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TOWARDS COEXISTENCE OF OIL AND GAS INDUSTRY WITH INDIGENOUS COMMUNITIES IN THE RUSSIAN ARCTIC

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The Arctic Council anticipates the further expansion of extractive industries in the Arctic, and attempts to ensure that the fragile ecosystems and rights of indigenous populations are protected by strong environmental and social standards applied to oil and gas exploration.

However, in practice, Arctic indigenous communities do not necessarily benefit from oil and gas extraction as it threatens their traditional livelihoods of hunting, fishing and reindeer herding. Most transnational corporations (TNCs) in the Arctic oil and gas sector have declared their commitment to different forms of benefit-sharing, but their local implementation is highly variable.

This paper answers the following research question: How can the interests of extracting industries and indigenous communities be balanced through the implementation of the benefit-sharing standards on the ground?

The paper is focusing on Russia, which is the site of rapid expansion in the oil and gas sector and home to many previously isolated indigenous communities. It explains the institutionalization of benefit-sharing practices in different regions of Russia through an analysis of the governance of oil production networks (Bridge 2008, Coe 2011).

A multi-cited case study approach has been adopted to examine what are the governance modes and how they affect the local implementation of benefit-sharing standards in indigenous communities in the Russian Arctic. Qualitative research methodologies (participant observations and semi-structured interviews) have been used in three sites (i.e. Sakhalin Island, Khanti-Mansi Okrug, Nenets Autonomous Okrug).

In this paper we identify three modes of governance, which result in different mechanisms of benefit-sharing practices:

- 1. Partnership mode:** Tripartite partnership agreements between the state, the company and indigenous people were observed in Sakhalin Island (Sakhalin Energy and Exxon). The partnership mode fostered development, empowerment, self-sufficiency and participatory decision-making in indigenous communities. However, partial loss of traditional culture was observed in indigenous communities.
- 2. Corporate Social Responsibility (CSR) mode:** The CSR mode results mostly in compensation for damage for local communities and limited engagement with indigenous people. It was observed in Eastern Siberia and Khanti-Mansi Okrug (Irkutsk Oil Company, Surgutneftegaz). It had minimal impact on the wellbeing of local communities.
- 3. Paternalistic mode:** The state is dominant in this mode and companies' benefit-sharing practices are driven by the state. It was observed in Nenets Autonomous Okrug (Lykoi-Komi). The company adds to, or substitutes for, the state's efforts to provide in-kind support to local communities and indigenous people. It resulted in the dependency of the indigenous people on the oil companies.

The key lesson learned in the study is that the mode of governance depends on local contexts, including historical accounts of oil production and relationships between the oil company, national and regional governments. Each of the mode brings both benefits and unintended consequences for local communities and can be improved.

References

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