



NORTHWEST TERRITORIES
LEGISLATIVE ASSEMBLY
TERRITOIRES DU NORD-OUEST
ASSEMBLÉE LÉGISLATIVE

MEETING GO 38-20-25

STANDING COMMITTEE ON GOVERNMENT OPERATIONS

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MONDAY, FEBRUARY 10, 2025
EAGLE ROOM, LEGISLATIVE ASSEMBLY
10:30 AM

AGENDA

1. Call to Order
2. Prayer
3. Review and Adoption of Agenda
4. Declarations of Conflict of Interest
5. Public Matters
 - a) Public Meeting and Clause-by-Clause Review: Bill 12, Business Day Statute Law Amendment Act
 - b) *NWT Heritage Fund Act* statutory review: Public Briefing with Kevin O'Reilly, Alternatives North
6. In Camera Matters
 - a) Debrief
 - b) Correspondence
 - a. 2025-02-05 – Minister of Infrastructure – Confidential
 - b. 2025-01-28 – Premier – Governance and Service Integration unit briefing
 - c. 2025-01-16 – Minister of Municipal and Community Affairs – briefings
7. New Business
8. Date and Time of Next Meeting: At the Call of the Chair
9. Adjournment

Ten-Year Review of the *Northwest Territories Heritage Fund Act*



Standing Committee on Government Operations

February 10, 2025

Kevin O'Reilly



Alternatives North

Presentation Outline

Background on Alternatives North

Our Work on a Heritage Fund

Improving the NWT Heritage Fund and Legislation

Conclusions and Recommendations



Alternatives North

- founded in Yellowknife in 1992
- volunteer social justice coalition of organizations and individuals
- represent collective interests of organized labour, churches, seniors, women and environmental organizations
- registered non-profit society in the NWT
- based in Yellowknife but with good connections to communities
- no office or staff and no core funding

Alternatives North

- active volunteer organization with the ability to work with other stakeholders and interests on issues
- proven track record of finding resources for research and bringing together people to work through issues
- good links with experts in southern Canada



Our Work on a Heritage Fund

Revenue from Non-renewable Resources: A Review of Experience June 30, 2006. Report by the Pembina Institute for Alternatives North.

Recommendations: Revenue Collection

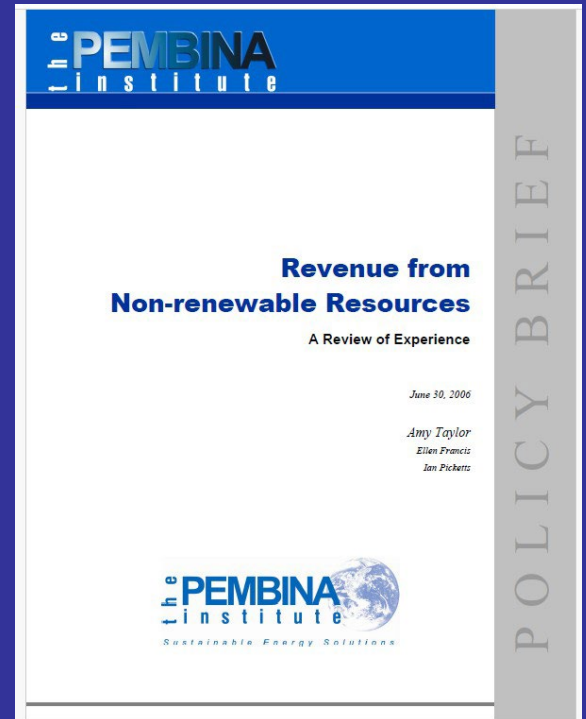
- Use cash bids to obtain revenue early in a project
- Use cash bids in combination with taxes and/or royalties
- Obtain maximum revenue
- Capture windfall profits
- Incentives should be temporary, if provided at all
- Other taxes and fees can maximize revenues and avoid federal claw-back
- Ensure high environmental performance
- Use of polluter pay principle
- The need for transparency
- Protect against boom-and-bust cycles with a heritage fund

Our Work on a Heritage Fund

Revenue from Non-renewable Resources: A Review of Experience June 30, 2006. Report by the Pembina Institute for Alternatives North.

Recommendations: Non-renewable Permanent Funds

- Take a long-term approach to revenue accumulation
- Ensure clear accumulation and withdrawal rules
- Use of future scenario modeling
- Diversified investment portfolio



Our Work on a Heritage Fund

- **October 2007 Alternatives North Recommendation to the Joint Review Panel for the Mackenzie Gas Project:**

The Government of Canada and the Government of the Northwest Territories are to create a **Non-Renewable Resource Permanent Fund** for the Northwest Territories to capture and invest revenues from the MGP and other current and future non-renewable resource development projects. The Fund should have clear and transparent rules including no cap on funding collected, allow for use of only the 'profits' from investment, and no individual citizen payouts.

- **GNWT: Disagree with recommendation to the JRP.**

The GNWT currently has no jurisdiction over resource royalties, and does not propose to speculate on whether such a fund would be appropriate in the event of devolution and resource revenue sharing agreements. The appropriate allocation of resource revenues is for the people of the Northwest Territories, through their elected representatives, to determine. The creation of the proposed fund should not be required prior to Project approval.

Our Work on a Heritage Fund

- Made a written submission and oral presentation on Bill 10 NWT Heritage Fund Act in May 2011:
- Specify the source of its funds, as well as the amount or percentage of revenues to be transferred annually into the Fund;
- Ensure that the Fund is operated such that it is protected from inflation;



Our Work on a Heritage Fund

- Protect the Fund from premature withdrawal of its capital;
- Outline standards for maximizing returns from revenues while following ethical/responsible investment (RI) standards; and
- Establish an arms-length agency to manage the Fund that reflects the broad interests of the peoples of the NWT.



Our Work on a Heritage Fund

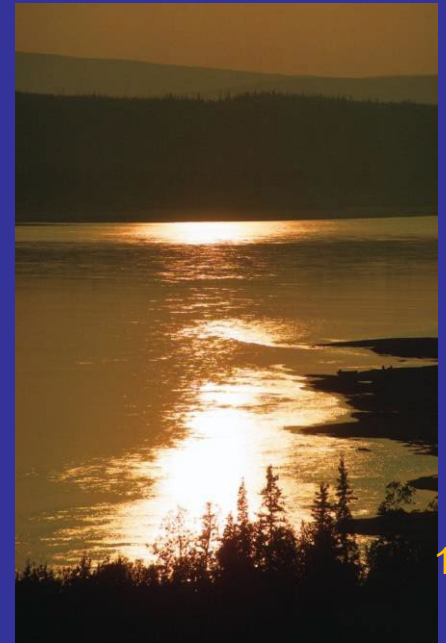
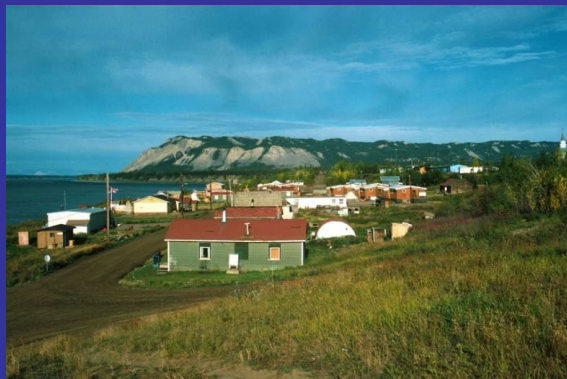
Sept. 22, 2024 Letter to SCOGO from Alternatives North

- Adequacy of resource revenues going into the fund (are resource revenues capturing a fair return?)
- Should a greater proportion of resource revenues be invested into the fund)?
- Should there be any ethical principles that govern how the fund should be invested?
- What, if any, expenditures can or should be made from the fund?

Our Work on a Heritage Fund

Sept. 22, 2024 Letter to SCOGO from Alternatives North

- Lack of transparency around public reporting, performance and governance
- No legislatively defined contributions to the fund (e.g. percentage of resource revenues or some other way to limit Cabinet discretion)
- Lack of public governance and accountability



NWT Resource Production 1999-2023

Year	Value of Gold ¹	Value of Silver ¹	Value of Diamonds ¹	Value of Natural Gas ¹	Value of Oil ¹	Value of Other Minerals ^{1,2}	Total Value of Resource Production ¹	Royalties Received ³	Heritage Fund Balance at Year End	Heritage Fund Yield Rate
1999	\$42,053,000	\$156,000	\$606,254,000	\$11,690,000	\$230,925,000	\$4,905,000	\$895,983,000	\$8,543,881	\$0	
2000	\$51,064,000	\$243,000	\$624,949,000	\$96,253,000	\$387,358,000	\$5,487,000	\$1,165,354,000	\$317,198	\$0	
2001	\$54,314,000	\$207,000	\$717,780,000	\$207,278,000	\$337,619,000	\$6,228,000	\$1,323,426,000	\$5,700,325	\$0	
2002	\$55,641,000	\$213,000	\$791,821,000	\$120,668,000	\$350,583,000	\$26,499,000	\$1,345,425,000	\$25,066,055	\$0	
2003	\$42,820,000	\$149,000	\$1,587,740,000	\$154,058,000	\$360,979,000	\$36,014,000	\$2,181,760,000	\$61,897,285	\$0	
2004	\$8,752,000	\$27,000	\$2,096,718,000	\$121,897,000	\$395,926,000	\$6,975,000	\$2,630,295,000	\$144,454,591	\$0	
2005	\$0	\$0	\$1,762,053,000	\$120,010,000	\$460,521,000	\$28,318,000	\$2,370,902,000	\$77,887,814	\$0	
2006	\$0	\$0	\$1,567,019,000	\$62,124,000	\$501,036,000	\$71,154,000	\$2,201,333,000	\$18,703,146	\$0	
2007	\$0	\$0	\$1,764,893,000	\$51,464,000	\$491,981,000	\$66,009,000	\$2,374,347,000	\$63,593,632	\$0	
2008	\$0	\$0	\$2,056,656,000	\$50,068,000	\$621,728,000	\$66,814,000	\$2,795,266,000	\$112,521,531	\$0	
2009	\$0	\$0	\$1,447,940,000	\$26,243,000	\$378,808,000	\$58,629,000	\$1,911,620,000	\$91,339,962	\$0	
2010	\$0	\$0	\$2,029,468,000	\$22,601,000	\$454,532,000	\$15,330,000	\$2,521,931,000	\$108,706,590	\$0	
2011	\$0	\$0	\$2,053,345,000	\$19,772,000	\$396,244,000	\$86,299,000	\$2,555,660,000	\$131,929,176	\$0	
2012	\$0	\$0	\$1,626,058,000	\$12,170,000	\$431,944,000	\$99,334,000	\$2,169,506,000	\$57,387,289	\$0	
2013	\$0	\$0	\$1,560,604,000	\$14,508,000	\$412,632,000	\$98,688,000	\$2,086,432,000	\$26,083,626	\$250,140	1.20%
2014	\$0	\$0	\$1,791,342,000	\$18,076,000	\$405,792,000	\$91,030,000	\$2,306,240,000	\$59,931,213	\$506,033	1.20%
2015	\$0	\$0	\$1,745,290,000	\$7,889,000	\$214,870,000	\$71,615,000	\$2,039,664,000	\$17,319,572	\$765,622	1.25%
2016	\$0	\$0	\$1,486,090,000	\$5,721,000	\$182,170,000	\$21,351,000	\$1,695,332,000	\$78,715,000	\$5,525,415	1.13%
2017	\$0	\$0	\$2,091,310,000	\$817,000	\$7,365,000	\$13,272,000	\$2,112,764,000	\$43,060,000	\$10,613,797	1.05%
2018	\$0	\$0	\$2,042,103,000	\$2,143,000	\$19,213,000	\$37,740,000	\$2,101,199,000	\$39,862,000	\$17,170,364	1.80%
2019	\$0	\$0	\$1,809,355,000	\$11,633,000	\$191,142,000	\$394,000	\$2,012,524,000	\$18,930,000	\$24,215,080	2.30%
2020	\$0	\$0	\$1,243,621,000	\$11,824,000	\$93,079,000	\$0	\$1,348,524,000	\$19,183,000	\$26,752,829	not reported
2021	\$0	\$0	\$1,691,539,000	\$22,000,000	\$178,957,000	\$377,000	\$1,892,873,000	\$19,153,000	\$30,152,122	not reported
2022	\$0	\$0	\$1,995,948,000	\$34,022,000	\$279,973,000	\$0	\$2,309,943,000	\$37,013,000	\$37,183,229	not reported
2023	\$0	\$0	\$2,134,073,000	\$14,214,000	\$167,238,000	\$0	\$2,315,525,000	\$35,356,000	\$43,535,973	not reported
2024								-\$2,587,000	\$49,686,016	not reported
Total			\$40,323,969,000				\$50,663,828,000	\$1,230,285,886	\$49,686,016	

Notes:

- Figures from the NWT Bureau of Statistics on a calendar year basis (see: https://www.statsnwt.ca/economy/minerals/Annual%20Mineral%20Production_2023.xlsx).
- "Other Minerals" includes production values of tungsten, copper, sand, gravel and stone.
- Royalties reported are on a fiscal year basis. Figures 1999 to 2014 sourced from federal public accounts and include NWT and Nunavut. Figures 2015 to 2021 sourced from NWT public accounts and cover the NWT only. Separation of mining and petroleum royalties not available due to legislated disclosure limitations. Individual company payments to the federal, GNWT and Indigenous governments available on the federal Extractive Sector Transparency Measures Act registry at: <https://www.nrcan.gc.ca/our-natural-resources/minerals-mining/mining-resources/extractive-sector-transparency-m/links-estma-reports/18198> however there are issues with the quality and consistency of this self-reported data from 2016-2023.

NWT Resource Production 1999-2023

- Over \$20 billion of non-renewable resources extracted since Devolution
- After 12 years, Heritage Fund now at about \$50 million
- About \$366 million paid to GNWT in royalties since Devolution, GNWT keeps about \$137 million or 0.68% of the value of the resources
- there may be other revenues from resource extraction to GNWT but not publicly disclosed in any detail

Improving the NWT Heritage Fund and Legislation

Adequacy of resource revenues going into the fund (are resource revenues capturing a fair return?)

"The NWT has one of the world's most charitable fiscal regimes for the mining sector, one that captures 20 to 30 percent of economic rents from mining projects, net of costs. This is compared to between 30 to 35 percent in South Africa, 45 to 60 percent in Peru, and 50 to 80 percent in Western Australia."

Andrew Bauer, Natural Resources Governance Institute

2017 paper not available any more on the ITI website

Improving the NWT Heritage Fund and Legislation

Adequacy of resource revenues going into the fund (are resource revenues capturing a fair return?)

"The NWT sells its non-renewable resources more cheaply than most other jurisdictions in the world" and "we find that the after-cost share of revenues to the government (the government take) is around 36 percent, with 22 percent for the NWT and 14 percent for the federal government."

Dr. Don Hubert, Resources for Development, September 2021 Report for SCEDE

https://www.ntassembly.ca/sites/assembly/files/td_509-192.pdf

Improving the NWT Heritage Fund and Legislation

Performance of the NWT Heritage Fund?

Heritage Fund	Budgeted Amount	Actual Contribution	Difference	Total Actual Amount in HF	Total if Budgeted amount had been met	Difference	Interest budgeted	Interest Earned	Return on Investment	Gain on investments sold	Expenses Incurred	Net Gain from Interest and Sales Less Exp.	Net Return on Investment	CPI Canada ¹	CPI Yellowknife ¹
2012-13	\$ 250,000	\$ 250,140	\$ 140	\$ 250,140	\$ 250,000	\$ 140	\$ -	\$ 140		\$ -	\$ -	\$ -140	0.06%	1.2%	1.8%
2013-14	\$ 256,000	\$ 255,893	(\$107)	\$ 506,033	\$ 506,000	\$ 33	\$ 6,000	\$ 5,893	2.36%	\$ -	\$ -	\$ -5,893	1.16%	1.0%	1.5%
2014-15	\$ 258,000	\$ 259,589	\$ 1,589	\$ 765,622	\$ 764,000	\$ 1,622	\$ 8,000	\$ 9,589	1.89%	\$ -	\$ -	\$ -9,589	1.25%	1.9%	1.6%
2015-16	\$ 7,625,000	\$ 4,759,793	(\$2,865,207)	\$ 5,525,415	\$ 8,389,000	(\$2,863,585)	\$ 25,000	\$ 37,583	4.91%	\$ -	\$ -	\$ -37,583	0.68%	1.2%	1.8%
2016-17	\$ 7,687,139	\$ 5,088,382	(\$2,598,757)	\$ 10,613,797	\$ 16,076,139	(\$5,462,342)	\$ 87,139	\$ 88,002	1.59%	\$ -	\$ -	\$ -88,002	0.83%	1.6%	1.2%
2017-18	\$ 7,736,000	\$ 6,556,567	(\$1,179,433)	\$ 17,170,364	\$ 23,812,139	(\$6,641,775)	\$ 136,000	\$ 212,464	2.00%	\$ -	\$ -	\$ -212,464	1.24%	1.6%	1.1%
2018-19	\$ 7,893,000	\$ 7,044,716	(\$848,284)	\$ 24,215,080	\$ 31,705,139	(\$7,490,059)	\$ 293,000	\$ 453,589	2.64%	\$ -	\$ -	\$ -453,589	1.87%	2.1%	2.2%
2019-20	\$ 7,600,000	\$ 2,537,749	(\$5,062,251)	\$ 26,752,829	\$ 39,305,139	(\$12,552,310)	\$ -	\$ 618,015	2.55%	\$ 122,001	\$ 58,751	\$ 681,265	2.55%	2.0%	1.8%
2020-21	\$ 7,600,000	\$ 3,399,293	(\$4,200,707)	\$ 30,152,122	\$ 46,905,139	(\$16,753,017)	\$ -	\$ 877,857	3.28%	\$ 52,038	\$ 69,088	\$ 860,807	2.85%	0.7%	-0.6%
2021-22	\$ 7,600,000	\$ 5,655,952	(\$1,944,048)	\$ 37,183,229	\$ 54,505,139	(\$17,321,910)	\$ -	\$ 1,190,279	3.95%	\$ 252,163	\$ 67,287	\$ 1,375,155	3.70%	4.4%	3.8%
2022-23	\$ 7,600,000	\$ 5,024,851	(\$2,575,149)	\$ 43,473,718	\$ 62,105,139	(\$18,631,421)	\$ -	\$ 1,344,322	3.62%	\$ -	\$ 78,684	\$ 1,265,638	2.91%	6.6%	7.0%
2023-24	\$ 7,636,000	\$ 3,162,821	(\$4,473,179)	\$ 47,760,865	\$ 69,741,139	(\$21,980,274)	\$ -	\$ 1,224,772	2.82%	\$ -	\$ 100,446	\$ 1,124,326	2.35%	3.3%	2.5%

¹NWT Bureau of Statistics, Inflation Rate, Canada and Yellowknife Rate of Change in the All-Items Consumer Price Index (CPI) Annual: Fiscal Year Ending March 31. https://www.statsnwt.ca/prices-expenditures/cpi/historical_cpi/index.html

Improving the NWT Heritage Fund and Legislation

Performance of the NWT Heritage Fund?

- Net return below CPI for Canada in 9 of 12 years
- NWT Heritage Fund is likely losing value against inflation
- Department of Finance consistently overestimates value of NWT Heritage Fund contributions on an annual basis (would be almost \$22 million more than current balance if estimates were correct)
- Department of Finance has used a placeholder amount of \$7.6 million for the NWT Heritage Fund annual contribution
- Contracted fees to manage the Heritage Fund have increased by 71% over the last five years

Improving the NWT Heritage Fund and Legislation

Transparency and Accountability

- Investment criteria set out in the regulations
 - Canadian government entity bonds, credit worthiness of R-1 Low or A from Dominion Bond Rating Service Limited (DBRS); up to \$5 million or 50% of the Heritage Fund
 - Banks with total assets of more than \$25 billion assets, total assets with positive balance over last two years, and credit worthiness of R-1 Low or A from DBRS; up to \$5 million or 35% of the Fund;
 - Foreign owned banks with total assets of more than \$75 billion assets, total assets with positive balance over last two years, and credit worthiness of R-1 Low or A from DBRS; up to \$5 million of 20% of the Heritage Fund; up to \$5 million of 20% of the Fund;
 - A municipal corporation in Canada with credit worthiness of R-1 Middle or AA from DBRS; up to \$5 million of 20% of the Fund.

Improving the NWT Heritage Fund and Legislation

Transparency and Accountability

- Only public reporting through Public Accounts (Section III), no reports appear to have been tabled in the Legislative Assembly (s. 5.1(2))
- No reporting on actual investments or performance, no publicly available planning and accountability framework (s. 5.1(1)(a))
- Accountability through annual budgetary allocations (at Cabinet's discretion, by practice 25% of resource revenues retained by GNWT)
- Financial Management Board (i.e. Cabinet) is the governing body, since April 2019 management contracted out to CIBC Wood Gundy

Conclusions

- NWT not getting a fair return for resource extraction, royalties have not been changed in any significant way since Devolution
- Hard to believe that the Heritage Fund will provide intergenerational equity with current rate of growth
- GNWT does not do well in predicting resource revenues and Heritage Fund contributions
- Value of Heritage Fund is not keeping pace with inflation

Conclusions

- There is little transparency or accountability for the Heritage Fund beyond annual budget and Public Accounts
- Need for greater transparency for the Heritage Fund, its performance and investment policies
- No legislated criteria or requirements for contributions or withdrawal of funds
- No clear role for public participation in oversight and management of the Heritage Fund

Recommendations

Improving the Position of the NWT Heritage Fund

- Adjust royalties and taxes on minerals and petroleum to get a fairer share for NWT residents
- Increase Heritage Fund contributions to at least 50% of retained resource revenues and set in legislation to reduce Cabinet discretion
- Improve GNWT's ability to predict resource revenues
- Improve Heritage Fund performance
 - Loosen investment policies, accept more risk as long as in keeping with good ESG standards
 - adopt a long-term investment strategy and make it public

Recommendations

Transparency and Accountability

- Mandatory annual reporting, including performance assessment, full disclosure of actual investments
- Hold an annual public meeting, make the planning and accountability framework public (if it exists)
- Establish public oversight through an independent expert panel, include their observations and recommendations in the annual report and require a government response (similar to audits)

Recommendations

Transparency and Accountability

- Continue 10-year reviews but make them external
- Make investment policies and practices transparent, with ESG (Environmental, Social and Governance) screens
- Maintain 20-year freeze on fund use but create criteria for withdrawal of funds in legislation through a public process



Thank You

For further information:

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Alternatives North