

Intelligence MEMOS



From: Sharleen Gale and Niilo Edwards

To: The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance

Date: June 8, 2023

Re: **THE CASE FOR A NATIONAL INDIGENOUS LOAN GUARANTEE PROGRAM**

Advancing major resource projects is essential for both a successful energy transition and growing the economy to benefit all Canadians. Governments need to provide greater regulatory certainty and predictability to First Nations and industry alike to move with the speed and scale necessary to reach our objectives.

Meanwhile, the failure by both the private and public sectors to address Indigenous free, prior, and informed consent has been a long-standing challenge to Canada's regulatory framework. While consultation and accommodation will always remain important, reducing project risk for both First Nations and industry can only be achieved through economic reconciliation and partnerships, including equity arrangements, with First Nations.

But barriers to ownership exist for many Indigenous communities. A national Indigenous loan guarantee program would be an important way to overcome some of them.

The *Indian Act* remains a major stumbling block, barring First Nations from borrowing against their assets and land. It obstructs First Nations from raising capital as was shown a decade ago when 16 First Nations negotiated a stake in the Pacific Trails Pipeline Project, but failed to get the money because they had no security to offer. At a more localized level this is exemplified when First Nations are unable to own a real property assets or access credit cards.

The *Act* exacerbates other existing factors, such as the relative remoteness of many Indigenous nations/businesses from economic opportunity and far fewer human and financial resources. In concert, these put Indigenous equity investment in new projects at a significant competitive disadvantage.

This is critical because Canada will only meet its climate and economic goals if it improves its approach to working with Indigenous nations. Net-zero projects will, in most cases, be hosted/built on Indigenous lands/territories. Therefore, the balance of risks and benefits must be equitable for Indigenous nations through (1) free, prior and informed consent, (2) the centering of Indigenous nations as decision makers on projects, and (3) fair opportunity for capital access and project ownership.

Last year's federal budget stated that "[i]nvesting in partnerships with Indigenous communities early in the development of resources projects can ensure meaningful opportunities for Indigenous participation, as well as greater certainty for investors." It also allocated \$103.4 million over five years to "develop a National Benefit-Sharing Framework, and the expansion of both the Indigenous Partnership Office and the Indigenous Natural Resource Partnerships program."

Unfortunately, the 2023 Budget missed an opportunity to take the next step.

To address Indigenous access to capital, the federal government should, in partnership with Indigenous leaders and other experts, formulate, fund, and operationalize a national Indigenous loan guarantee program.

Similar successful programs exist in Ontario, Saskatchewan, and Alberta. In September 2022, the Alberta Indigenous Opportunities Corporation (AIOC) played a key role in the landmark agreement by 23 First Nations and Metis communities to acquire an 11.56-percent non-operating interest in seven Enbridge pipelines in northern Alberta (valued at \$1.12 billion).

However, these programs only exist in those provinces. Therefore, Canada needs a national program. For example, First Nations Major Projects Coalition members have finalized terms on three significant [projects](#) worth \$14.5 billion combined that will need equity financing in the next 18 to 24 months. None, however, are in provinces with a program that supports First Nations equity ownership.

Private sector leaders have also endorsed the establishment of a national Indigenous loan guarantee program. The Business Council of Canada supported such a plan in March in its [report](#) on Canada's energy transition.

Based on our analysis, there are five important principles for policymakers to consider:

1. **Advance economic reconciliation:** Focus on equity partnerships with Indigenous nations becoming owners or co-owners of projects; and help support Indigenous free, prior, and informed consent inclusive of duty to consult and accommodate, and UNDRIP requirements and obligations.
2. **Develop an acute awareness of opportunities:** Demonstrate deep knowledge of the global demand for both natural resource and energy investments and market opportunities.
3. **Prioritize Indigenous needs and expertise:** Position Indigenous experts at the centre by enabling Indigenous advisory in its creation, oversight, and funds/loan allocation.
4. **Active engagement with First Nations and key players:** Work with Indigenous nations, the private sector, and the financial community to identify commercial opportunities and corresponding risk capital allocation.
5. **Focus on capacity building:** Ensure Indigenous nations have the capacity to assess projects and participate effectively.

Ahead of the 2023 Fall Economic Statement, Indigenous leaders look forward to working with you to advance a national Indigenous loan guarantee program. It would help Indigenous nations overcome the historic legal and policy constructs that reduce their ability to participate in the forthcoming energy transition.

The positive impacts go beyond fixing these injustices – they unlock new opportunities for the Canadian economy, economic reconciliation and future generations of Indigenous nations and their memberships.

Chief Sharleen Gale is Chair, First Nations Major Project Coalition, where Niilo Edwards is CEO. The First Nations Major Projects Coalition (FNMPC) is a First Nation led not-for-profit society with over 140 First Nations members Canada-wide. The FNMPC provides business capacity services that help First Nation members make informed decisions about their participation in major project opportunities.

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