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**“Arctic Economic Council: A Resource for Business
Development in the Arctic”**

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**Arctic Economic Council:
A Resource for Business Development in the Arctic**

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Background

This article will provide a brief introduction to the Arctic Economic Council (AEC) and its work. The primary focus of the article is the AEC's working group on responsible resource development and its work on the subject of mining in the Arctic.

Introduction

Each of the eight (8) Arctic Council Member States have three (3) business representatives in the AEC. The Permanent Participant Organizations represented in the Arctic Council can also nominate three (3) representatives each. Together, this makes up the 42 voting members of the committee. In addition, the AEC is open to businesses and organizations globally, and has business members originating both from the Arctic and outside the Arctic. The full AEC membership meets annually. The members participate in the Committees, on the working groups and participate in outreach events for the benefit of the AEC.

AEC Legacy Members**Businesses from the eight Arctic States (3 representatives each)**

Canada	Finland
United States of America	Iceland (current chair)
Russian Federation	Kingdom of Denmark
Norway	Sweden

Permanent Participants (3 representatives each)

Aleut International Association (AIA)	Arctic Athabaskan International (AAI)
Inuit Circumpolar Council (ICC)	Saami Council
Russian Association of Indigenous Peoples of the North (RAIPON)	

Total of 42 voting representatives

As a pan-Arctic network of Arctic businesses, the AEC can provide expertise, business partners and guidance to those interested in entering the Arctic markets. Permafrost and Arctic Partners¹ have an opportunity to nominate representatives to the AEC Working Groups, attend AEC meetings, and provide input to the AEC's work. In addition, they will be given an opportunity to present their business line(s) at the AEC annual meeting and to attend the AEC workshops.

The work of the AEC is steered by the interest of the Arctic business community; therefore, all AEC members have an opportunity to propose themes that the AEC should focus on. The different membership categories ensure that Arctic micro-businesses have the possibility to be on equal footing as multinationals.

¹ For more information about the membership opportunities, please see <http://www.arcticeconomiccouncil.com/join-the-aec>

Working to Make the Arctic a Favorable Place to Do Business

Vision

The AEC's foundational documents were approved at an historic annual meeting in Tromsø, Norway in 2016. During that meeting, the AEC members stated the AEC's vision to make the Arctic a favorable place to do business. Its mission is to facilitate sustainable Arctic Economic and business development.

Goals

The organization's goals include facilitating responsible business and economic development of the Arctic and its communities, share and advocate for development of best practices, technological solutions and standards, support market accessibility, and provide advice, guidance and business perspectives to the Arctic Council.

These principles and goals are designed to provide a stable framework for investment and economic development across the Arctic region. The goal of improving the socio-economic conditions for the inhabitants of the region has long been a theme for the Arctic Council and the establishment of the AEC provides another resource in the region to facilitate economic development. For the first time, a business-to business group with members representing a wide range of businesses already operating in the Arctic – from mining and shipping companies to reindeer herding and Indigenous economic development corporations, are focused on sharing best practices and real world experience for successfully operating in the Arctic region.

The AEC's work is shaped by Five (5) Overarching Themes² developed by the Arctic Business Community. The AEC works to advance these themes on national, Pan Arctic and international levels. The AEC entered its second strategic planning period in 2019. The current Strategic Plan runs from 2019 to 2021, with an opportunity to extend the period with two (2) more years. Building upon the AEC's first Strategic Plan, the new

² 1. Fostering strong market connections within the Arctic as a vital part of international value chains

2. Promoting stable and predictable regulatory frameworks
3. Encouraging public-private partnerships for infrastructure investments
4. Facilitating knowledge and data exchange between industry and academia
5. Embracing traditional indigenous knowledge stewardship and small business

plan comprises of four (4) pillars: economic growth, arctic stewardship in action, global AEC and strong organization.

AEC's Vision for Arctic Business Opportunities

Just as it is with the Arctic Council, the real work of the AEC is in the establishment of working groups. The working groups focus on finding solutions that drive economic opportunity in the Arctic forward in a responsible and sustainable manner.

The AEC's work is based on the Arctic businesses' needs. This is also reflected in the organization's working group structure. The AEC currently has five (5) active working groups: maritime transportation, connectivity, investments & infrastructure, responsible resource development (with a focus on mining), and energy. In addition, the AEC is in the process of establishing a sixth working group focusing on blue economy.

The AEC's working groups' goals include analyzing the current business climate in the Arctic and defining recommendations and variables that will raise the standard of economic development in the Arctic. The working groups are asked to incorporate the five overarching themes of the AEC into their work plan and to engage with the broader Arctic Business Community.



Current Working Groups

Investments & Infrastructure Working Group

In 2015, the World Economic Forum Global Agenda Council on the Arctic published an Arctic Investment Protocol (AIP) with the intention to start a discussion and build a coalition of support around responsible investments in the Arctic. As the Global Agenda Council on the Arctic was disbanded, the AEC was asked to take over the work on the AIP. At the 2017 AEC Annual Meeting, the AEC endorsed the intent of the Arctic Investment Protocol and has agreed to continue work to develop these principles.

The objective of the Investments & Infrastructure working group is to build a coalition of support around the principles of the AIP. To make the principles of the AIP more tangible for investors, the group decided to open a submission form in order to get best practice examples and examples of lessons learned related to the six (6) principles of the AIP: This submission form is open for all and accessible at www.arcticeconomiccouncil.com.

Connectivity Working Group

In 2017, the AEC Infrastructure Telecommunications Working Group produced and launched the “Arctic Broadband – Recommendations for an Interconnected Arctic” report³. This report analyzed the current state of Arctic broadband and funding options for increasing broadband coverage. It also lists both planned and ongoing projects related to telecommunications infrastructure and provides recommendations for the way forward.

An important part of the AEC’s work within telecommunications and connectivity has been through the *Top of the World Arctic Broadband Summits*. The first such summit was organized in Alaska in 2016. Based on the business community’s request, the second summit was organized in Oulu, Finland in 2017. The third *Top of the World Arctic Broadband Summit* was held in Sapporo, Hokkaido, Japan in 2018 and provided an opportunity for the Arctic and global stakeholders to engage in dialogue. This was also an opportunity to build closer ties to the non-arctic businesses and value chains.

Building upon the AEC’s “Arctic Broadband – Recommendations for an Interconnected Arctic” report published in 2017, as well as on the building blocks

³ https://arcticeconomiccouncil.com/wp-content/uploads/2017/03/AEC-Report_Final-LR.pdf

provided by the Arctic Council's respective bodies working with telecommunications and connectivity, the AEC's Connectivity Working Group continues the work with a focus on sustainability of connectivity. Investments are an integral part of this development, and the AEC Connectivity Working Group, led by Dr. Pamela Lloyd, examines both public and private funding models, as well as public-private partnerships (PPPs). Promoting the data center development potential in the Arctic is also an important part of the AEC's work within connectivity during the Icelandic business community's chairmanship (2019-2021).

Infrastructure: Maritime Transportation Working Group

The AEC's working group on maritime transportation represents the premier ship operators in the Arctic. Its work plan includes discussion on the possible harmonization of national and international Arctic navigation rules and regulations; analysis of the hydrographic mapping status for the region and the operators' priorities for this work, as well as of the current and future environmental regulations in the region. As the recent global limitations to freedom of trade also affect the Arctic and especially the maritime transportation in the region, this topic is also on the group's agenda. In addition, the working group looks at administration of vessel traffic management in Arctic waters.

This group has conducted meetings across the Arctic states and was also involved in a joint seminar on Arctic Shipping and Connectivity in Seoul, in collaboration with the Ministry of Foreign Affairs of Korea (2017). The work led to the publication of a report titled "The State of the Maritime Transportation in the Arctic" in May 2019⁴.

Energy Working Group

The access to energy is critical for Arctic inhabitants. Energy resources in the region can present positive opportunities for business development if done with due regard for traditional and Indigenous lifestyles and sustainability. The Energy working group will review the availability of resources in the Arctic and the opportunities and challenges associated with the use of these resources. The goal is to provide balanced information to policy makers and key influencers. This group also serves as a resource to the Arctic Council.

⁴ <https://arcticeconomiccouncil.com/our-work/>

Responsible Resource Development: Mining Working Group

The Process

The AEC's responsible resource development working group started its work in 2016 under the leadership of Lillian Hvatum Brewster (Canada) and Bruce Harland (Alaska, USA). The group consists of subject matter experts from a variety of mines, including Agnico Eagle Mines, Teck and NANA-Red Dog.

The group chose mining as its first focus area because the Arctic is resource rich, but underdeveloped. Simultaneously, we have witnessed non-Arctic nations showing significant interest in these resources. Development takes years to explore, evaluate, and permit a project at a significant cost. There is a need for international investment to get the projects funded. There is also a need for efficient, predictable regulatory regimes at all levels of governance, from local to national, to foster development. To obtain a social license to operate, exploration and development must be done in a responsible and sustainable manner.

In the initial phase of the work, the working group focused on activating the group and identifying additional needed expertise based on the group's composition. Additional new members were nominated and recruited during the process, leading to the launch of the working group report in 2019. The group met for regular phone calls to discuss the topic, plan the way forward, as well as to discuss key themes and burden sharing.

At an in-person meeting in Fairbanks, Alaska in May 2017, the responsible resource development working group identified the key themes for responsible mining in the Arctic. They are: 1) human capacity 2) built infrastructure 3) regulatory and governance 4) data (sharing) and 5) financial. In addition, the group looked at how issues related to freedom of trade affected the mining industry in the Arctic. These key themes form the foundation of the responsible resource development working group's report.

After the Fairbanks meeting, the group continued to meet weekly for regular phone calls to discuss the different draft versions of the project. Considering the group's diversity, a key to success was to engage to principle drafters who contributed much of the writing and incorporated the members' comments to the different draft versions. A special thanks goes to Larry Connell of Agnico Eagle Mines Limited and Lance Miller of NANA Regional Corporation.

In order to keep the Arctic Economic Council informed of its progress, the working group regularly updated the AEC Secretariat of its work. During the drafting process, the report drafts were also shared with the AEC's Executive Committee for comments and input. The working group also provided progress reports at the AEC Annual and Governance Committee meetings. In addition, the working group members engaged with other projects and events related to mining in the Arctic to present their work and to discuss the preliminary findings. Examples of such outreach include activities such as the Arctic Council CAFF Working Group's roundtable discussions, focusing on mainstreaming Arctic biodiversity within the mining sector.

In April 2018, the responsible resource development working group, members of AEC Alaska and the Institute of the North organized a symposium on mining in the Arctic in Kotzebue, Alaska. Attendees included international business partners, high-level government officials, investors, community and indigenous leaders, and other subject matter experts from across Alaska, the U.S. and Arctic. The responsible resource development working group's draft report was presented for the first time in public at the event in Kotzebue. It provided an opportunity for participants to review and provide additional commentary on this report. It also provided the working group an invaluable opportunity to gain input from a broader group of stakeholders.

An important decision shaping the content and recommendations of the report was the decision regarding the report's target audience. The working group decided to target its report to stakeholders coming from outside the Arctic, with the goal to create a handbook for those interested in mining in the Arctic, but not yet familiar with the region. Simultaneously, the group wanted to provide recommendations to decision-makers from an industry perspective. The aim was for the report to serve as a beginning for broader pan-Arctic dialogue.

When the working group had finalized its work, the report was sent to the full AEC membership for additional input before it was launched at the AEC Annual Meeting in Rovaniemi, Finland in May 2019. The final report "Mining in the Arctic"⁵ is available on the AEC website.

⁵ https://arcticeconomiccouncil.com/wp-content/uploads/2019/05/FINAL-Mineral-Development-in-the-Arctic_MAR-19.pdf

Mining Report: Key Findings and Recommendations

Responsible resource development in the Arctic must be conducted with a comprehensive plan to create sustainable economic benefits, consistent with the aspirations of the people of the region. Successful projects in the Arctic recognize the partnership with indigenous peoples and the role of indigenous knowledge, if chosen to be shared, in the project design. The corporate sector must also work “beyond regulatory compliance” to build trust and create healthy relationships and to earn their “social license to operate”.

With large distances between population centers in the Arctic, resource development projects are often located some distance from communities. To address workforce and capacity-building efforts, there is a need for collaboration between the project developer and governments (national and regional) as well as the local communities including indigenous communities.

The lack of developed infrastructure in the Arctic results in increased costs and has blocked the development of many known ore deposits. In most cases, mining operations in the Arctic must construct their own infrastructure and provide their own power generating infrastructure. Future responsible resource development of the Arctic requires an intentional joint approach between governments, project developers and local communities in developing shared infrastructure that can benefit local residents, entice future economic development in a sustainable manner, and meet the need to protect the Arctic environment. This can be achieved through financial partnerships between governments, resource developers, and indigenous organizations where costs can be shared across multiple end-users through the use of public-private partnerships and tax incentives.

Improving regulatory certainty, while reducing permitting delays, with strong government support enables Arctic projects to minimize unnecessary delay and expense. The AEC calls for fairness, timeliness and predictability in regulations. Further, the AEC calls for a harmonized approach between different levels of government with the ultimate goal of “One Project, One Review” with clearly defined timelines. In a global arena, where the costs are lower, a predictable and streamlined approach to permitting can provide the Arctic a comparative advantage.

The availability of accurate, well-documented information on the existing environmental and socio-economic conditions in the potentially impacted region is a

precondition for an effective assessment of a proposed resource project. If jurisdictions want to encourage investment, having objective (usually government-funded) data could greatly aid project permitting.

There are often unrealistic expectations about the amount of potential wealth that will be generated by a mining project. It is imperative that industry and the government educate local communities about the timelines and high capital costs of mining versus other industries.

Significance of the Report

The report “Mining in the Arctic” is one of the first of its kind, offering a balanced view for the development of the mining industry in the region. The report is a consolidation of insights from a wide spectrum of Arctic stakeholders. It includes feedback from companies that have developed Arctic mining projects and what made them successful, as well as from other stakeholders representing Indigenous groups, potential Arctic investors and government entities. While many of the recommendations provided in the report might be known to industry stakeholders across the globe, this is the first-time industry and indigenous corporations make a joint effort in highlighting the pillars of successful mining operations in the Arctic.

The working group’s aim and hope is that the thoughts and recommendations offered in the report can provide insights and an exchange of ideas around mineral development projects in the Arctic.

As the primary focus area of the report is in the North American Arctic, the responsible resource development working group hopes that this serves as a starting point for a broader pan-Arctic discussion on mining.

Conclusion

As a business organization, the AEC is committed to facilitating Arctic business-to-business activities and responsible economic development. Being a network of Arctic businesses, the AEC convenes industry experts from across the Arctic and globally. Arctic and global businesses, indigenous corporations and organizations have an opportunity to join the AEC by applying a membership.

The AEC works to promote responsible Arctic investments and development and aims to serve as the voice of the pan-Arctic business community as a primary business resource for both Arctic and global interests. The AEC working group on responsible resource development is a great example of the AEC's work in practice by convening a broad group of experts, the working group drafted a comprehensive report, providing a balanced perspective on a specific theme.