

## EXTRACTIVE RESOURCE GOVERNANCE: CREATING MAXIMUM BENEFIT FOR COUNTRIES\*

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### SUMMARY

In April of 2013 The School of Public Policy hosted a three-day, invitation-only symposium to discuss best practices in extractive-resource governance. The symposium, which consisted of five panel sessions and three keynote addresses, fostered an open debate and lively interaction among participants from university, industry, government and non-governmental organizations. By providing a neutral and open platform for discussion, the symposium's primary goal was to build common lines of communication around policy gaps related to fiscal governance, regulatory frameworks and community development in extractive-resource-producing jurisdictions and to develop strategies for bridging them. Twelve countries were represented, including: Albania, Australia, Canada, Colombia, Indonesia, Israel, Ghana, Nigeria, Norway, the Republic of Congo, the United Kingdom and the United States. This paper encompasses the leading thoughts and ideas discussed at the symposium and highlights points of general consensus or conflicting views. It concludes by introducing the Extractive Resource Governance Program, developed by The School of Public Policy to provide regulatory and policy education, research and analysis to jurisdictions with emerging or established extractive resources.

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## **GOUVERNANCE DES RESSOURCES EXTRACTIBLES : CRÉATION D'UN BÉNÉFICE MAXIMUM POUR LES PAYS\***

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### **SOMMAIRE**

En avril 2013, l'École de politiques publiques a accueilli un symposium de trois jours sur invitation seulement pour discuter des meilleures pratiques dans le domaine de la gouvernance des ressources extractibles. Ce symposium, qui consistait en cinq débats d'experts et en trois allocutions liminaires, a favorisé un débat ouvert et une interaction animée entre des participants en provenance du milieu universitaire, de l'industrie, du gouvernement et d'organismes non gouvernementaux. En offrant cette plateforme ouverte et neutre comme tribune, l'objectif principal du symposium était d'établir des lignes de communication communes en regard des lacunes en matière de politiques relatives à la gouvernance financière, de structures réglementaires et de développement communautaire dans les territoires producteurs de ressources extractibles, ainsi que de mettre au point des stratégies pour combler ces lacunes. Douze pays étaient représentés : l'Albanie, l'Australie, le Canada, la Colombie, l'Indonésie, Israël, le Ghana, le Nigeria, la Norvège, la République démocratique du Congo, le Royaume-Uni et les États-Unis. L'exposé qui suit contient les principales opinions et idées dont on a discuté au cours du symposium et souligne les éléments ayant fait l'objet d'un consensus et les points de vue divergents. Il se conclut par la présentation d'un Programme de gouvernance des ressources extractibles mis au point par l'École de politiques publiques et visant à offrir formation, recherche et analyse relativement à la réglementation et aux politiques à des territoires où l'on retrouve des ressources extractibles émergentes ou établies.

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## INTRODUCTION

In many countries, natural resources provide the foundation for economic development, but face important challenges in combining resource-based economic growth with sound environmental stewardship. For these countries, reaping the full benefit from their natural resource endowments requires the adoption of sound fiscal and regulatory policies. The benefits from resource developments have to be distributed broadly across the population to acquire the social acceptance that is sometime referred to as the “social licence to operate.” However, distributing the benefits through fuel subsidies or other commodity-subsidy measures are inefficient and inequitable means of achieving this goal. Extractive projects also need to provide concrete benefits for communities that are located near mines and oil and gas fields, in terms of employment, training, and improved access to infrastructure and public services. Sound national and local development policies are required to transform “wealth in the ground” into “social capital.”

Extractive industries often generate large economic rents that governments can capture through taxes, royalties, and licence fees. These fiscal measures, while allowing governments to capture a substantial share of the rents for the public, also need to be carefully structured to provide a stable and attractive investment climate. Investments in extractive industries have high sunk costs, long production periods, and high levels of risk. These features pose significant challenges for the design and administration of tax and royalty regimes, but they are essential components of any strategy that seeks to maximize the benefits of resource wealth for a nation. Overly complex and fragmented administration of tax and royalty systems can be major deterrents for investment in extractive industries.

The magnitude and the volatility of revenues from natural resources have led many governments to set up stabilization funds to smooth the macroeconomic and budgetary impacts and to provide sustainable revenues for future generations. However, many issues arise concerning the governance and operation of these funds, including the funds’ objectives, savings rules, the timing of withdrawals, and the spending that they support.

Environmental issues are at the forefront of most investments in the extractive resource sector. Governments have to develop policies and regulations with effective enforcement mechanisms. Independent monitoring of environmental impacts is often required for acceptance at the local, national and international level that responsible stewardship of the environment is taking place. Transparent environmental regulations that are outcome-based rather than rule-based can foster efficient and low-cost compliance by industry. Reclamation funds are useful ways of insuring the industry is responsible for future environmental liabilities and restoration.

Which strategies and policies maximize the net benefits from resource development projects? What is the industry’s responsibility in delivering these benefits? How can industry and governments work together to reform poor governance models in favour of greater transparency and accountability? These were some of the questions addressed in April 2013 when The School of Public Policy hosted a three-day, invitation-only symposium to discuss best practices in extractive-resource governance. Nearly 100 delegates from university, industry, government and non-governmental organizations gathered in Calgary from 12 countries: Albania, Australia, Canada, Colombia, Indonesia, Israel, Ghana, Nigeria, Norway, the Republic of Congo, United Kingdom and United States. Conference organizers would like to thank all of those who travelled considerable distances to participate in symposium proceedings, as their international perspectives were critical to the overall success of the symposium.

The symposium, which consisted of five sessions and three keynote addresses, fostered an open debate and lively interactions among all participants including delegates, panellists, speakers and chairpersons. By providing a neutral and open platform for discussion, the symposium’s primary goal was to build common lines of communication around policy gaps related to fiscal governance, regulatory frameworks and community development in extractive-resource-producing jurisdictions and to develop strategies for bridging them.

This summary document seeks to encompass the leading ideas discussed at the symposium and highlight points of general consensus or conflicting views within each session. Throughout, participants were encouraged to share their candid thoughts and ideas. Chatham House rules applied in all sessions except during keynote addresses made by Dr. Rilwanu Lukman, Dr. Paul Collier, and Hon. Joe Oliver.

Accordingly, this summary document captures the collective thoughts and ideas discussed throughout the symposium without indentifying the views of particular individuals. It seeks to accurately reflect the original scope and intent of the participants' discourse.

## **VOLATILE RESOURCE PRICES**

Drawing on his professional experience as former secretary general of the Organization of Petroleum Exporting Countries (OPEC), Dr. Rilwanu Lukman kicked off the symposium with a provocative keynote dinner address regarding the importance of controlling volatility in the extractive resource sector, particularly in the petroleum sector. Emphasizing the high level of investment required to unlock natural resource potential around the world, Dr. Lukman argued that volatility in resource prices was a substantial challenge for both investors and governments alike. Furthermore, Dr. Lukman argued that public policies should not only acknowledge, but seek to remedy, price volatility in the marketplace. Adding that most of the world's resources are found in the developing, not the developed world, Dr. Lukman advocated for a concerted effort by all stakeholders to ensure consistency and predictability in prices over time.

Dr. Lukman characterized OPEC, not as a cartel, but as a group of countries that work together to provide a service to the international community by stabilizing oil prices in the global marketplace. Given that OPEC is widely viewed as an oil cartel whose main purpose is to co-ordinate the production policies of its member states to secure for them a high and reliable stream of income, Dr. Lukman's dinner remarks stirred debate among symposium participants regarding the role of organizations like OPEC in setting international prices for extractive resources.

## **ECONOMIC GROWTH AND ENVIRONMENTAL STEWARDSHIP**

The Honourable Joe Oliver, Canada's then minister of natural resources, delivered a breakfast address on Day Two announcing a generous contribution towards The School of Public Policy's Extractive Resource Governance Program. The minister emphasized the importance of good governance, environmental stewardship and aboriginal consultation in jurisdictions producing extractive resources. Using Canada's experience as an example, Minister Oliver boldly urged delegates not to accept the false choice between economic growth and environmental stewardship, adding that the Canadian oilsands are the most heavily regulated industrial activity in the world, while producing great economic benefits for Canadians. The minister commented on the strategic implications of cross-border infrastructure projects for Alberta's oilsands and emphasized that public policies on extractive industries have long-term consequences that often impact future generations.

## **POLICY OPTIONS FOR TAXES AND ROYALTIES**

Extractive industries tend to generate large economic rents that governments can capture in the form of taxes, royalties, and licence fees. The first session of the symposium was designed to explore what types of royalty and tax policies governments of resource-producing jurisdictions should pursue. Should they be individual contracts or generic policies? What is the best design for royalties and other taxes affecting the extractive industries?

Chairing this session of the symposium was Dr. Ken McKenzie, professor and program director of the Tax and Economic Growth Program at The School of Public Policy.<sup>1</sup> Among the four distinguished panellists were: Philip Daniel, advisor, fiscal affairs at the International Monetary Fund; Robert De Biasio, vice-president, tax at Vale Canada Ltd.; Darryl Egbert, senior fiscal-regime consultant at Exxon Mobil; and Dan Witt, president of the International Tax and Investment Center.

As this was the first of five sessions delivered over the course of three days, distinguished panellists naturally touched on many of the main themes discussed throughout the course of the symposium. To avoid repetition, only those themes specifically related to the topic of this session (taxes and royalties) will be summarized in this section. While there were a number of unique perspectives presented throughout the discussion, panellists often highlighted two key underlying properties of effective tax and royalty design: maximizing value and providing stability.

The notion of maximizing value was commonly referred to in this session as “growing the economic pie” or maximizing net government revenues from extractive resource projects. The importance of growing the pie was deemed to be foundational in terms of providing a basis of understanding for other fiscal terms in extractive-resource-producing jurisdictions. A specific design element noted by panellists was that governments should collect revenue at all phases of development in a project over time.

While many key differences exist between petroleum and mining projects, panellists agreed that in general there are important characteristics these projects have in common. For instance, they both have high sunk costs, long production periods, high levels of risk, and yield large economic rents. Given these factors, extractive industries often provide an attractive tax base by transforming finite resources in the ground to aboveground resources for the state. Important systematic differences between the petroleum and mining industries, including development timelines and risk profiles, were discussed throughout the course of the session. Generally speaking, mining projects were viewed to be higher risk with longer timelines.

In addition to maximizing value, there was a consensus among symposium participants that tax and royalty systems must provide stability for investors. Around the world, there are many jurisdictions competing for foreign direct investment, and in attracting investment, stability truly matters. While fiscal terms are not always the make-it or break-it factor in extractive industries, stability in fiscal systems was viewed as an important determinate of the long-term feasibility of extractive resource development. Additionally, governments ought to take price variability into account when designing fiscal policies, as prices often fluctuate wildly from one year to the next in extractive industries. This variability can impact the ability of companies to obtain a return on their investments through production. An alignment of interests between the government and the corporation throughout the life of a project was viewed as an essential aspect of taxation and royalty design.

Overly complex administration and fragmented administration were identified as two of the main problems with tax and royalty systems for extractive industries. In part due to these challenges, symposium participants favoured generic tax and royalty frameworks as opposed to individual contracts. Given the array of complex political, legal, economic and other competing interests that governments around the world must constantly contend with, generic policies were generally viewed as elements of best practice in fiscal system design.

## MANAGING PUBLIC REVENUES FROM THE EXTRACTIVE RESOURCE SECTOR

Natural resources can offer tremendous potential benefits to regional economies. However, without proper management of public revenues from extractive resource projects, the potential benefits may be squandered. Many governments use stabilization funds to deal with volatile natural resource revenues and some

<sup>1</sup> Please refer to Appendix 1 for the detailed biographies of all those who participated in the symposium as chairpersons and panellists. Biographies are indexed by session (in chronological order).



governments direct natural resource revenues into sovereign wealth funds to provide sustainable revenues for the future. This session of the symposium focused on managing public revenues from the extractive sector. Among other questions, panellists were asked to answer the following: If we accept that funds are an appropriate tool of management, how should they be governed? How should these funds be structured? What sort of investment policies should be pursued?

Chairing this session of the symposium was Dr. Ted Morton, executive in residence at The School of Public Policy. Two distinguished panellists led discussions: Rolando Ossowski, former assistant director of fiscal affairs at the International Monetary Fund and Jack Mintz, director and Palmer Chair at The School of Public Policy.

In this session, panellists discussed the policies and performance of a number of existing resource funds around the world to gauge principles of fund design and management. Resource funds in Alberta, Kuwait, Chile, Norway and Timor-Leste were all discussed in varying levels of detail by panellists and symposium delegates. Throughout the discussion, three major themes recurred: fund objectives, savings rules and spending modalities. These three elements were used by the panellists to describe how resource funds can be used to maximize the benefits from the extractive resource sector.

This session began with a simple question: “What is the objective of a resource revenue fund?” In response, panellists agreed that a variety of rationales can exist, depending on a number of country-specific factors. Many design elements flow from the fund’s objective; therefore panellists and symposium delegates agreed that it is very important to clearly identify and outline fund objectives from the start.

Should the rules governing the fund be rigid or flexible? Should contributions to the fund “skim off the top” of resource revenues or come from the bottom line when the government has surpluses? These and other fund rules were discussed in the context of the varying fund objectives. It was emphasized that resource funds should be viewed as complementary policy tools in a policy-maker’s toolbox, rather than standalone policies. It was also emphasized that in times of deficit, pressure on fund rules increases because borrowing costs can be high. Therefore all models should be subject to stress tests. It was noted that petroleum funds in particular ought to have the ability to survive one standard deviation in world oil price to gauge the fund’s strength under changing circumstances. Panellists used the term “politically insulated piggy bank” to describe how a prudent fund should be kept at a distance from the political arena.

In addition to fund objectives and rules, spending modalities were also discussed. Intergenerational equity was identified as an important factor in this regard, as well as the use of more than one fund in a jurisdiction producing extractive resources. Other considerations as to the design of these funds included questions about risk management, economies of scale, and maximizing the return of the fund under different investment scenarios. Generally speaking, panellists and symposium delegates felt that while funds may be based on good principles, the devil is truly in the details.

The discussion transitioned into the objectives, rules and modalities of reclamation funds in extractive industries. These funds can be used to reclaim land and other affected areas after an extractive resource project has come to an end. In contrast to savings and stabilization funds, reclamation funds were considered as a useful way in which to hedge against future unfunded environmental liabilities. There was a general consensus that these types of funds are particularly useful for corporations seeking to obtain a social licence to operate in sensitive areas.

## **ENVIRONMENTAL FRAMEWORKS FOR EXTRACTIVE RESOURCE ACTIVITY**

Balancing environmental stewardship, robust regulation and compliance monitoring with extractive resource development are universal challenges in both the developed and developing worlds. Many governments are not only faced with the complexity of managing past, present and future activity, but are also confronted with the pressures of globalization and competition for international investment. In this session, panellists

were asked to identify the key issues and challenges in developing sustainable environmental frameworks for extractive resource activity. With growth challenges to overcome and multi-faceted policy pressures, panellists discussed the medium- and long-term strategies for effective management of extractive industry activity. How are developed and developing countries responding to the demanding pressures by extractive industries on the environment?

Chairing this session of the symposium was Darrel Reid, executive fellow at The School of Public Policy. Among the session's three distinguished panellists were: Peter Cameron, executive director at the University of Dundee Centre for Energy, Petroleum and Mineral Law and Policy; Dan McFadyen, past chairman and CEO of the Energy Resources Conservation Board; and Lorne Taylor, a special adviser to Alberta Watersmart, the former chairman of the Alberta Water Research Institute and a former minister of the environment in Alberta.

The diverse backgrounds of the session's distinguished panellists provided a wide range of perspectives on environmental frameworks on extractive resource activity. As a foundation of analysis for environmental impact, environmental frameworks are critical tools for policy-makers. Regional, national and international case studies were discussed with the common goal of teasing out best practices in environmental-framework design and implementation. A general consensus emerged regarding three key characteristics of environmental frameworks that promote successful and sustainable resource development: effective rules, adequate enforcement, and independent monitoring.

Clear, deliberate and flexible rules were considered to be a critical component of environmental frameworks for extractive resource activity because they provide the most stability for extractive resource activity. Without these characteristics, environmental frameworks lack the necessary capacity to withstand changing circumstances and to provide protection against future unfunded environmental liabilities. Transparent, evidence-based rule making was also determined to be critical in fostering a culture of compliance in the extractive sector. There was a general consensus that environmental frameworks must always consider social and economic factors in order to be effective. Furthermore, environmental frameworks must always be open and subject to criticism and performance reviews to gauge both their impacts and areas for improvement. Indeed, it was deemed critical to routinely assess the performance of regulatory bodies in order to improve processes and gain social acceptance.

In addition to effective rules, adequate enforcement was also considered to be an important characteristic of environmental frameworks. Adequate enforcement promotes compliance by creating a level playing field for extractive industries and also builds trust between governments and local communities. Extractive projects located close to population centres are often challenged by local communities. The more visible the project, the more stress is placed on an environmental framework's ability to balance environmental concerns with economic gains. Prudent application of enforcement measures was viewed as a critical for establishing compliance within an environmental framework. However, without the capacity to monitor compliance, it is nearly impossible for a government to provide adequate enforcement. Therefore, symposium participants agreed that capacity-building within regulatory bodies ought to be a major priority in countries that produce extractive resources.

The third and final component of environmental frameworks discussed in this session was independent monitoring. Panellists were quick to define independent monitoring as monitoring that takes place at an arm's length from industry. This rules out self-monitoring, and industry-sponsored monitoring. Independent monitoring must start from a common baseline for comparison and use defined metrics to determine outcomes. Measurable environmental standards were deemed to be critical, and particular emphasis was placed on defining appropriate metrics around various environmental impacts in extractive industries. Evidence-based goals derived from a jurisdiction's appetite for risk were also viewed to be important characteristics of independent assessment of environmental frameworks.

Underlying nearly every dynamic of this session was the importance of effective communication. At every stage of development of the environmental framework, consultation with key stakeholders is critical, and communication of results is equally critical. Stakeholders can include land-owners, local communities,

industry, and various levels of government. Without adequate consultation and communication with these groups at all stages of development, it becomes increasingly difficult to build trust, which is an important pillar of understanding in the context of extractive industries. In the age of social media and globalized communication technology, communication of prudent environmental stewardship is critical for all extractive-resource-producing jurisdictions.

## **AFRICA'S CHALLENGE**

To conclude Day Two of symposium proceedings, delegates had the pleasure of enjoying an inspirational and thought-provoking keynote dinner address by Oxford University's Dr. Paul Collier, director of the Centre for the Study of African Economies. His address focused on extractive-resource governance issues in Africa, posing the question: Can Africa become the next Canada? Dr. Collier passionately described the three critical components of what he characterized as good governance: rules, institutions, and the creation of a critical mass of informed citizens. These components informed many of the discussions throughout the day, and served as an insightful framework of analysis for delegates. In addition to these principles, Dr. Collier added that countries must also learn from their past mistakes so that, one day, leaders can rise and face inevitable questions: "What happens when we run out? What will our children say?" Dr. Collier used the example of Germany's economic rise out of the dust of the Second World War, to illustrate how success can come from learning from past mistakes. In Africa's case, its future success will come from lessons learned from its history of plunder and poor governance.

## **MAXIMIZING SOCIAL BENEFITS FROM EXTRACTIVE RESOURCE PROJECTS**

Extractive resource development can provide significant economic benefits to the public, but also put pressure on infrastructure, social services and the environment. In this session, symposium delegates explored the role of governments, local communities and industry in maximizing social benefits from extractive resource projects. Which strategies maximize the net benefits of projects? What is the industry's responsibility in delivering these benefits? What are the responsibilities of governments, both local and national, to balance resource extraction with community needs?

Chairing this session was Amy Jarek, Vice-President Corporate Affairs at Talisman Energy Inc. Among the session's three distinguished panellists were: Joseph Amoako-Tuffour, Senior Advisor, African Centre for Economic Transformation; Charles Mclure, Senior Fellow, Hoover Institution, Stanford University; and Ron Morony, Director, Institute for Aboriginal Development, Chairman, Central Australian Affordable Housing Company.

The panellists addressed the perception that extractive resource projects have a negative impact on local communities. While panellists agreed that this can sometimes be the case, they also agreed that appropriate policies can effectively mitigate this risk and can instead provide substantial benefits that local communities might not otherwise have had access to. Indeed, it is often the case that the revenue generated by industry activity leads to an improvement in living conditions for local communities. Instead of discussing best practices, many panellist comments focused on worst-practices, or those that seemed to negatively impact local communities the most. In short, this session explored "what *not* to do" to elucidate how best to maximize social benefits from extractive resource activity.

Extractive resource projects are unique in that industry is often required to go above and beyond the existing rules, regulations, and laws governing a region in order to obtain a 'social licence to operate.' This term most often describes gaining the trust and approval of local communities and other stakeholders to move ahead with projects. To acquire this approval, which is by definition not granted by a designated group or individual, companies might be required to provide direct benefits to local communities. More often than



not, these industry-led initiatives are guided not by overarching policy frameworks laid out by government decision makers, but by other factors. Those who ought to be responsible for providing social benefits to affected communities and local stakeholders are often not at the table when important decisions about the nature and distribution of benefits are made. Without the proper policies in place, industry can find itself with the responsibility of providing public infrastructure such as roads, hospitals, schools, etc. in what panellists often referred to as a ‘public policy vacuum.’

It was in this way that an important principle of maximizing social value from extractive projects was established. In extractive industries, it is critical to create a policy framework that maximizes social benefits and includes industry-led initiatives, but does not rely primarily upon them, for social welfare. Because much extractive resource production occurs in the developing world, where many of those affected by projects are in abject poverty, it becomes critical that governments share in the responsibility of directing and maximizing social benefits for local communities from extractive resource production.

There are many ways governments can accomplish this. Several alternatives discussed during the session included: cash distributions, equity participation, and access to cheaper commodities, such as fuel. Among panellists, there was a consensus that while popular in resource-rich jurisdictions, fuel subsidies are particularly detrimental policies. Like all subsidies, fuel subsidies have a number of distortionary effects on the economy and the poor generally benefit less from fuel subsidies than the wealthy. It is the middle class that benefits the most from these policies, making them an easy policy choice (but the wrong one) for politicians seeking to be elected, or re-elected. Unfortunately, by providing these types of subsidies, governments have fewer resources available to allocate to other social programs, like healthcare or primary education. These types of social programs yield better results overall, but particularly for individuals that are most in need. Given that it can be very difficult to wean the public off fuel subsidies if they are already in place, panellists and symposium delegates agreed that one option might be to compensate the losers of the policy change to avoid social upheaval and political turmoil. It was also noted that transition out of these policies would be easier to accomplish when the price of energy is low.

In addition to discussing policies related to distributing the benefits from extractive industry projects, panellists also discussed ways to involve local communities in projects before they are completed. The major challenge for governments isn’t necessarily knowing what should be done, but rather knowing how to do it. Many of the examples of poor distribution of social benefits stem from weak institutional arrangements whereby certain groups are excluded from decisions that impact their livelihoods. Because many resource-rich jurisdictions face abject poverty, consultation and engagement with all interest groups is absolutely critical. For example, symposium participants discussed ways local community members can become active stakeholders at earlier stages in projects through employment. By creating partners in extractive industry development, both industry and governments can create sustainable ways in which local communities can benefit from increased activity.

## **WORKING WITH LOCAL GOVERNMENTS TOWARDS GREATER ACCOUNTABILITY**

Because extractive resource projects often generate large economic rents, resource rich countries are particularly vulnerable to bribery, mismanagement, and corruption. These jurisdictions are often at special risk of falling into cycles of economic under-performance, perpetuated by lack of trust between local communities and those responsible for managing resource revenue. In this session, panellists were asked to comment on strategies that governments and corporations ought to pursue to encourage greater transparency. What can stakeholders do to enhance governance resource rich countries? Furthermore, how can industry and governments work together to reform poor governance models in favour of greater transparency and accountability?

Chairing this session of the symposium was Michael Small, High Commissioner for Canada to Australia and Papua New Guinea. Among the session’s four distinguished panellists were: Jay Park, QC; Jonas Moberg,

Head International Secretariat, Extractive Industries Transparency Initiative; Armando Zamora, Former Executive Director, National Hydrocarbons Agency of Colombia; and Djadjang Sukarna, Advisor to the Minister of Energy and Mineral Resources For Economic and Financial Affairs, Government of Indonesia.

Throughout this session, there was a lively discussion about the role of institutions in creating accountability in the extractive resource sector. The session began with an overview of the strategies and policy options available to governments given their institutional capacity. Perhaps the most obvious of these strategies was to encourage openness by publishing information regarding extractive industry activity. This includes information about contracts acquired, licences granted, permits obtained, funds received, etc. In many resource rich jurisdictions, access to information can be truly transformational. Throughout this session, panellists and delegates alike were quick to herald the success of organizations that have promoted greater transparency by extractive industries. One such institution with a well-respected reputation for accomplishing this difficult task is the Extractive Industries Transparency Initiative (EITI), a global standard that promotes revenue transparency and accountability in the extractive sector. In the EITI framework, companies publish what they pay and governments publish what they receive. By promoting transparency, EITI fosters trust, which is an important aspect of natural resource management. Furthermore, transparency can help to root out bribery and corruption.

Underlying this discussion was an assumption that transparency is not an end in itself. Indeed, transparency ought to be viewed as a means to achieve accountability in the extractive resource sector.

Democracy was viewed to be a critical component of accountability, in that it provided a means by which decision makers could be held responsible for their actions. Clear rules and equal treatment of all industry stakeholders were also deemed to be principles that foster greater accountability in local governments. In this session, the importance of accountability in resource regimes in Indonesia and Colombia was discussed in great detail. It was stressed that institutional checks and balances must always give the public assurances that their resources are providing benefits for them. While the revenue generated by extractive projects may belong to governments, the benefits must flow to all people in the jurisdiction where projects are undertaken.

As in other sessions, the capacity to manage revenues from extractive resource projects was viewed as a critical challenge for transparency and accountability. Overlapping jurisdictions and poorly defined institutional authority are frequent problems as is the lack of training of individuals responsible for managing public resources in the developing world. Panellists and symposium delegates discussed the importance of education and training in moving towards improved methods of governance. Industry-led training initiatives were presented as important policies to assist in the transfer of knowledge. Without partnership opportunities between industry, local communities, and government, accountability is often an unreachable goal for extractive industries.

## CONCLUSION

The School of Public Policy developed the Extractive Resource Governance Program to provide policy education and analysis in three areas that are critical to the establishment of a sustainable resource economy: fiscal policies, regulatory frameworks and community development. This unique program brings together policy makers, private sector partners and public interest groups to share experiences and expertise that will facilitate the development of sound public policy for extractive resource industries.

How does the Extractive Resource Governance Program contribute to the development of sound public policy for resource-rich economies? By building policy capacity across governments around the world in a variety of ways. Using the themes developed by Dr. Collier concerning the key components of good governance, the Extractive Resource Governance Program seeks to fulfill its mission by fostering policies that support these key areas:

*Rules:* The Extractive Resource Governance Program promotes leading policies and best practices in extractive resource governance through publications, workshops and executive training. Clearly, “best practices” are not a static or fixed set of policies. Indeed, one-size-fits all solutions rarely meet the needs of decision-makers around the world. As the extractive resource sector continues to evolve, there is a need for ongoing research and analysis to develop a body of practical knowledge about how to manage and regulate extractive resource industries in a variety of contexts, around the world.

*Institutions:* The Extractive Resource Governance program builds institutional capacity in resource rich countries so that extractive industries can be used for the betterment of communities. Working with the private sector and public agencies in Canada and around the world, such as the World Bank, the National Energy Board and the Alberta Energy Regulator, the Extractive Resource Governance Program provides targeted programming to develop and strengthen the expertise in fiscal, regulatory and investment policies in resource rich regions.

*Informed citizens:* Through its publication program and also through social media, the Extractive Resource Governance Program informs the general public about important issues in resource management. An informed public will demand that politicians and policy-makers adopt the rules and develop the institutions that will maximize the benefits from extractive resource projects for their societies.

## APPENDIX: BIOGRAPHIES FOR CHAIRPERSONS AND DISTINGUISHED PANELLISTS

### Opening Keynote Addresses

**Dr. Rilwanu Lukman**

Former Secretary General, OPEC and Former Nigerian Minister of Petroleum Resources

**Hon. Joe Oliver**

Minister of Natural Resources, Government of Canada

**Professor Sir Paul Collier**

Director, Centre for the Study of African Economies, Oxford University

**Joseph Amoako-Tuffour**

Senior Advisor, African Centre for Economic Transformation

*Joe Amoako-Tuffour holds a PhD in Economics from the University of Alberta, Canada and a BA and MA in Economics from Simon Fraser University, Canada. He recently joined ACET from St. Francis Xavier University (Canada) where he had taught since 1990. He has also served in different capacities as policy advisor at the Ministry of Finance and Economic Planning (Ghana). In 2001-2003 he served as Senior Economist of the Mini-Consultative Group Secretariat, during which time he played the lead role in developing the framework of the Multi Donor Budget Support in Ghana. In 2006-2007 he co-ordinated the establishment of the Tax Policy Unit in the Ministry of Finance and Economic Planning, and in 2008-2010 led the technical team that formulated Ghana's petroleum revenue management law. A member of the Oxford-based Natural Resource Charter Technical Advisory Group, he has served as resource person in South-Sudan, Uganda, Mozambique and recently in Liberia in the design of petroleum revenue legislation.*

**Peter Cameron**

Executive Director, Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee

*Peter Cameron is Professor of International Energy Law and Director of the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee in Scotland, UK. He is a barrister (England and Wales) and associated with Tanfield Chambers, London. Peter is the author or editor of more than a dozen books and nearly a hundred articles. He is the overall co-ordinator of the online encyclopedia of Good Practice in Oil, Gas and Mining, the Extractive Industries Source Book. A book, based on the EI Source Book project, will be published by the World Bank later in 2013. Peter has more than three decades of expertise in energy and natural resources law. He is a Fellow of the Chartered Institute of Arbitrators, and is regularly asked to act as an Expert Witness in international arbitral proceedings. He has given expert testimony in proceedings before the London Court of International Arbitration, the Arbitration Institute of the Stockholm Chambers of Commerce, and the International Chambers of Commerce in Paris. Peter has held a chair in law at the European University Institute in Florence, and has held visiting posts at the Universities of Oxford, Stanford, and Singapore. He was recently elected to a Fellowship of the Royal Society of Edinburgh.*

**Philip Daniel**

Advisor, Fiscal Affairs, International Monetary Fund

*Philip Daniel is Advisor, Fiscal Affairs Department (FAD), at the International Monetary Fund (IMF), where he co-ordinates FAD's work on extractive industries. Until October 2012, he was Deputy Head, Tax Policy Division in FAD. He has conducted technical assistance projects in all regions of the world on fiscal regimes for resource industries, on resource revenue management, and general tax policy. He is also Co-ordinator for FAD of the IMF's multi-donor Managing Natural Resource Wealth Topical Trust Fund. Before joining the IMF in 2006, Philip advised many governments on commercial negotiations and policies for extractive industries. He is co-editor, with Michael Keen and Charles McPherson, of *The Taxation of Petroleum and Minerals: Principles, Problems and Practice* (Routledge/IMF, 2010), and also a principal author of *Fiscal Regimes for Extractive Industries—Design and Implementation* (IMF, 2012). Philip has been Distinguished Lecturer in Mineral Economics at the Colorado School of Mines (US), and currently serves on the Advisory Board of the Oxford (UK) Centre for the Analysis of Resource Rich Economies.*

**Robert De Biasio**

Vice-President, Tax, Vale Canada Ltd.

*Robert De Biasio has over 27 years of tax experience, both as an advisor for a public accountancy firm and, in the past 15 years, in the mining industry. He deals extensively with Canadian and international income and mining tax matters, including cross border transactions and transfer pricing, cross border financing and repatriation strategies, mergers, acquisitions and restructurings, mining tax regime review and income and mining tax appeals and litigation. Robert is also a member of several fiscal associations, such as the Tax Executive Institute and the International Fiscal Association*

**Darryl Egbert**

Senior Fiscal Regime Consultant, Exxon Mobil

*Darryl Egbert holds a Bachelor of Science degree in Metallurgical Engineering and a Master of Science degree in Mineral Economics – both from the Colorado School of Mines. He joined Exxon Corporation in 1979 – beginning his career in the Minerals division of Exxon USA working on the application of Operations Research to the minerals industry. Following the consolidation of Exxon's global minerals operations, his career shifted towards the economic aspects of the business including industry supply demand analysis, project economic modeling and analysis, and corporate/asset acquisition evaluation. In 1986 he moved to Exxon's Oil and Gas Exploration organization where he was responsible for designing and carrying out a number of special studies related to petroleum exploration economics. A number of commercially related positions in Exxon/ExxonMobil's Exploration and Production divisions helped him to develop a broad and deep understanding of fiscal regimes around the world. In 2007 he was named the Senior Consultant for Global Fiscal Systems for ExxonMobil's Upstream. He has since been involved in designing, evaluating, and negotiating fiscal structures and terms across the globe.*



**Amy Jarek**

Vice-President Corporate Affairs, Talisman Energy Inc.

*Amy Jarek is currently Vice President of Corporate Affairs for Talisman Energy Inc. In this capacity she leads a global function that provides government affairs, stakeholder relations, community relations, corporate responsibility, community involvement, risk assessment and business ethics compliance services to the business. She is a recognized expert in the field of corporate social responsibility and has spearheaded numerous initiatives to help businesses grow more predictably and sustainably in complex operating environments, including Colombia, Indonesia, Iraq, Malaysia, Papua New Guinea, Peru, Poland, Sierra Leone and Vietnam. Using a risk based approach, she develops and executes strategies that effectively address social, political and reputation issues in various countries and cultures. Amy holds an undergraduate degree in Political Science from Wilfrid Laurier University and a Masters of Communications Studies from the University of Calgary. In 2012 she was selected as an International Women's Forum Leadership Program Fellow.*

**Dan McFadyen**

Past Chair and CEO, Energy Resources Conservation Board

*Dan McFadyen is a professional engineer with over three decades of experience in the public service and the energy sector. He is currently serving as a Senior Advisor to the Government of Alberta. Dan served as Chairman and CEO of the Energy Resources Conservation Board (ERCB) from February 1, 2008 until December 2012. As Chairman, he was responsible for directing the ERCB's regulatory mandate governing energy resource development in Alberta. Prior to joining the ERCB, he was appointed Deputy Minister of Energy in January 2006. Over the course of his career, Daniel has served as Vice President, Regulatory Affairs and Public Policy with the Canadian Energy Pipeline Association (CEPA), Deputy Minister of Energy in Nova Scotia, and Senior leadership positions with the Saskatchewan public service, including the Saskatchewan Research Council, Department of Industry and Resources, and Department of Energy and Mines. He received a Bachelor of Science in Mechanical Engineering from the University of Manitoba and is a member of the Association of Engineers, Geologists, and Geophysicists of Alberta*

**Ken McKenzie**

Professor and Program Director, Tax and Economic Growth, The School of Public Policy

*Kenneth J. McKenzie is a Professor in the Department of Economics and The School of Public Policy at the University of Calgary, where he has been since 1992. From 1984 to 1986 he was an economist in the Tax Policy Branch of the federal Department of Finance. His principal area of research is public economics, with an emphasis on taxation and political economy. Ken received the Harry Johnson Prize for the best article in the Canadian Journal of Economics (1996, with Herb Emery) and is a two-time winner of the Douglas Purvis Memorial Prize for a published work of excellence relating to Canadian public policy. He has also acted as an advisor to governments and institutions at the international, federal and provincial levels.*

**Charles McLure**

Senior Fellow, Hoover Institution, Stanford University

*Charles McLure, a specialist in the economics of taxation, is a Senior Fellow (emeritus) at the Hoover Institution at Stanford University. Previously he was Vice President of the National Bureau of Economic Research and Cline Professor of economics at Rice University. As Deputy Assistant Secretary of the Treasury for Tax Analysis, Charles was responsible for developing the Treasury Department's proposals to President Ronald Reagan that underlay the Tax Reform Act of 1986, the most comprehensive reform of the U.S. income tax since its inception in 1917. In that capacity he was also Staff Director of the Worldwide Unitary Taxation Working Group, which Treasury Secretary Don Regan convened at the request of President Reagan. He received the Treasury Department's Exceptional Service Award in 1985 and the National Tax Association's Daniel M. Holland Medal "for distinguished lifetime contributions to the study and practice of public finance" in 2004. Charles has served as a consultant to various agencies of the U.S. government and as an advisor to the World Bank, the United Nations, the International Monetary Fund, the InterAmerican Development Bank, and many developing countries and countries in transition from socialism, most notably Bolivia, Colombia, and Kazakhstan. His recent research has focused on alternative international trade regimes for pricing carbon.*

**Jack Mintz**

Director and Palmer Chair, The School of Public Policy

*Jack Mintz was appointed the Palmer Chair in Public Policy at the University of Calgary in January 2008. He serves as an Associate Editor of International Tax and Public Finance and the Canadian Tax Journal, and is a research fellow of CESifo, Munich, Germany, and the Centre for Business Taxation Institute, Oxford University. Jack serves on several boards including Imperial Oil Limited, Morneau Shepell and the Social Sciences and Humanities Research Council of Canada. In 2002, his book, Most Favored Nation: A Framework for Smart Economic Policy, was winner of the Purvis Prize for best book in economic policy and runner-up for Donner Prize for best book in public policy. A recognized expert in public economics, Jack has consulted widely with the World Bank, the International Monetary Fund, the Organization for Economic Co-operation and Development, the federal government and provincial governments across Canada.*

**Jonas Moberg**

Head International Secretariat, Extractive Industries Transparency Initiative

*Before joining the EITI, Jonas was a Senior Advisor to the UN Global Compact. Prior to that, he was Director Corporate Policy and Practice at the Prince of Wales International Business Leaders Forum, London, which he joined 2002. At IBLF, he oversaw the Forum's programs 'Business and Human Right Conflict' and 'Business and Corruption'. During 1996-2003 Jonas worked for the Swedish Ministry for Foreign Affairs. During this tenure he worked at the Foreign Ministry in Stockholm and was posted to Mozambique and the United Kingdom. Jonas holds Masters Degrees in Law from the University of Stockholm and the London School of Economics. During 1992-2006 he was the vice chairman of the Swedish National Committee for United World Colleges.*

**Ron Morony**

Director, Institute for Aboriginal Development, Chairman, Central Australian Affordable Housing Company

*Ron Morony is an Australian Aboriginal person from Alice Springs, Central Australia and a part of the Antulye Native Title Clan group. His language group are the Arrernte people. Following a career of more than 34 years in the Public sector he retired in 2010 to run his own business, based in Canberra. He was appointed in late 2010 as Chairman of the Northern Territory's Indigenous Economic Development Task Force. He is also a Director of the Antulye Aboriginal Corporation, Chairman of the Central Australian Affordable Housing Company and a Director of Voyages, a company which owns and operates the resorts and facilities at Uluru. In March 2012 he was appointed to the Board of the Alice Springs based Institute for Aboriginal Development. He spent 13 years as General Manager of Indigenous Business Australia, is a Fellow of the Australian Institute of Management (FAIM) and a graduate of the Australian Institute of Company Directors (GAICD). He was awarded the Public Service Medal in 2004 in recognition of excellence in promoting and developing strategies aimed at creating an economic framework for Indigenous Australians*

**Ted Morton**

Executive in Residence, The School of Public Policy, Former Minister of Energy, Finance and Sustainable Resource Development, Government of Alberta

*Ted Morton is currently an Executive Fellow at The School of Public Policy at the University of Calgary. He recently served as Minister of Energy for the Government of Alberta (2011-2012). Prior to that, he was the Minister of Finance (2010) and Minister of Sustainable Resources Development (2006-2009). In 2001, he was the Director of Policy and Research for the Office of the Official Opposition in the Canadian House of Commons. Ted is known for his expertise in the energy-environment interface in Western Canada and federal-provincial relations. He holds a BA degree (Phi Beta Kappa) from Colorado College and MA and PhD degrees from the University of Toronto.*

**Rolando Ossowski**

Former Assistant Director of Fiscal Affairs, International Monetary Fund

*Rolando Ossowski is an economic consultant and researcher. He is a former staff member of the IMF, where he held a number of positions including Assistant Director in the Fiscal Affairs Department. He holds a PhD in Economics from the London School of Economics. His major interests are macroeconomics, public finance, and fiscal management issues in resource-rich countries. He is author or joint author of research papers, chapters for books and IMF Occasional Papers, and he co-edited the book *Fiscal Policy Formulation and Implementation in Oil-Producing Countries* published by the IMF.*

**Jay Park**

QC

*Jay Park QC is an international oil & gas lawyer based in Calgary. In over thirty years of practice, Jay has advised on oil & gas transactions in forty-five countries on five continents. Jay has experience representing both investors and states; he has assisted governments and state oil companies in the design or amendment of petroleum regimes in twenty countries, whose total resources comprise 49% of world oil reserves and 33% of world gas reserves. Jay is actively involved in legal education and training, and teaches the "International Petroleum Transactions" course at the Faculty of Law of the University of Calgary.*

**Darrel Reid**

Executive Fellow, The School of Public Policy

*Darrel Reid is General Manager, Social Performance with Shell Upstream Americas. His department implements Shell's Non-Technical Risk (NTR) strategies in North, Central and South America, including Community Relations, Social Investment and stakeholder relations, consultations, and capacity building with Canada's First Nations. Prior to joining Shell he served in senior staff roles for Canada's federal government, including Deputy Chief of Staff to Prime Minister Stephen Harper, where he oversaw stakeholder relations with Canada's First Nations. Other roles included Chief of Staff to Ministers Ambrose (Environment) and Kenney (Citizenship and Immigration); and Special Advisor (science and technology) to the Minister of Industry, Hon. Maxime Bernier. He holds the degrees of MA (Toronto), MLS (Toronto) and PhD (Queen's), and is an Executive Fellow at The School of Public Policy, University of Calgary.*

**Michael Small**

High Commissioner for Canada to Australia and Papua New Guinea

*Michael Small is High Commissioner for Canada to Australia with concurrent accreditation to the Federated States of Micronesia, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands and Vanuatu. He began his current assignment upon arrival in Canberra in September 2010. Michael joined the Canadian foreign service in 1981. He has had postings in Malaysia, Brazil, Costa Rica, and Mexico. He served as Canadian Ambassador to Cuba from October 2000 until August 2003. At headquarters in Ottawa at the Department of Foreign Affairs and International Trade, Michael Small served from 1990-1992 as the Co-ordinator for the Canadian delegation to the Rio Earth Summit and from 1996-2000 as Director of the Peacebuilding and Human Security Division. In September 2004, he was appointed Senior Co-ordinator, Federal, Provincial, Territorial Relations and then headed a special project team responsible for the transformation of the structure of Foreign Affairs. In July 2005, he became the Director-General for Human Security and Human Rights. In July 2006, he was appointed Assistant Deputy Minister, Global Issues. In that capacity, he served as Commonwealth Senior Official for the 2007 CHOGM and Canada's Foreign Affairs sous-sherpa for the 2007 and 2008 G8 Summits. From April 2008 until June 2010 he was Assistant Deputy Minister, Human Resources, Department of Foreign Affairs and served as a member of DFAIT's Executive Council. Michael earned an AB in Politics from Princeton University in 1978, a MA in Political Science from the University of Toronto in 1980 and a MPhil in Social Anthropology from Cambridge University in 1981. From 2003-2004 he was a Fellow at the Weatherhead Center for International Affairs at Harvard University.*

**Djadjang Sukarna**

Advisor to the Minister of Energy and Mineral Resources For Economic and Financial Affairs, Government of Indonesia

*Djadjang Sukarna is an Advisor to the Minister of Energy and Mineral Resources for Economic and Financial Affairs. Prior to this position, he was the Secretary of the Directorate General for New and Renewable Energy and Energy Conservation, Ministry of Energy and Mineral Resources, in the Republic of Indonesia. He started his career as a Geological Expert on cartography. In 2004, he was assigned as Director of Geological Research and Development Center within the Ministry of Energy and Mineral Resources. Two years later, he became the Director of the Geological Survey Center. He then worked as Secretary of the Geological Agency for three years and as Head of Planning and Cooperation Bureau. He has a Bachelor in Geology from University of Padjadjaran, Bandung, Indonesia, a PhD in Economic Geology from the Rijk Universiteit in Ghent, Belgium, and Post Doctorate Research at CSIRO.*

**Lorne Taylor**

Alberta Watersmart, Former Chair, Alberta Water Research Institute, Former Minister of the Environment, Government of Alberta

*Lorne Taylor is a consultant and businessman based in Medicine Hat in southeastern Alberta, and was the founding Chair of the Alberta Water Research Institute. He is currently the Special Advisor to Alberta WaterSMART. He was also a member of the Premier's Council on Economic Strategy. He received a Bachelor of Education, Master of Education and a Doctor of Philosophy from the University of Calgary. Lorne entered politics in 1993 by being elected to the Legislative Assembly of Alberta for the riding of Cypress Medicine Hat. From 1993 to 2004, he served as Alberta's Minister of Science, Research and Information Technology, Minister of Innovation and Science, and Minister of the Environment. While in government, he was instrumental in the creation of the Alberta Ingenuity Fund, Alberta SuperNet, and the Water for Life Strategy, which remains the government's water strategy to this day.*

**Dan Witt**

President, International Tax and Investment Center

*Daniel A. Witt is president of the International Tax and Investment Center (ITIC), which he helped found in September 1993. Since 1991, Daniel has led over thirty delegations to Russia, Kazakhstan, Azerbaijan, Vietnam, Ukraine and Libya to hold meetings with senior finance, taxation, customs, and Parliamentary officials. He also organized the Iraq Tax Reform Project that supports the Ministry of Finance and Ministry of Oil reform initiatives. He has extensive experience working on tax reform projects in Africa. Since 1999 he has overseen all ITIC tax projects in over ten African countries, and managed the first African Tax Forum in 2003. Through these programs he has close working relationships with senior ministry of finance officials and the African Tax institute, the SADC, and African Tax Administrators Forum. Prior to assuming the duties as president of the Center, Mr. Witt was executive director of the Tax Foundation, the oldest tax and budget research organization in the United States, and was vice president and director of membership with Citizens for a Sound Economy. He also served as a consultant to President Reagan's Commission on Privatization. He received a BBA (magna cum laude) in public administration and an MBA in finance from Western Michigan University. In June 1999 he was elected an Honorary Professor of Economics of the Kazakh State Academy of Management.*

**Armando Zamora**

Former Executive Director, National Hydrocarbons Agency Colombia

*Armando Zamora is the former Director General of the National Hydrocarbons Agency of Colombia (ANH) where he held office since its creation in 2003 by the government of President Alvaro Uribe, until October 2011. He holds a BSc degree in engineering from Los Andes University in Bogotá; an MSc and a doctoral degree (Nuc Eng) from the Massachusetts Institute of Technology; and an MBA from the IMD business school in Lausanne, Switzerland. Before his tenure at the ANH, Armando was a director of ILEX Energy Consulting, a specialist consultancy in Oxford, England; the Deputy Director of the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee in Scotland, where he is an honorary member of the Global Faculty; and an international management consultant with the Boston Consulting Group in London and Madrid. Early on, in Colombia, he held various government-related posts in the former State coal enterprise, Carbocol – now El Cerrejón; the former Institute of Nuclear Affairs; and the former Coinvertir, the national corporation for the promotion of foreign investment.*



## About the Author

**Shantel Jordison** manages The School of Public Policy's Extractive Resource Governance Program and oversees all aspects of program delivery including outreach, research and executive programming activities. Her area of research expertise focuses on governance-related determinants of foreign direct investment in Latin America's extractive sector. Previously Shantel worked at the Washington-based Council on Hemispheric Affairs, where she published in the area of Canada/U.S./Latin America energy relations as a Research Associate, and later - Research Fellow. Shantel holds a BA International Relations (with distinction) and a Master's degree in Public Policy.

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