Pipelines or Pipedreams? Municipal Reactions to the Enbridge Northern Gateway Pipeline in British Columbia

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Introduction

The on-going dispute between Alberta and British Columbia over the development and transportation of energy resources from the Alberta Oil Sands to British Columbia’s Pacific coast through the proposed Enbridge Northern Gateway Pipeline reminds us of the important role that hydro-carbons have played in shaping the political evolution of Canada. But whereas the monumental political battles over the National Energy Program in the 1980s were largely fought between the federal and provincial governments, the current dispute is very much inter-provincial in nature, pitting energy rich Alberta against British Columbia, the natural and most convenient outlet for exporting Alberta’s oil and gas to continental and international markets.

The focus of analysis in terms of the politics of resource development, in Canada and in other resource-producing countries, is often at the federal and provincial levels of government. By contrast, very little attention is paid to the question of how municipal governments in communities that are directly affected by resource extraction and the transportation of those resources to markets view such developments. In light of this observation, the purpose of this paper is to examine the debate about the proposed Enbridge Northern Gateway Pipeline (ENGP) through the lens of municipal government. In particular, it will focus on communities in northern British Columbia that are located along the pipeline route and their perceptions about this controversial project.

In Canada, municipal governments are described as being “creatures of the provinces” meaning that their ability to act is constrained and controlled by provincial legislation. One of the consequences of this relationship is that they have very little political or fiscal autonomy in relation to provincial governments. In remote, northern regions such as northern British Columbia, resource development can bring benefits in the form of employment and limited tax revenues (direct and indirect). The reality, however, is that most of the resource rents are

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siphoned out of the region, while the communities have little control over how these projects evolve and are often saddled with the environmental risks of developing and transporting the resources.

The overall response to the idea of pipeline development among municipalities across northern British Columbia has been mixed. Communities in the north face a very difficult set of decisions when it comes to new resource development projects. On the one hand, they are anxious, and in many cases desperate to foster new economic development. At the same time, such developments often reinforce the existing resource-based economy and thus leave the region vulnerable to the booms and busts that are often associated with such an economy. Moreover, new projects are often presented as the “solution” to the region’s economic woes. When these projects do not bear the expected fruit, they contribute to then general malaise that the region feels about its future. In light of these circumstances, one of the assertions that this paper will make is that the Enbridge Northern gateway Pipeline project may, once again, draw the region to lure of rhetoric about the transformational nature of a large infrastructure project without the concomitant assurance that the region will receive tangible and sustainable benefits from this development.3

The first part of the paper will situate the Enbridge Northern Gateway Pipeline within a broader context of economic transition, not only in northern British Columbia and western Canada, but also in terms of the global economy and the Asia Pacific region. Part two will examine the regional, provincial and inter-provincial dynamics that are influencing the proposed pipeline project. The third part of the paper will explore local reactions to the pipeline in northern British Columbia. These include the reactions of First Nations communities and municipal governments. The last section will chart some directions for future research on this issue and provide some general conclusions to date about the prospects for development. An important caveat with regards to this issue is the fact that, at this point in time, the pipeline is just an idea on paper. In many respects, therefore, the paper really just provides a snapshot of the debate at this point in time, as well as some thoughts about how it might develop in the future.

**The Economic Transformation of Northern British Columbia**

The Enbridge Northern Gateway Pipeline (ENGP) is the latest phase in the development of the Asia Pacific Gateway and Corridor (APGC). The purpose of the APGC is to connect Canada with emerging and growing markets in Asia. The development of the northern spur of the APGC began in the mid-2000s with the building of container port in Prince Rupert (Wilson and Summerville, 2008). At the time of the port opening it was observed that the “much of the

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3 This paper is timely because of the BC Liberals unexpected victory in the recent provincial election. A few weeks before writing this paper it appeared that the issue of pipeline development may be moot as the NDP seemed uninterested in pursuing its development. With a majority government and a waning economy, the BC Liberals are more likely to pursue Enbridge despite their cautious pre-election promises.
discussion around the port development in Prince Rupert has focused on the positive impacts that [a] container port will have on the regional economy” (Wilson and Summerville, 2008). The port was meant to be a piece of “transformational infrastructure” that would create numerous opportunities for economic diversification in northern British Columbia” (Wilson and Summerville, 2008)

At that time, such “boosterism” came under close scrutiny as it was unclear what the longer term, direct impacts of the port would be on the local economies of small northern communities. Five years after the port was opened, such skepticism seems to be warranted as it seems that the port development did not bring about a diversification and a transformation of the economy of northern British Columbia. Indeed, interviews with municipal officials responsible for economic development, as well as small business owners have revealed a certain degree of disappointment with the port’s immediate impact on the north.

While the container port was designed to facilitate two-way traffic along the Asia-Pacific corridor (with manufactured products destined for markets in the Northern American heartland going one way and raw resources such as lumber and minerals going the other way), the ENGP is designed specifically to facilitate the one-way flow of resources (bitumen) mainly from the Alberta oil sands to export terminals on the Pacific coast. The resources will then be transported by tanker to Asia. Like the container port development, it too has also been promoted as a transformative piece of infrastructure that will bring benefits to small communities along the pipeline route.

An important component of the ENGP is the inter-provincial struggle between Alberta and British Columbia over the benefits of resource development. Despite its enormous resource wealth and its constitutional good fortune, the reality facing Alberta is that it is land-locked province and it needs the cooperation of other provinces (British Columbia in the case of the ENGP) to transport its resources to markets. This is not a new reality for Alberta. In fact, as John Young (2008) points out in his article “Alberta’s Port? Networked Federalism and the Port Development in Prince Rupert”, Alberta has a long history of developing transportation infrastructure in British Columbia and was instrumental in supporting the Prince Rupert container port development. In its drive to become the new überprovince of Canada,

Alberta’s economic clout has translated again into infrastructure development outside the province, part of Alberta’s drang nach Westen. Edmonton’s mayor suggested such a link, resurrecting the old moniker of Alberta’s port. “The new port will bring two continents closer together and open up all kinds of new markets. Some people are already calling it the Port of Alberta (Young, 2008).

Despite the recent rhetorical sparring between British Columbia Premier Christy Clark and Alberta Premier Alison Redford over the ENGP, Alberta and British Columbia have long-standing inter-provincial connections that have grown stronger in the 2000s as a result of ideological rapprochement at the provincial level. One example of inter-provincial collaboration
is the Trade, Investment, and Labour Mobility Agreement (TILMA) which came into effect in July 2010. The ENGP, however, has raised a whole new series of issues for inter-provincial relations. These issues, among many others, are at the heart of the debate about the development of the pipeline.

**Pipeline Politics: The Economy or the Environment?**

Unlike the Prince Rupert Port Development, which was largely benign in terms of negative impacts on the region, the ENGP carries much greater risks, especially in terms of environmental degradation. This is true not only for northern British Columbia, whose pristine environment could be threatened by the types of pipeline ruptures that have occurred with Enbridge pipelines in other parts of North America, but also for Alberta. In addition to these more localized consequences, environmentalists also argue that the ENGP facilitates the development of the Alberta Oil Sands, a major source of continental and even global pollution.

The ENGP promises to bring benefits in the form of employment, and goods and services to northern British Columbia. Promises of short term construction jobs as well as lucrative resource rents are the current lure in the north. On its website Enbridge specifically and separately outlines the benefits to British Columbians, Albertans, First Nations and all Canadians. According to Enbridge, British Columbia’s share of goods and services during the construction phase alone could top $830 million and the overall potential tax revenue is estimated at $1.2 billion (Enbridge Northern Gateway Pipelines).

Although the development of a pipeline will bring much-needed construction jobs to a region that has been impacted recently by instability in the forestry sector, research on mega-projects in British Columbia has shown that “long-term benefits of public megaprojects, like B.C. Hydro's Site C Dam, are frequently overestimated during the planning phase” (Williams, 2012a: 17). Employment, however, may not be the central attraction of developing the pipeline. Clearly the resource rents are the most attractive part of the deal and they will certainly be lucrative. The question is: “For whom?”

In recent years, Northerners have criticized the provincial government and corporations for redirecting resource rents away from northern communities where the resources are exploited or transported. Prior to 2001, successive governments (on both the left and right od eh ideological spectrum) in British Columbia were actually strong supporters of the social contract between northern and southern BC. While communities in the north have always maintained that they were not getting a fair share of the resource rents, policies such as appurtenancy guaranteed that resources would be used to support development in the regions where the resources were extracted. This policy ended in the early 2000s, as the decidedly neo-liberal BC Liberals under Gordon Campbell abandoned this vestige of Keynesian economic policy (Young and Matthews, 2007).
One of the concerns with the ENGP is that the resource rents British Columbia could receive in exchange for allowing the resources to cross its territory are likely to go to the provincial government rather than returning directly to the communities most impacted by the pipeline (Fedorkiw, 2013). Municipalities are able to tax pipelines that pass through their boundaries by using a process of linear assessment. This could represent a significant additional revenue stream for municipalities along the pipeline route. However, recent statements by the provincial government suggest that other revenues may be captured in return for allowing the pipeline to pass through British Columbia. Indeed:

[t]he fight between the premiers of B.C. and Alberta over how to divide the revenues from Enbridge's proposed Northern Gateway pipeline is quickly heating — even before the $5.5 billion project has approval to go ahead. B.C. Premier Christy Clark told CBC Radio on Tuesday morning that the province will only approve the project if it gets its fair share of the revenue from the proposed crude oil pipeline, in order to compensate the province for taking on the majority of the environmental risk (CBC News, 2012).

Clark added: "Alberta's interests in this are pretty obvious. Alberta gets the large bulk of the benefits, takes very little of the risk. B.C. takes most of the risk and we get very few of the benefits. So I think it's pretty obvious that we have some talking to do here" (CBC News, 2012). In the north, however, there is some concern that such revenues will disappear into provincial coffers with little or no tangible benefit for the north.

Prior to the recent provincial election, it seemed the future of the ENGP was in doubt. The provincial New Democratic Party, which was expected to win the election comfortably, was against the pipeline development, while the BC Liberals under Christy Clark had set a very high threshold for approval. The pre-election war of words between Christy Clark and Alison Redford was interesting because Clark tried to walk a fine line between the pro-growth right wing and the environmental left. This strategy bought some time for the BC Liberals who did not have to commit to a position until after the process was complete which, of course, would not come until after the election. Clark was also careful to outline the need for: “world-leading marine oil-spill prevention and response systems to protect our coastlines and ocean; enhancement of our on-land spill response to world-leading standards; and, legal requirements regarding aboriginal and treaty rights must be addressed and First Nations must be provided with opportunities to benefit from these projects” (Clark, 2012).

One could argue that these requirements were set out to allay fears that the Liberal government would pursue pipeline development at any cost. The final criterion that Clark set out challenged long-standing principles of Canadian federalism which include provincial entrenchment about the sharing of resource rents. As noted above, Clark insisted that because BC would take all of the environmental risk, BC deserved a fair share of the resource rents. This demand put her and Redford at loggerheads at a First Ministers meeting in which they were to determine a Canadian
Energy strategy. Redford was adamant at the time that she would not negotiate with Clark because this would “undermine federalism” but Redford said this at a time when most people believed that Clark was on her way out. Now, just a few weeks after the election it appears that Alberta’s view may have softened on the “fair share” criterion (O’Donnell and Kleiss, 2013).

In the wake of the provincial election, the Clark government has come out against the pipeline, arguing “that the evidence Northern Gateway supplied to date has been inadequate and in some cases possibly inaccurate…Enbridge has not demonstrated an ability to learn from its mistakes in order to avoid spills’ (James, 2013). Ultimately, the decision on the ENGP rests with the federally appointed Joint Review Panel. But the failure to secure provincial backing appears to be a significant set-back for the project as the Joint Review Panel’s public deliberations come to a close.

Local Reactions to the ENGP

While it is important to understand and appreciate the broader provincial and even national context in which the ENGP debate is taking shape, the primary purpose of this paper is to explore local reactions to the pipeline. Northern British Columbia contains a variety of local governance bodies, and the structure of local government in British Columbia is somewhat unique. First, the province is divided into regional districts which contain both incorporated municipalities and unincorporated areas. Regional districts are governed by elected officials from all the municipalities and areas within their boundaries and are responsible for providing designated services (Bish and Clemens, 2008). Since the ENGP will likely travel through unincorporated areas within regional districts, the regional districts will be the main beneficiaries of pipeline taxes through linear assessment.

In addition to incorporated municipalities and the surrounding regional districts, northern British Columbia also contains a number of First Nations Communities. One distinct feature of First Nations in British Columbia that differentiates them from First Nations in many other parts of Canada is the fact that most have not signed treaties with the Crown. Indeed, on-going treaty negotiations have complicated the debate over the ENGP because the land on which the pipeline is supposed to be built is disputed.

There is a tendency in the media to portray First Nations in British Columbia as being singularly opposed to the ENGP. While it is true that many First Nations communities have rejected the ENGP, a minority have come out in support of the pipeline. Internally, many communities are divided and there are examples of elected band councils and hereditary chiefs expressing very different views on the question of resource development generally and the ENGP more specifically. These differences of opinion on this contentious project further reinforce the point that the First Nations are not a homogeneous community or group of people. In general First Nations communities are not opposed to development, but they just want resource development
projects to be carried in an environmentally sustainable manner and for their communities to benefit in terms of employment and revenue.

Unemployment rates in First Nations communities are generally higher than average and, thus, decisions about resource development are not as straightforward as the media would have us believe. For example, in the early stages of discussion about the pipeline, the Gitxsan Hereditary Chiefs agreed to a deal between Enbridge and their community. Increasing pressure from other local First Nations communities, however, led to a withdrawal of support in January 2012 (Orr, 2011; Gitxsan Chiefs Abandon Enbridge Deal, 2012). At the time of the agreement, one Chief said: “We are very mindful of the economic situation we have in our area… We make a point of trying to bring investors into the … area so this is one way [sic] telling people in the investment community that we are friendly to business” (Orr, 2011). Many First Nations communities must negotiate the line between jobs and economic benefits and their traditional environmental and land use concerns.

The same set of issues face other communities across the north. Northerners are concerned about the potential environmental consequences of pipeline development, but also recognize the economic benefits of such development, whether it is in the form of short term jobs or long term revenues from linear assessment taxation. And, like First Nations communities, many municipal councils have made clear expressions of support or opposition to the pipeline. Such expressions are merely symbolic in nature, because the ultimate decision about the ENGP lies elsewhere, but they do give a sense of the local perspectives on the pipeline. The municipal council in the City of Terrace (population: 12,044 (BC Stats, 2011), which could be a service hub for the proposed pipeline terminus in Kitimat (population: 9,098 (BC Stats, 2011), voted against the ENGP in February 2012 (Meissner, 2012a). According to one report, “Terrace councilors [voted against] the pipeline, saying that the project may be good for Ottawa and Alberta, but leaves Terrace, Kitimat and the surrounding communities with few benefits and most of the environmental risk” (Meissner, 2012a). Two weeks after the Terrace vote, the communities of Prince Rupert and Smithers (population: 5,304 (BC Stats, 2011), also voted against the ENGP (McFarlane, 2012). At about the same time, the Queen Charlotte Regional District (population: 19,485 (BC Stats, 2011) on Haida Gwaii also voted to ban tankers (McFarlane, 2012).

Other municipal councils, such as Kitimat, Prince George (population: 75,800 (BC Stats, 2011) and Burns Lake (population: 2,100 (BC Stats, 2011) have remained neutral on this issue, preferring to wait for the outcome of the federal joint-review panel (Williams, 2012b). As regional hubs, Kitimat and Prince George have the most to gain from the ENGP. Kitimat would be the likely terminus for the pipeline, so it would benefit from employment associated with the transfer of the resources onto to tankers. Prince George, the self-styled “capital” of northern British Columbia, is a service hub for the region and would likely benefit from employment associated with servicing and monitoring the pipeline. The pipeline would not pass through the municipality of Prince George, but it would touch the Regional District of Fraser-Fort George,
which the City of Prince George belongs. As such, the city may benefit indirectly from pipeline taxation revenues collected by the regional district.

The Village of Burns Lake (population: 2,100 (BC Stats, 2011) is an interesting case study that deserves more focus because of the complicated demographic nature. Burns Lake is located in the Regional District of Bulkley-Nechako, about 222 km west of Prince George. Surrounding First Nations communities include the Wet’suwet’en First Nation, the Lake Babine Nation, the Cheslatta Carrier Nation, and the Burns Lake Indian Band (Ts’il Kaz Koh First Nation). The community was recently devastated by a fire that destroyed a local sawmill, one of the village’s main employers. At that time, Chief Al Gerow of the Burns Lake Indian Band said he was willing to put the question of supporting the ENGP to a community vote because “when you are that low in economics, you take a second look” (CBC Daybreak North, 2012; also see Meissner, 2012). But “[n]eighbouring Chief Wilf Adam of the Lake Babine First Nation said his band worked with Enbridge in the past, but now rejects the project on the grounds that an environmentally damaging spill is inevitable” (Meissner, 2012b). In March 2013, internal divisions within the Burns Lake Indian Band on the question of the ENGP emerged as opponents of the pipeline accused Chief Gerow and other band councilors of failing to consult band members before they signed a deal with Enbridge (Peebles, 2013).

Like Prince George, the pipeline has the potential to bring revenue to the Regional District in which the Village of Burns Lake is situated:

The Enbridge Pipeline would see an annual property tax amount of more than $1.3 million fill the Regional District of Bulkley Nechako (RDBN) coffers… As to whether any municipalities would receive a portion of the funding if the pipeline goes ahead… it is too soon to comment… The taxes would be paid directly to the RDBN and up to the discretion of the board as to how the funds are used. The taxes that would potentially be received by the Stuart Nechako Regional Hospital District would benefit hospitals in Burns Lake, Vanderhoof and Fort St. James… (Billard, 2011).

This very brief overview of some local reactions to the ENGP suggests that the debate over the pipeline is much more complicated and nuanced than we are led to believe in some parts of the media. Local and First Nations governments across northern British Columbia remain divided on this issue. While many have come out in opposition to the pipeline, a number have remained neutral, preferring to reserve judgment until the Joint Review Panel tables its decision. No doubt the debate would become even murkier if we dug deeper and further explored the divisions within each community. While there have been a number of protests against the pipeline project, especially when the Joint Review Panel has held hearings in specific communities (James, 2012), there is also some support for the project in the local media (Sands, 2013) and within the public at large.
Conclusions and Future Research Directions

While the future of the Enbridge Northern Gateway Pipeline has yet to be resolved, the debate and the controversy that it has generated has become part of the political fabric of northern British Columbia. As the north seeks to diversify, both economically (in terms of its industrial base) and geographically (in terms of markets for its raw materials), it is also confronted with a number of other challenges. Not least among these is the shifting political context arising from on-going treaty and self-government negotiations between First Nations and the provincial and federal governments. Northern communities in general are demanding a great share of the resource wealth that is generated in the region, as well as guarantees that resource development will be carried out in an environmentally sustainable manner. The debate over the Enbridge Northern Gateway Pipeline is at the heart of these issues and, as such, provides a fascinating lens through which to view the political, economic and social context which faces northern British Columbia at the start of the 21st century.

In addition to examining community reactions to the pipeline in great depth, another possible avenue of enquiry has to do with issue of taxation and revenue-sharing. As we noted earlier, the BC provincial government has demanded a greater share revenues from Alberta as a condition for supporting the pipeline. The question is where would those revenues go if they were obtained by the provincial government? The more cynical inhabitants of northern British Columbia would say that they will end up in Victoria to fund development projects in the more-populated southern regions of the province. The north, in turn, would be left with the environmental risks associated with the pipeline.

In terms of direct benefits from the pipeline, the north might have to be content with the short-terms jobs that are created around pipeline construction, the fewer longer terms jobs that will be associated with pipeline maintenance and, most importantly, taxation revenues from linear assessment where the pipeline passes through a municipality or a regional district. The issue of linear assessment is worth exploring for two reasons. First, it represents a permanent (at least for the life of the pipeline) source of income for communities that are directly affected by pipeline development. It will be interesting to see, for example, how such revenues are shared between a regional district (which might collect the tax) and the larger municipalities in the regional district (which are located in the regional district but whose municipal boundaries fall outside the pipeline route). This could set the stage for some contentious debates at the local level.

Another interesting issue regarding linear assessment relates to the differences between provinces in terms of how such taxes are collected. Very briefly, in British Columbia, municipal taxation is regulated by an arms-length, province-wide agency called BC Assessment. In Alberta, however, the system is much more complicated, incorporating elements of both public and private assessment. In an interview last year with CBC, Alberta Premier Alison Redford suggested that the differences between the Alberta and British Columbia linear assessment and
taxation systems might explain why Alberta municipalities have been more supportive of the ENGP than their British Columbia counterparts:

…one of the things that we find in Alberta is municipal governments are able to collect a great deal of revenue from something we call linear assessment which is simply the pipeline that’s moving through the municipality and the taxation to the company that’s operating the pipeline. One of the things we’ve observed is that we don’t think that any of the assessment that’s been done with respect to economic benefit in BC has fully and, in some cases at all, taken into account what the income would be as a result of linear assessment (CBC, 2012b).

The structures that govern linear assessment and municipal taxation of pipelines in Alberta and British Columbia would be worth exploring as a means of identifying the institutional factors that explain differences between the two provinces on this issue. One could also examine the differences in political culture between the two provinces that might shed some light on the reasons why two very different systems of linear assessment emerged in the first place.

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