcomings and urgent action to fund and put in place more permanent, properly governed mechanisms to deal with a myriad of environmental reporting issues.**

Engagement

Engagement is a term that implies much more than information or consultation but probably something less than ultimate decision-making authority. In any event, it has several components that come down to the following:

- starting the conversation
- sustaining the conversation – institution and capacity building, and
- completing the conversation – transparency, accountability and follow through

Starting the conversation

The issue: The core requirement for any process of engagement is early outreach by project proponents in collaboration with governments. Early outreach entails a tricky balance: early enough to engender a genuine sense of collaboration, but not before the project has become a real possibility; enough information to start the conversation, but not so much as to pre-empt community input; a well developed sense of how far collaboration might go, but not so well developed as to prevent course correction as it evolves.

State of play: Most observers would probably say that this is where resource developers come up short, although there is a growing list of examples where past lessons were clearly learned and industry (and government) has struck the right balance. Impact and Benefit Agreements are becoming more commonplace in resource development industries such that they are normally required before a project can proceed. Similarly, current regulatory processes for environmental assessments and project reviews include requirements for public consultation. Companies are becoming more proactive in discussing their projects with local communities before the work begins.

The opportunity: Early engagement buys time – time to initiate planning, time to build relationships and trust, time to reshape the project to address cultural and environmental sensitivities, time to negotiate benefits agreements, and time to initiate social and community investment.

Barriers: Questions of commercial confidentiality in the early stages of a project may inhibit engagement. There may be simply too little known about a project in its early stages to allow a meaningful conversation to emerge and communities can just as easily be offended by too little information as by engagement that is too late. The wrong approach can easily engender unrealistic expectations on the community's behalf about the extent of their decision-making

authority. Most communities have limited capacity to engage as extensively as they may wish or need to do, especially when issues are extremely technical and complex. Governments may be reluctant to step up beside project proponents even though the formal duty to consult with Aboriginal communities is vested in the Crown and even though governments hold many of the levers that can lead to solutions.

***Actions needed:* More case histories of successful approaches would be helpful. More work is needed to frame the parameters of the duty to consult and accommodate, how far that duty extends toward a requirement for consent – as some communities, Aboriginal and otherwise, feel that it should – and the roles of the respective players. Above all, much more is needed to develop capacity in local communities so as to allow effective engagement.**

Sustaining the conversation – institution and capacity building

The issue: Almost every dimension of the public support debate raises questions concerning the capacity of local communities to fulfill their roles. It begins with being an effective partner in an engagement strategy and extends through planning, assessment and approval processes to financial participation to emergency response and ongoing monitoring. It requires not only many skills, but also institutions, including some that may be jointly managed or governed (e.g. environmental monitoring).

The state of play: Very few local communities, Aboriginal or otherwise, are adequately equipped to play a role in resource development as extensive as they – or industry or government – may desire. This issue may be the primary barrier to solutions across the full spectrum of issues outlined in this report.

The opportunity: Over the long term, the most likely path to stable public support will be in the form of local communities with the wherewithal to be effective partners.

Barriers: The skill sets required to perform the various roles are extensive and only a few of them are found in any local community. Very few communities are large enough to develop organizations of sufficient scale to develop the range of skills or engage in all the necessary activities. Financial resources are a barrier, given the scale and complexity of the organizational machinery needed. And again, much of the financial requirements, if not necessarily beyond the means of industry, are almost surely beyond the scope of its responsibilities.

***Actions needed:* Better assessment is needed of the organizational capacity and the skills required to perform the various functions over the full cycle of resource development, from engagement to monitoring. Local communities need to organize themselves into larger aggregations to acquire the scale that permits effective organizations to be built and that are able to attract highly capable staff. A funding strategy needs to be developed that fairly allocates the burden among industry, government and local communities.**

Completing the conversation – transparency, accountability and follow through

The issue: Engagement only works if all parties live up to their commitments and there is a rebirth of trust engendered by increased transparency and accountability. Continuous progress at the level of society is only possible if lessons are learned, extracted and shared.

State of play: One of the most striking aspects of the debate on public support for resource development in Canada is the profound lack of mutual trust both within local communities and amongst communities, government and industry. Trust comes from knowing one's partners are trustworthy and that, in turn, requires accountability for results on the part of all participants. The other striking aspect is the extent of ignorance among most Canadians about what goes on in local communities where resource development takes place and about what works and what might

work. All of this requires information, but there is no place that even a small fraction of this information can be found without extensive research.

The opportunity: If a long-term strategy to secure stable support for resource projects in Canada begins with improved on-the-ground performance, it concludes with trust, combined with much deeper and broader understanding of the quality of performance and its results. This can only come from mutually agreed accountability frameworks, from a better base of information, and from a large, sustained and fact-based communications campaign.

The barriers: By no means are all the stories going to be positive ones. Partners on all sides will often fail to meet some of their commitments, mistakes will be made, and events will intervene to upset even the most careful calculations. This reduces the desire to share information. In any event, the volume of possible information – covering multiple dimensions of multiple industries in multiple communities – is daunting, and it will never be really accessible, except to the most curious and the most persistent of observers. And some, including many influential advocates, will be unconvinced by facts that do not agree with their position.

***Actions needed:* Industry, government and local communities need to reflect carefully on the sorts of accountability frameworks – beyond those that exist in individual industries – that would be practical to undertake to build and sustain trust, as well as the monitoring frameworks that could underpin broader and deeper understanding in the wider society. And then they need to act to bring them about.**

4. A Roadmap to Improved Public Support

The premise of this paper is that Canada's current ad hoc approach to building public support for resource development is inadequate to the challenges in front of us and that a more systematic approach will pay dividends.

Many individual companies, industry associations, governments and communities have made strides with creative and effective approaches to different parts of the problem. But mistrust; policy, institutional and capacity gaps; inadequate or unavailable information; and, the disproportionate effects from events that may derive from negligence or just bad luck together create a problem that is chronic and pervasive. Actions by individual actors entail alligator hunting; the swamp remains and it may be getting deeper.

We need to establish better terms of debate:

- Who is best placed to lead and on what issues?
- Who is accountable to whom and for what?
- What are the underlying principles that provide a foundation for operational agreement?

Despite being a resource-dependent country, Canada's body of thinking on public support is thin. We need better information and it needs to be more widely known:

- What are the critical gaps in, for example, our institutional capacity and modern regulatory arrangements that hinder our ability to act?
- What are the issues that need deeper reflection so as to avoid false starts or counterproductive moves?
- What are the success stories and what do they tell us?
- What are the areas where Canada or any one province or any one industry may be doing well but are getting lost in the noise?

Four blocks of activity that cover most of the issues raised in the preceding section on scoping are set out below. Individual companies, jurisdictions and communities are engaged and making progress on each issue. Nonetheless, a more broad-based effort is needed. And, each issue needs attention now. In some cases, the results will be relatively quick; others will take years to resolve.

In terms of responsibility, some issues rest ultimately with local communities, some with government and some with industry. But as proposed in Section 2, if we want to get moving, then industry is going to have to take the initial lead, supplemented by input and support from others.

Better understanding of the Canadian landscape

Fixing what needs fixing

Debating the tough issues

Building capabilities for the future

Better understanding of the Canadian landscape

There is widespread ignorance – even among those who should be well-informed – about what is happening now. Not all of it is necessarily good news, but much of it would belie some of the mythology that has emerged in the public debate. Over time, we need to establish a capacity for ongoing monitoring and reporting of appropriately scaled aggregate information (as opposed to just more anecdotes) on many issues, including the ones set out below. In the meantime, we suggest a series of snapshots on the following high priority topics:

- The state of play on local employment and business development – what are the practices and mechanisms in place; what are the numbers and how do they compare to other forms of development?
- Comparative regulatory practices – how do our practices stand up to international comparison?
- The state of play on community investment – what are companies doing to help build the infrastructure in local communities?
- The state of play on community engagement – where is it going well; what are the successful practices; what are the challenges?

Fixing what needs fixing

Some things are truly broken and need attention right now. Two come readily to mind:

- Rebuilding public confidence in regulatory systems. Canada has a wealth of capability in its regulatory machinery, but public mistrust of government and, by extension, regulatory systems means that many decisions lack perceived legitimacy. This makes them increasingly subject to legal action, political protest or civil disobedience. This will not change quickly, but there is an urgent need to start reversing a disturbing trend. The international comparative work suggested above would be a first step, but it will need more to rebuild widespread belief that regulatory systems are competent, objective and fair.
- Developing a credible way forward on GHG management. The conversation has finally restarted on this – long after we should have read the signals coming from south of the 49th parallel and from Europe. But at least it has started. Canada has measures in place (e.g. the B.C. carbon tax) that are world-leading and others (e.g. the Alberta regulatory system) that are ahead of most other countries, most notably the U.S. But governments and industry need to step back and ask what it would take for Canada's actions on GHG management – covering everything from resource industries to energy use – to be seen as credible at home and abroad.

Debating the tough issues

Not everything lends itself to a fix no matter how determined the fixers and no matter how much goodwill exists. Many outstanding issues reflect legitimate differences of view. A more respectful, more objective conversation better supported by facts and analysis could pay dividends in the future.

- Climate change commitments (as distinct from actions as outlined above). Sooner or later Canada will have to come to grips with the fact that a resource-based economy is inherently constrained in what it can achieve in terms of GHG reductions and that we have a need and a duty to explain this to our citizenry and the world. Just as we missed our Kyoto commitments, we will not meet our 2020 commitments, and we will soon have to make new commitments for the post-2020 period. The question is whether we can get a grip on this or whether we will continue to dig ourselves deeper in the credibility hole we started creating 25 years ago.
- Revenue sharing. As outlined in Section 3, there are different perspectives on questions of revenue sharing with local communities and each on its own terms is legitimate. Much of this just comes down to hard politics, but some attention to the underlying issues and the principles that could guide us in future might temper and inform the debate.
- Consultation, accommodation and consent. In recent years, the expectations of local communities – and not only Aboriginal communities – have become ever more deeply anchored in the notion that they must consent to development. The UN for example has issued a set of principles – accepted by Canada with important reservations – which, read literally, would place a veto in the hands of every indigenous community. While in some general sense it is easy to agree that it is better if local communities consent, it is also obvious that such a principle places power in local hands to thwart not just the national interest,

but the interests of nearby communities as well. The social contract that governs any pluralistic political system requires that there be recognition of the need for balance and that, in turn, requires a more coherent, less ideological conversation than has been occurring in Canada.

Building capabilities for the future

The institutional capacities to ensure ongoing public and local community support for resource development will need to be much different in the future than what we have in place today. These are long-term issues, but they all need attention now. Several come to mind.

- Training and skills. Labour market information regarding the types of skills required is an early priority, as is investment to provide skills training locally. Community-based learning organizations can help to build foundational skills; college-based programming as close to home as possible should be provided for the more technical training. Employers must be willing to hire and invest in apprentices and other workers whose skills need upgrading.
- Community capacity. If local communities are to take a full role in shaping the future resource economy, and if they are to benefit fully from that development, they will need management and governance capabilities far beyond what most have today. This will take time to organize and establish and even more time to learn about what works and what does not.
- Regional planning and cumulative effects. Despite some successes, the policy and planning apparatus that governs resource development continues to leave far too much of the decision burden on individual project approvals. A better understanding of what does and does not work and how to grapple with hard questions such as cumulative effects will be essential if we are to improve the legitimacy and efficiency of regulatory processes.

- Information on environmental effects. At the level of principle, this is a no-brainer. A country such as Canada should have an institutional capacity that is second to none at placing data and analysis on environmental effects, practices and events in the hands of anyone who is interested. That capacity needs to have independence from any one government or industry. Such a capacity could be costly and building it would be fraught with complications. It would not solve the problem of trust, but it would be an essential foundation for doing so.
- Establishing a more comprehensive benchmarking capacity. Over time, the full range of practices and the outcomes associated with them need to be subject to more transparent reporting and subject to benchmarking aimed at driving constantly improving performance. Industry would need to take a lead role in such a process. Many of the actions outlined above are precursors to the development of such a capacity.

Notes

Notes

CanadaWest
FOUNDATION

CANADA WEST FOUNDATION
900 - 105 12th Avenue SE
Calgary AB T2G 1A1

