Towards Understanding Benefit Sharing between Extractive Industries and Indigenous/Local Communities in the Arctic

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Abstract: The aim of this Special Issue is to provide a comprehensive view of the benefit sharing and compensation mechanisms for the Indigenous Peoples and local communities in the Arctic and sub-Arctic regions due to industrial resource extraction. The papers cover the following topics: (1) Benefit-sharing frameworks in the Arctic. (2) Corporate social responsibility standards and benefit sharing by extractive industries in the Arctic. (3) Benefit sharing and international and national legislation. (4) The practice of implementing legislation to support Indigenous and local interests. (5) The methodologies for assessing compensation to Indigenous communities from extractive industries.

Keywords: benefit sharing; extractive industries; social license to operate; arctic; sustainability; natural resources; oil companies; corporate social responsibility; oil rent; equity; indigenous peoples

Editorial to the Special Issue: Benefit Sharing in the Arctic: Extractive Industries and Arctic People

The Arctic has a long history of extractive industry activity that shaped local communities and regional economies. Some of these colonial path dependencies could be considered negative lock-ins to perpetuate boom and bust economic cycles, accumulate resources in the hands of companies, deprive local residents of access to traditional activities and cause land degradation and pollution [1–3]. However, extractive industries, despite negative impacts, have also created new wealth and local investment in infrastructure with benefits beyond the industry itself [4,5]. In some communities, extractive industries have become an essential element of the local social, economic and political environment [6].

As new resource development comes to the Arctic, the question of benefit sharing becomes as relevant as ever. Benefit sharing is the distribution of monetary and non-monetary benefits between extractive industries and communities affected by extractive operations. The essence of benefit sharing, however, goes beyond mere compensation for damage or investment in local society. First of all, it is about the recognition of the rights and interests of the Indigenous and local communities, their sovereignty over resources and the knowledge that they share with the industry. Benefit sharing is
rooted in the Convention on Biological Diversity (1992) and Nagoya Protocol (2010) [7] and emphasizes the need to allocate the benefits coming from natural resources extraction to the local actors. In this situation, Indigenous and local communities are viewed as rights-, stake- and knowledge holders. Secondly, benefit sharing is about addressing social justice and inequalities between communities and those who commercialize resources [8]. In this sense, it directly links to the corporate social responsibility (CSR) and the social license to operate (SLO) that companies must earn in order to meet the expectation of being responsible [9]. More so, benefit sharing is a mechanism to support free, prior and informed consent (FPIC) through good-faith negotiations and meaningful consultations with Indigenous and local residents affected by extractive industry [10,11]. Thirdly, benefit sharing is about the empowerment of (or regaining control by) the Indigenous Peoples and local communities in the resource-use process, especially in benefits that are negotiated as a part of FPIC and resource co-management [2,12]. Finally, benefit sharing may be instrumental in attaining sustainable, long-term economic development in Arctic communities [13,14]. However, not all forms of benefit sharing lead to the desired outcomes [9,15].

This set of papers presents a collection of papers that shed a new light on the benefit sharing regimes across the Arctic. The frameworks of benefit sharing differ substantially among Arctic countries and regions. Legal platforms, state policies, corporate practices, and Indigenous empowerment vary considerably, thus creating a multitude of benefit sharing regimes. For example, in Alaska, where Native corporations are well established, the role of shareholders is key to distributing oil wealth. In Russia, the power of the state in managing the distribution of benefits is greater than in other Arctic countries. Even within one country, there is a diversity in benefit sharing arrangements. In this diversity, we attempt to find conceptually important commonalities, shared trends and convergent patterns, thus providing an enhanced theoretical and practical understanding of benefit sharing frameworks in the Arctic. For instance, the mechanisms of benefit sharing (such as contracting, taxation, negotiated agreements, etc.) are often similar, although utilized differently in various settings. To achieve this goal, we brought together data-rich case studies to highlight key connections, dynamics and transformations, and to reveal the strengths, weaknesses and opportunities of alternative extractive industry benefit sharing frameworks.

The bulk of the contributions to this issue comes from the participants of the Benefit Sharing in the Arctic workshop co-hosted by the Arctic-COAST research coordination network and ReSDA project in Moscow in April 2018. As a result, much of the content describes benefit sharing in various Russian regions, with a particular focus on the Republic of Sakha (Yakutia), where the benefit sharing regime is considered to be the most elaborate in Russia. Examples of benefit sharing regimes from other Arctic regions also provided critically important information for conceptual and practical synthesis. As a result, the workshop gave impulse for an in-depth study of the nature of benefit sharing and the possible implementation of its best practices in Russia. Many issues have arisen from that discussion, such as approaches to co-management; types of compensations; legal basis of negotiations; and what could be done before the mining period is over to ensure that Indigenous communities for the future. The authors of this Special Issue are trying to find these answers.

The opening article Benefit Sharing in the Arctic: A Systematic View by Petrov and Tysiachniouk offers an original contribution to the theory of benefit sharing frameworks. The paper provides an overview of multiple case studies from Russia, Alaska, and Canada and develops the typology of benefit sharing regimes in the Arctic. The authors illustrate the multitude of principles, modes, mechanisms, and scales of benefit sharing that constitute unique benefit sharing regimes in various Arctic regions. The paper discusses the advantages and pitfalls of different existing arrangements, and provides suggestions for further research on the subject matter.

In What is Benefit Sharing? Respecting Indigenous Rights and Addressing Inequities in Arctic Resource Projects, Wilson uses the analysis of international law and industry standards to elaborate the notion of benefit sharing as it applies in the Arctic. Drawing on field research in Russia and Norway, she explores the international standards and guidance associated with different models of benefit sharing practices.
by extractive industries in the Arctic and sub-Arctic. The paper discusses models of benefit sharing that represent a greater degree of Indigenous participation and control. The article calls for greater efforts to incorporate and center-place Indigenous voices into extractive industry decision making that affects them, starting from strategic planning and continuing throughout project implementation.

Novikova in her article *Pipeline Neighbours: How to Avoid Conflicts*? examines the coexistence between the Indigenous Peoples and oil companies. The paper looks into corporate social responsibility policies and standards of major oil companies, such as Gazprom, Lukoil–Western Siberia, Surgutneftegaz, Sakhalin Energy and Exxon Neftegaz Limited. The author investigates how these policies are perceived and assessed by the Indigenous Peoples. It is explained that, in the early stages of oil extraction in Russian regions, the Indigenous Peoples perceived oil workers as temporary migrants. In recent years, both groups perceived themselves as ‘neighbors’.

Tulaeva and Nysten-Haarala in *Resource Allocation in Oil-Dependent Communities: Oil Rent and Benefit Sharing Arrangements* focus on the relationships between oil companies and oil-dependent Indigenous communities. In particular, the paper is devoted to the oil rent and its distribution in the Russian Arctic and sub-Arctic. The authors review decision-making processes and benefit sharing arrangements used by companies in several regions, including Nenets, Khanty-Mansi, and Sakhalin. They point out that, in Russia, state authorities continue to play a decisive role in the negotiation of agreements. Despite the trend of formalizing the relations between oil companies and the Indigenous Peoples, informal rules are still prevalent and favorable to stronger stakeholders.

Several articles in this Special Issue examine specific methodologies of extractive industry impacts assessment and compensation used in Arctic Russia as a part of the benefit sharing system, and especially focus on the Republic of Sakha (Yakutia) as Russia’s Arctic region with the most elaborate legal system of benefit sharing arrangements.

Gassiy and Potravny in the article *The Compensation for Losses to Indigenous Peoples Due to the Arctic Industrial Development in Benefit Sharing Paradigm* use the case study of the Republic of Sakha (Yakutia) to consider the perspectives on implementing foreign benefit sharing experiences in the Arctic regions of Russia. The authors discuss the instruments and mechanisms for the inclusive and sustainable management of traditional lands. They examine the opportunities to involve local residents and Indigenous communities in environmental management and socio-economic development. The urgent issue for modern Russia is the ability to calculate economic losses of Indigenous communities in order to compensate for damage due to industrial development of the traditional lands. The authors demonstrate an original methodology for calculating the losses and discuss possible approaches to its improvement.

The paper by Nosov, Bondarev, Gladkov and Gassiy *Land Resources Evaluation for Damage Compensation to Indigenous Peoples in the Arctic (Case-Study of Anabar Region in Yakutia)* brings to light the new tools and mechanisms that can be utilized to complete the ‘ethnological’ impact assessment (also known as ‘ethnological expertise’ in Russia). Such impact assessment evaluates resource disposition and the alienation of traditional lands and calculates the compensation for losses in traditional economic activities, such as reindeer herding, hunting, fishing and gathering. The authors argue that the proposed data-driven methodology allows for reducing the conflicts between the Indigenous Peoples and extractive industry. These tools were implemented in seven impact assessments in Yakutia in 2015–2019 and allowed the Indigenous Peoples’ rights to compensation to be defended and benefit sharing agreements to be concluded.

Sleptsov and Petrova in *Ethnological Expertise in Yakutia: The Local Experience of Assessing the Impact of Industrial Activities on the Northern Indigenous Peoples* offer a detailed description of the methods for assessing the impact of extractive activities on Indigenous communities for benefit-sharing purposes. They discuss the experience of the ‘ethnological expertise’ (impact assessment) instituted in the Republic of Sakha (Yakutia), Russia, since 2010. This assessment is presented as a mechanism for ensuring that the rights of the Indigenous Peoples are protected and their voices are heard. The article reviews the practices, advantages and shortcomings of the ‘ethnological’ impact assessment. In the
The theme of impact assessment and compensation methodologies is continued in the contribution by Burtseva an Bysyna entitled Damage Compensation for Indigenous Peoples in the Conditions of Industrial Development of Territories on the Example of the Arctic Zone of the Sakha Republic. The main argument of this paper is that impact assessment methods prescribed by the Russian federal legislation are based on the experience of Russia’s western Arctic and cannot be easily applied to the entire territory of the Russian Arctic and sub-Arctic, and Yakutia in particular. Using case studies from that region, the article provides recommendations on improving federal impact assessment methodologies to account for local context and traditional livelihoods of the Indigenous Peoples.

The final set of articles in this Special Issue provides an in-depth analysis of particular actor relationships (state–company–citizen) and modes of implementation (agreement making, infrastructure development, and employment) of benefit sharing and presents an in-depth analysis of specific localized experiences of benefit sharing in the Arctic. Among them, two papers pay particular attention to the key actors engaged in benefit sharing, namely the state and companies.

Britcyna draws the attention to socio-economic agreements in extractive industries (oil, gas, metals and minerals) as a form of benefit-sharing arrangements and their practical applications in Russia. The paper Industrial Projects and Benefit-Sharing Arrangements in the Russian North. Is Contracting Possible? reveals several major issues impeding effective benefit sharing in Russia through extractive industry written agreements with communities and governments. These issues include the superficial nature of stakeholder dialogues the lack of transparency and philanthropy-like approaches to corporate citizenship practices. The article provides suggestions on how socio-economic partnership agreements aligned with corporate citizenship and stakeholder management can assist in delivering mutually acceptable benefit sharing arrangements between local people and extractive companies in the Russian Arctic.

Finally, the paper by Kuklina, Petrov, Krasnoshtanova and Bogdanov Mobilizing Benefit Sharing through Transportation Infrastructure: Informal Roads, Extractive Industries and Benefit Sharing in the Irkutsk Oil and Gas Region, Russia brings the attention to a relatively new subject: the extractive industry’s transportation infrastructure, and informal roads in particular, as an element of benefit sharing. The study argues that informal roads constitute an important part of benefit-sharing arrangements, whether intentionally or not. Taking the Irkutsk Oil and Gas region in Russia as a case study, the authors examine the existence and use of informal roads from a benefit sharing perspective and consider their impacts on Indigenous communities. They investigate different benefit-sharing mechanisms by which road access, use and impacts enter in the socio-economic agreements with the companies or happen outside of the formal benefit sharing frameworks.

The articles included in this Special Issue cover various aspects of benefit sharing from broad theoretical and methodological questions to specific case studies and local experiences. However, all contributors agree that good-faith benefit sharing is a key precondition for promoting sustainable development that improves the wellbeing of Indigenous and local communities while potentially limiting impacts on the environment. Although benefit sharing does not guarantee sustainable
development or even can be misused as an excuse to absolve extractive companies of the responsibility to conduct their business sustainably, if implemented properly, benefit sharing can serve as a successful tool to advance sustainability. Most importantly, as suggested by Petrov and Tysiachniouk in this volume, as benefit sharing frameworks evolve, sustainable development would be most compatible not just with benefit sharing, but with benefit co-management and benefit sovereignty. Co-management in this case implies that communities have an equitable role in defining, monitoring, and managing benefits from extractive activities. Benefit sovereignty necessitates the control of the benefits by communities who may choose to share with the industry on a negotiated basis. Ultimately, this empowering and community-driven regime may lead to sustainable development outcomes, even when the leading economic role of the extractive industry is inevitable.

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