

March 2017

Case studies of northern indigenous people and extractive industry

Nenets Autonomous Okrug (NAO)

Location

The Nenets Autonomous Okrug (NAO) is an administrative unit of the Russian Federation in the European northwest of Russia between Arkhangelsk and the Ural mountains, mostly above the Arctic Circle. In a territory of 176,700 square kilometres, almost entirely north of the Arctic Circle, around 48,000 people are permanent residents, half of whom live in the regional capital Naryan-Mar. At least another 10,000 are estimated to come in shifts from more southern areas to work in oil extraction. Thus, the actual population of the region is much higher — a fact that is often neglected when relying on official statistics that count only registered residents.

Indigenous peoples

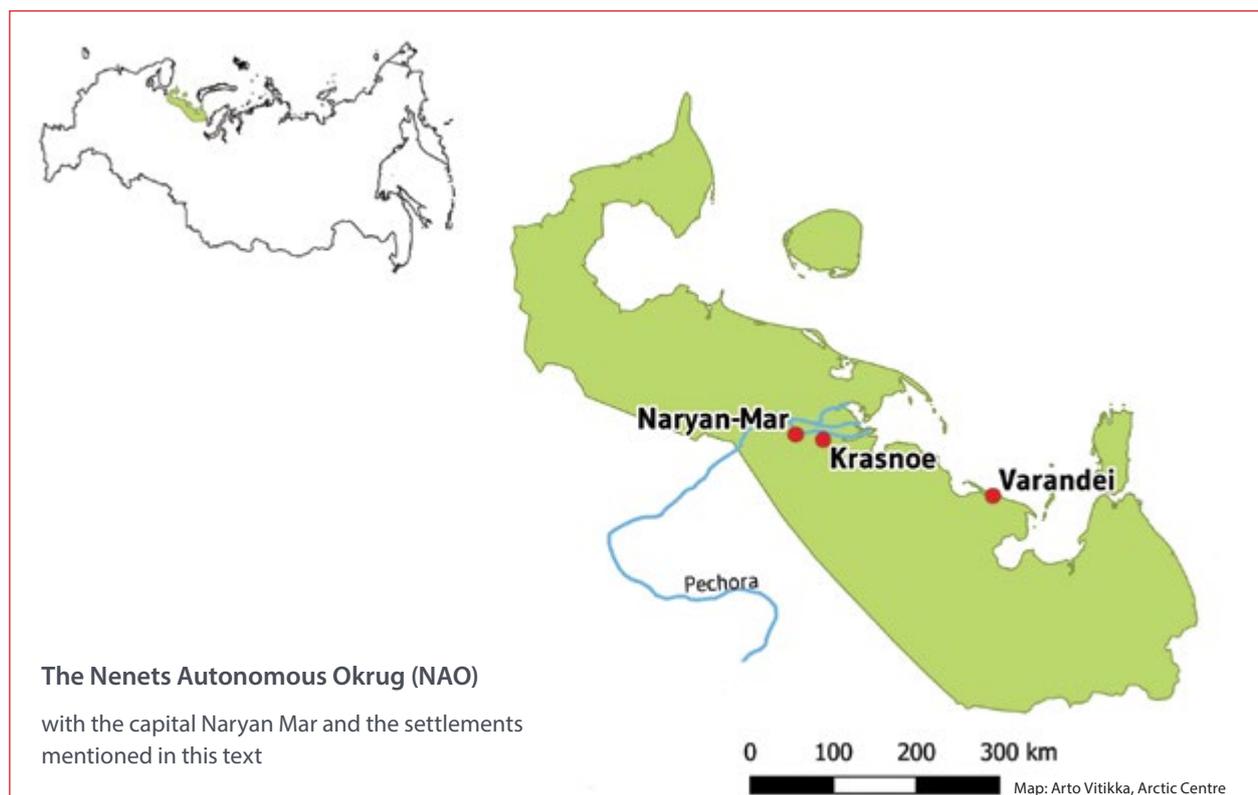
The main indigenous people of the region are the European Nenets. Komi form another important group. The Komi are recognised as indigenous in the Nenets

Okrug, but not in the Russian Federation in general since they number more than the federal limit of 50,000.

Indigenous livelihood

All households based in either village or tundra practise fishing as a subsistence activity, in the Pechora River, its tributaries, the numerous lakes and bays, and along the coast of the Barents Sea. Both Nenets and Komi practise nomadic reindeer herding. Many of them follow the longest seasonal migration routes of any reindeer herders anywhere in the world, travelling up to 1,000 kilometres between summer pastures on the coast and winter pastures inland, which are often across the border in the Komi Republic.'

In some areas, particularly the Malozemel'skaya tundra, north of the regional capital Naryan-Mar, reindeer herding has been practiced in a shiftwork labour model since the late 1950s – men work in



the tundra in herding for several months on-duty, thereafter spend several months off-duty in villages. This practice is similar to the fly-in/fly-out regime employed by oil companies in the area. In such a setting, herding is more exclusively practised, with less fishing and other subsistence activity involved, because there are fewer women and children to be fed in the tundra (they all stay in villages and have to get food from shops or village-based fishing). The Nenets Okrug hosts approximately 200,000 reindeer, more or less the same number as the Fennoscandian neighbouring countries.

Extractive industries

Oil industry is the only extractive industrial activity in Nenets Okrug, which lies within Timan-Pechora oil province in northeastern Europe. Most of the twenty-six oil-producing deposits are onshore, with the exception of Prirazlomnaya offshore platform off Varandei, run by Lukoil. The latter became famous in 2013 when Russian authorities were ordered to capture a Greenpeace vessel at the platform and arrest international activists. Varandei hosts a large terminal, with international oil-shipping capacity. Numerous pipelines criss-cross the tundra connecting onshore oil deposits to the terminal. Industry has been active onshore since the 1970s, when the Soviet Union started extracting oil from several of the largest scale deposits. Therefore the NAO is still considered a young province with much potential for development. However, continuous uninterrupted relations have existed since the 1970s between industry workers and reindeer herders/fishermen in the tundra. Several informants remember such contacts with the industry since their early childhood.

Nowadays the largest and best known oil projects (deposits) in the area are Kharyaga, Yuzhnoe Khylychi-Yu, Toravei, Varandei, Trebs and Titov, Yuzhno-Shapkinskoe. The current volume of oil production is 14,645,000 tonnes (NAO statistics at <http://neftegaz.ru/news/view/148660-V-Nenetskom-avtonomnom-okruga-dobycha-nefti-v-1-m-kvartale-2016-g-vyrosla-na-13>).

Companies involved

The company presence in the area before and during Perestroika was dominated by semi-privatised Soviet companies, after which a whole range of larger and smaller Russian, as well as international companies, entered the region with high hopes for quick oil money. Among the interesting company cases is one called Nenets Oil Company (http://nnk.noilco.ru/?page_id=4), which was established under former long-term governor Vladimir Butov with the goal of binding some of the oil revenue for the okrug.

The company became the junior partner in a major production-sharing agreement with Total, Statoil and others, holding 10% of shares in the Kharyaga project. Today, the main companies engaged in oil extraction in the area are Lukoil (its Komi branch) and Rosneft. Lukoil, in particular, increased its share in the Nenets Okrug oil industry due to the complete takeover of Naryanmarneftegaz, which formerly was a joint venture with American Conoco-Philips. Another important company is Bashneft', Russia's only IPIECA member company, who holds the licence for the Trebs and Titov deposit on the territory of the 'Erv' and 'Kharp' reindeer herders in the Varandei tundra. However, in yet another attempt to undo privatisation in Russia, recent changes have brought that company back into the Russian state, with Rosneft' having taken over control, in a case similar to the earlier example of Yukos and Khodorkovsky. Other less well-known companies are also active in the region, for example, a company called RusVietPetro – a joint venture with a Vietnamese oil company. Our information on this company is scanty.

Indigenous and civil society organisations

The main civil society organisations involved in relations between the oil industry and indigenous peoples are the Nenets Peoples Association ('Yasavey') and the Union of Reindeer Herders of the Nenets Autonomous Okrug. Both have a variety of agreements with different companies on the social and cultural development of indigenous peoples. However, these organisations are not the main parties involved in agreements with companies on impacts and benefits of oil extraction in the area. While both are active in promoting coexistence with the industry and advertise themselves as collectives uniting the interests of the indigenous people, they have not been able to acquire an official role in representing interests collectively. The one exception to this is Yasavey's seat in the regional government's commission on land allocation for industrial development. This commission is responsible for reviewing and signing off industrial development projects and new land acquisitions by oil companies. All members of the commission must sign the industrial development plan before the company can go ahead and develop a new area. This seat theoretically amounts to a veto-right for Yasavey on industrial development projects. However, fieldwork evidence shows that often it is practically impossible for Yasavey *not* to sign when all the other members of the commission have signed already. The organisation is not powerful enough to withstand a position against all the other actors. Agreements between companies and indigenous peoples are still being done on an



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Since the early 21st century, the Varandei terminal has become an oil industry hub on important Nenets pastures by the coast where reindeer get their salt intake, way north of the Arctic circle.

individual basis with reindeer-herding enterprises. In fields other than company/people relations, however, Yasavey has a long, proven track record of activity. The organisation is excellently connected internationally but also grounded regionally. They have been running projects jointly with Danish, Norwegian and Finnish NGO's and researchers, as well as having worked with multinational companies, NGO's such as IUCN and IWGIA. On the other hand, this connectedness has also exposed them to more criticism in the more recent western-hostile political climate in Russia. For example, under a recent Russian NGO law, the Yasavey information centre, 'Yasavey Manzara', became branded as a 'foreign agent' (<http://nao24.ru/news/read/2058/>), and thus holds the honour of being the first Russian indigenous organisation with this 'brandmark', even before the RAIPON indigenous support centre 'earned' that status. In the meantime, 'Yasavey Manzara' has been closed altogether. (<http://www.csipn.ru/glavnaya/novosti-regionov/2102-nenetskij-tsentr-yasavej-manzara-budet-likvidirovatsya#.WBsNP3qXrPA>).

History of interaction between indigenous people and extractive industry

In general, fieldwork since the early 2000s in the Nenets Autonomous Okrug (NAO) has shown that there is a stable coexistence of industry and indigenous livelihoods in the area. Nenets and Komi reindeer herding has been more or less stable in the

region, in terms both of herd size and of the number of people involved in herding (approximately 2,500). In some respects this stability is surprising, because NAO has been among the least politically stable regions in the Russian Arctic, having gone through seven governors since the fall of the Soviet Union (in comparison to its more stable neighbours KMAO and YNAO, see below point 9). Also, the oil industry has been turbulently changing since the end of the Soviet Union, with oil companies constantly entering and exiting the field, re-selling shares, and privatisation and re-nationalisation of companies. This has been a particular challenge over the last two decades for reindeer herders and their representatives, as well as for researchers conducting fieldwork there. Every time you return to the field as a researcher, you discover that your contacts in companies or in government are gone, and the new ones do not know what their predecessors had worked out.

Although the oil industry has really only taken off in the NAO since the end of the Soviet Union, in the areas with deposits most reindeer herders have grown up with industry from early childhood. Nazar Taleev, for example, was a child when Soviet geologists discovered the major deposits in the area. He remembers vividly how they went with others to visit the geologists, have food together and watch movies. From that time onwards, industrial artefacts have also become part of the reindeer herders' material culture: wood, tools, wires, ropes,

cables and all other possible items have become re-interpreted and useful for supporting a Nenets nomadic lifestyle. For example, plastic tubes from the deposits, cut into two halves, become very good sledge runners that protect the wooden sledges from wearing out too fast.

It is this kind of legacy that was met with surprise when international companies first entered the post-Soviet NAO oil fields. With their presence, the relations of indigenous people with companies and the state became much more formalised. Similar to the early post-Soviet situation in the Khanty-Mansi Okrug (KMAO), the substantial diversity of companies and reindeer-herding settings has led to a wide variety of agreements on the ground. Each oil project had their own way of shaping relations with the indigenous residents of the catchment area of their industry operations. The nature of these relations very much depends, not only on the company, but also on the shrewdness of the indigenous side. The best example is the agreement of Naryanmarneftegaz with two reindeer companies, Erv and Kharp, in the Varandei tundra (this case is described in Stammler and Peskov 2008, and referred to in AHDR 2004). Follow up fieldwork for the Arran project in 2015 has shown that this setting is still in place.

Officially it is the two reindeer-herding companies that hold land titles to their entire pasture area, with long-term lease contracts connected to the land use of reindeer herding. The oil companies have licences for extracting oil from the subsurface under this land. In order to do so, they need lease contracts for particular "industrial islands" within these larger reindeer-herding territories. Currently, for this land to be classified as an industrial area, they need the signature of the reindeer-herding enterprise. This signature will allow the category of land title to change from a reindeer pasture to an industrial licence plot. On that area the oil company is then the rightful land user, with the responsibility to keep the land clean and prevent spills and other pollution. The land of the Erv reindeer-herders unions is furthermore registered as a TTP (Territory of Traditional Nature Use) on a regional level, as the corresponding federal Law on TTP (No. 49-FZ, 2001) was never implemented. The territory of Kharp does not have even that regional protected status. This obliged the industrial company to conduct more consultations and impact assessments with the Erv reindeer herders before it could use that land for industry. However, according to the changes in the nature protection law (No. 406-FZ, 2013), TTPs have been taken out of the category of protected land since 2013. Therefore nowadays both Kharp and Erv are more or less equal in agreeing on conditions. (Stammler & Ivanova 2016, p.66).

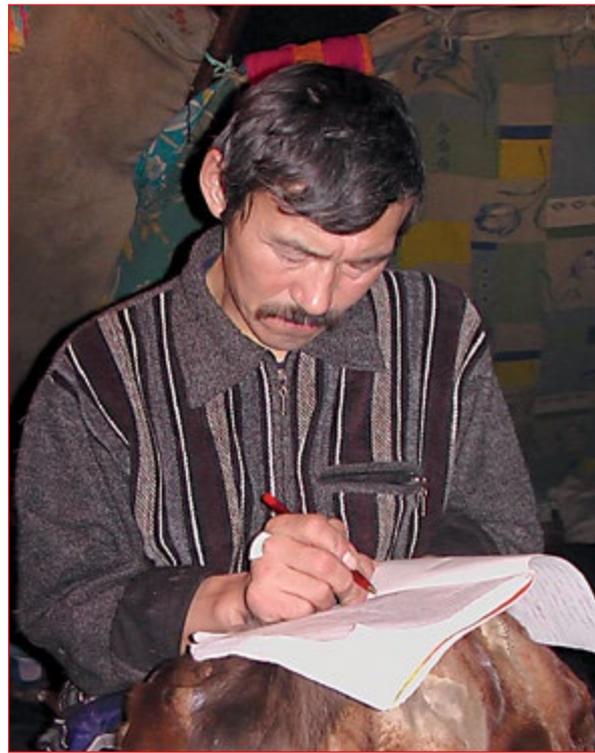
In order to get the herding company's signature for the land turnover from reindeer pasture to industry area, the companies sign an agreement, usually concerning the socio-economic development of the herding community. The negotiation process over these agreements gives the reindeer herders the opportunity to suggest their own conditions for signing off the land for industrial use. In our example, the two companies Kharp and Erv chose different conditions. While Kharp continues to see reindeer herding as a way of life and as a collective economy in the spirit of the Soviet Union, Erv, on the other hand, sees relations with the oil company as a way of receiving financial help for their own private herding operations. Therefore, Kharp chooses to agree on a certain set of yearly services from the oil company, such as helicopter support, supplying herding brigades with staple food, veterinary products, and healthcare products. By contrast Erv, acting as a union of private reindeer-herding families, puts a price tag on all items in the agreements with the oil company, requests payments from the oil companies, and reserves the right to choose for itself the purpose for which that money is allocated. Although we have no clear evidence, it may be significant that the Erv leadership was always Komi – an ethnic group who became famous for inventing reindeer herding as a commercial economy in the nineteenth century (Kertselli & Khudavov 1919). Kharp, on the other hand, is managed by Nenets, for whom reindeer herding is the cornerstone not only of their economy but also of their entire way of life. It may only be a coincidence, but it is clear that the reindeer company with Komi leadership chooses a more financially and market-oriented relationship with oil companies, while the Nenets leadership chooses more in-kind service relationship with the oil company geared towards supporting reindeer herding as a core livelihood of the Nenets.

One of the crucial points for coexistence is the overall friendly practice of negotiations between the three parties, none of which questions the right of existence of the other. Some organisations or departments, for example, Yasavey, or the international office of the regional government, know of international best practice guidelines for industry. In one example, they were active in contributing content to a very regionally-specific best practice declaration themselves (<http://www.arcticcentre.org/declaration>). It may be that this has also influenced the overall climate of relations, so that today oil companies may be more ready to compromise in cases of potential conflict of interests. For example, the company agreed not to dig a construction-sand quarry on a sacred site, the seven-headed hill (*Semigolovaya*), after the herders

asked them to leave that site untouched (Stammler and Ivanova 2016, p.67). From the other side, there is also tolerance by reindeer herders for oil workers. For example, when an oil worker in 2014 shot a reindeer belonging to our field informant Prokopi, he decided not to report this incident to the authorities or company leadership, knowing that this could have meant the loss of the lucrative oil job for that worker, who had a family to feed. The way in which Prokopi told us about this incident also made it clear that there is a grievance mechanism (with Lukoil) that is known and considered feasible by the herders. The chain of grievance works like this:

1. tundra inhabitant notices problem, possibly documents damage using photo or video with his phone.
2. tundra inhabitant calls the boss of his organisation (reindeer herding or fishing enterprise) and describes the incident.
3. reindeer-herding company chairman reports the case to locally responsible person of the oil company.
4. company assesses the damage and agrees further step to mitigation, liquidation and compensation with reindeer herding company.
5. reindeer-herding company gives the immediately-impacted herding family a share of the mitigation and compensation package.

On an okrug-wide level, companies make agreements with the regional (okrug) authorities. No one in the field mentioned that this is required by law, but it is accepted practice, and all companies have their agreements on socio-economic development with the regional authorities. These agreements are usually classified information and we do not know their exact content. They involve mainly company participation in region-wide investment projects, be it infrastructure, social and welfare facilities, construction of hospitals and kindergartens, financing of sports events and facilities, and various activities that may be labelled as charity. In spring 2014, a new general agreement was made between Rosneft' and the regional government that was in the news (but the text of which was impossible for the fieldworkers to acquire, see <http://nvinder.ru/news/3439-nao-i-rosneft-zaklyuchili-soglashenie-o-sotrudnichestve>). However, an agreement like this often has the character of a memorandum of understanding, which then may or may not become amended by annual implementation plans. It is these implementation plans that contain the financial commitment by companies to particular projects of relevance for the socio-economic development of the region.



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Reindeer herder Ignat Vylko has had to study many company documents. For him, land – not money – is the scarce resource, on which the future of indigenous livelihoods depends.

It seems that often these framework agreements between companies and the regional authorities do not contain much about indigenous peoples' development. This means that indigenous peoples benefit from such companies in cases where they use services and facilities that are located in settlements and infrastructure. Relations between companies and indigenous people in the tundra are governed only by practical ad-hoc agreements, and by agreements between individual reindeer herding companies and oil companies.

Distinctive features and lessons of the case

The example of the NAO is notable in Russia for its long history of international company involvement in the area. Companies such as Conoco-Philips, Total, Neste, Statoil and Norsk Hydro all had oil-extraction projects in the area. More recently, there are also lesser-known international companies working in the area, such as RusVietPetroleum, a Russian-Vietnamese joint venture about which we do not know much, except anecdotal talk that the company is not amongst those with best practices. However, in general, big multinational company practices in the fields of CSR, indigenous peoples involvement and compensation in the past did leave some precedent for relations between the main interested parties in the area, even though today their involvement

is at a minimum. In contrast with other areas with international involvement such as Sakhalin, there is no general region-wide indigenous peoples development plan. The character of relations between companies/authorities and indigenous organisations/enterprises totally depends on the individual agreement among the participating parties. In this respect, the NAO may be called the most 'neoliberal' Russian Arctic oil-extracting region. In some cases this has led to agreements that are considered by participants to be a good deal: for example, the agreement between the herders' community of Erv with the company Naryanmarneftegaz, (when it was a 50% joint venture between Conoco-Philips and Lukoil). In other cases, agreements are less professionally-led and companies get away with some charity and the financing of parties once a year for reindeer herders. Unlike in the Khanty-Mansi area (KMAO), in NAO there is no standard template for agreements between companies and indigenous organisations or communities, as much as some stakeholders such as Yasavey or the reindeer herders union would like it to be the case. There is also a lack of collective agency on the side of the indigenous actors, who cannot unanimously agree on sharing information amongst each other or on delegating negotiation mandates to their own representatives at Yasavey.

Thus in the NAO we have the entire gamut, from best practices being implemented in some cases, to other cases where it is more about 'worst

practices'. This may also be due to the fact that the regional administration has played a rather weak role, compared with its West Siberian neighbours in KMAO and YNAO, in shaping the 'social face' nature of oil extraction. This may be linked to the fact that the NAO also went through seven post-Soviet governors, and in many cases other changes also occurred connected to accusations of corruption, court cases and other irregularities. In comparison, both KMAO and YNAO changed their governor only once since the end of the Soviet Union. On the other hand, this turbulent situation may have led to more civil society initiatives and indigenous agency. The Yasavey Association, ever since the end of the Soviet Union, has become known as Russia's most Western-oriented and most advanced indigenous peoples representation (see civil society, above).

In general, we can say that the NAO, with its stable indigenous livelihood (both herding and fishing) and its diverse oil industry history, is an example of coexistence with rather few officially binding regulations and laws, and a lot of freedom of negotiation among the interested parties. This more 'neoliberal approach' has led to a greater gap between winners and losers of industrial development on both sides. However, on the other hand, we also found that in some cases – even without official reference or codification – international best practices such as meaningful consultation, FPIC and grievance mechanisms are in effect being implemented in the NAO.

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Acronyms and abbreviations

AHDR	Arctic Human Development Report
CSR	corporate social responsibility
FPIC	free, prior and informed consent
IPIECA	global oil and gas industry association for environment and social issues
IUCN	International Union for Conservation of Nature
IWGIA	International Work Group for Indigenous Affairs
KMAO	Khanty-Mansi Autonomous Okrug
NAO	Nenets Autonomous Okrug
RAIPON	Russian Association of Indigenous Peoples of the North
TTP	Territories of Traditional Nature Use
YNAO	Yamal-Nenets Autonomous Okrug



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