Energy for a Secure Future

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Canadian Gas Association
Canadian Manufacturers and Exporters
Canadian Propane Association
First Nations LNG Alliance
Indian Resource Council
Indigenous Resource Network
A message from the Advisory Council

The energy landscape in Canada is changing. We are witnessing Indigenous nations take unprecedented steps to foster meaningful partnerships in Canada’s natural gas industry. This includes our Nations, the Haisla and Miawpukek, respectively, which are both equity owners in major LNG projects. This is just the start. As leaders of our nations, we understand the significance of these developments: they mean good jobs, they mean our communities having our own sources of revenue, they mean hope about the future for our people.

For a long time our nations were left out: of the conversation, of the benefits and of the decision-making process for major projects in our territories. That’s no longer the case. Today, we are seeing that full Indigenous involvement is not only possible but is beneficial for all the partners involved. Working collaboratively with industry partners, we are getting projects done in a good way. In the report Ownership and Beyond, we highlight several examples ranging from Indigenous nations as producers of natural gas in their territories; proponents of LNG export terminals; equity owners in pipelines; and even regulators of projects.

None of this seemed possible just 10 years ago and it is exciting to see positive changes being reflected right across Canada. These projects not only benefit our own communities but also our neighbours, our regions, our provinces, and with the right conditions, the world.

Today, communities around the world have seen their energy supplies threatened and prices rise dramatically. This has been hard on people and the environment, but Canada’s Indigenous communities are ready to answer with energy solutions. We can give people around the world access to affordable energy, which is fundamental to reducing poverty for communities everywhere. We have firsthand experience of how devastating poverty can be and we want to help others avoid it.

With the concerns about the environmental impacts of many other sources of energy, we can use the natural gas from our territories to help other countries reduce their environmental impacts and greenhouse gas emissions by displacing other energy sources like wood and oil and coal. Protecting the environment will always be a top priority. We are working to develop opportunities and prosperity for future generations, not at the expense of our culture or our lands, but to put us in a better position to protect them. Through our involvement as partners and proponents, we can ensure there are good environmental policies and safeguards in place – here at home and around the world.

Projects need to meet Indigenous values in economic, social and environmental practices to secure community support. We are constantly working with our industry partners to meet those high standards. To truly leverage the opportunity before us in the natural gas sector, Canada needs to confront three principal questions.
First, are we prepared to help our allies by providing the energy they are asking for – which we have in abundance and produce with the high environmental standards? Our natural gas can and should provide greater energy security to our friends around the world.

Second, will we use our abundant resources and technical know-how to help the world’s biggest emitters switch to natural gas? This past year, the world burned more coal for power than ever in history, increasing global emissions. Our natural gas can and should play a transformative role in reducing emissions if this is the world’s priority.

Third, will Canada support the work we and other Indigenous leaders across the country have done to position Canada to be a global energy leader? We are resource and project owners, regulators, and workers in the natural gas sector. Our natural gas can and should be a positive part of Canada’s road to reconciliation, which in turn will give Canada more credibility on the global stage.

As leaders from First Nations on the East and West coasts of Canada, we are pleased to see emerging best practices and success stories of Indigenous and industry collaboration reflected in this report. We look forward to a broader conversation about energy, reconciliation, and the role of Canada’s Indigenous peoples in addressing global energy issues.

Chief Councillor Crystal Smith
Haisla Nation (British Columbia, Canada)

Chief Mi’isel J oe
Miawpukek First Nation (Newfoundland & Labrador, Canada)

Energy for a Secure Future is a nonpartisan civil society initiative that brings together Canadian business leaders, Indigenous peoples, organizations, and experts in a new conversation about energy and building a secure future for Canada and our allies around the world.
Executive Summary

A transformation has been occurring in the relationship between Indigenous peoples and the natural resource sector. Today, First Nations and Métis communities are leaders in the development of Canada’s energy economy. In the natural gas sector, they have become full or part owners in all parts of the value chain: from upstream production, to transmission and utility distribution assets, through to proposed liquified natural gas export facilities and gas storage. Indigenous nations have billions of dollars in equity positions in forward looking natural gas development projects.

This transformation can be attributed to the fact that new LNG demand from global markets, for which Canada is strategically positioned, commenced in parallel with the affirmation of Indigenous rights and consent frameworks by Courts and governments. While this co-evolution has been challenging at times, it has also triggered new and innovative ways of working together among industry and Indigenous nations.

While jobs, business contracts and royalties are still important foundations for Indigenous economies, this report identifies four trends in the natural gas sector that, combined, demonstrate a new era in Indigenous involvement in energy development, export and domestic energy access:

• Indigenous-led major projects, including Cedar LNG and Ksi Lisims LNG, where Indigenous nations are project proponents.

• Major Indigenous equity options in projects involving natural gas pipelines, LNG terminals and carbon capture projects.

• A first of its kind Indigenous agreement to reconcile downstream and upstream impacts and benefits, as shown in the Haisla, Nisga’a and Metlakatla Nations’ MOU with Halfway River First Nation.

• The first legally binding Indigenous-led environmental assessment in Canada, which saw the Sḵwx̱wú7mesh Úxwumixw (Squamish) become both a partner and an environmental regulator of Woodfibre LNG.

Indigenous leaders from across Canada were interviewed to share their personal perspectives on natural gas development. As a result, this report not only documents emerging best practices in Indigenous-industry relations, but presents the vision that Indigenous leaders have themselves, for and with their communities. Natural gas access and participation in resource development are now part of the road to reconciliation and prosperity for Indigenous peoples.

Through their words, a picture emerges: of Indigenous peoples advancing their economies and their communities through increasingly sophisticated business deals and processes in which they are developing and benefiting from the resources in their territories, in ways that align with their values and aspirations.

For a world in need of affordable, low-emission energy, these Nations and their projects are ideally positioned to make a transformative difference globally as well as locally.
Introduction

A transformation has been occurring in the relationship between Indigenous peoples and the natural resource sector. Today, First Nations and Métis communities are leaders in the development of Canada's energy economy. In the natural gas sector, they have become full and partial owners in all phases from upstream production, to transmission assets, to proposed liquefied natural gas export facilities. Indigenous nations have billions of dollars in equity positions in planned and proposed natural gas projects.

While there has been production of natural gas on reserve in Alberta and Saskatchewan for decades, the development of a global LNG market has opened new opportunities for Indigenous involvement in the natural gas industry. In addition to the conventional fields located in Treaty 6 and 7 (primarily in the province of Alberta), the prolific unconventional natural gas fields (Montney, Liard and Horn River basins) in the Treaty 8 region (in Northeastern British Columbia) are now economically viable. Energy-hungry Asian nations, with growing populations and the bulk of the world’s manufacturing capacity, are the most obvious export markets for Canada’s energy. On the East Coast, the significant offshore oil and gas fields off the coast of Newfoundland can provide very low emission natural gas to Europe, a market looking to import LNG to reduce its dependence on Russia.

It is not only unconventional production and global LNG demand that have transformed the natural gas sector in the past decade. The legal and political landscape has changed as well. Indigenous nations have affirmed their rights to their lands and now expect to be partners, not an afterthought, in resource development in Canada. This is backed constitutionally by the Supreme Court’s affirmation of the duty to consult and accommodate, as well the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), which has been recognized in legislation by both British Columbia (BC) and the federal government.

The combination of an enormous new energy resource and a highly developed Indigenous rights regime has made the Canadian LNG sector perhaps the most sophisticated in the world in terms of engagement, inclusion and leadership by First Nations. This is manifested not only in employment, business contracting and revenues, but also in ground-breaking equity ownership, Indigenous regulatory oversight, and now, with Cedar and Ksi Lisims LNG, Indigenous proponents leading major projects.

This paper documents the level and diversity of Indigenous engagement in the natural gas sector, in the upstream, midstream and downstream sides of the business. The aim is not only to demonstrate emerging best practices in Indigenous-industry relations, but to offer an alternative to the outdated view that depicts Indigenous peoples and natural gas development as inherently in opposition to one another. Indigenous leaders interviewed for this report provide their perspectives on why they have chosen to become involved in the industry. They are ready to offer solutions to a world seeking affordable, low-emission energy sources.

The stories they provide point to a different reality on the ground and an emerging future in which Indigenous nations advance their economies and their communities by partnering and leading in the development of resources in their territories, including from natural gas.
Indigenous Engagement in Natural Gas: Upstream, Midstream and Downstream

The oil and gas sector comprises three main phases: upstream (exploration and production), midstream (transportation and processing) and downstream (distribution and sale to end users/consumers). In Canada, Indigenous peoples are involved in all three phases, as outlined below.

**Upstream**

Upstream production – exploration, drilling and extraction of natural gas – has been occurring on First Nations lands for decades, with the Crown collecting royalties for producing nations and holding it in trust. Indian Oil and Gas Canada (IOGC), a federal agency created in 1987, manages and administers the exploration, development, and production of oil and gas on reserve. A First Nations-led organization, the Indian Resource Council (IRC), was founded at the same time to represent the interests of the oil and gas producing First Nations. There are currently 33 First Nations that produce oil or gas and an additional 17 that have non-producing or historical oil and gas infrastructure on reserve (IOGC, 2021).

Although the Crown used to control the process, today oil and gas activity is founded on joint agreements between First Nations, oil and gas companies, and IOGC. Since the 1990s, First Nations have become more engaged in the business side of oil and gas production. Many have formed their own companies and negotiate their own deals with oil companies, which IOGC then approves.

While oil production on reserve has declined since the peak in 2012, natural gas has continued to grow and now makes up the bulk of both volume and royalties for production on reserve (see Figures 1 and 2).

Between 2019-2021, royalties were assessed for gas production on 47 nations. However the bulk of production occurred in the top handful of producing nations, as listed in Table 1.

Production on reserve is only one way Indigenous nations are involved in upstream production. Others own their own oil and gas exploration, development and production assets. For example, Frog Lake Energy Resources Inc. is one of the most successful nation-owned businesses in the sector (owned by Frog Lake First Nation in Treaty 6). In addition, other nations are involved in the oilfield services side and Canada is home to hundreds of Indigenous businesses and thousands of Indigenous workers who supply the natural gas sector with services.

One such example is Top Notch Oilfield Contracting, which operates in the Fort St. John area of northwest BC. The President of Top Notch, Judy Desjarlais, is now Chief of Blueberry River First Nation, and committed to ensuring that her community benefits from the enormous reserves of natural gas under their traditional territory in Treaty 8.

The community has been at the center of a precedent-setting case, *Yahey v British Columbia* (2021), in which it was ruled that the rights of the Blueberry River First Nation under Treaty 8 had been infringed by the cumulative impacts of resource developments within Blueberry’s traditional territory, including forestry, oil and gas, renewable energy and agriculture. However, the nation remains committed to a path forward for development, as long as it’s done in an environmentally responsible way that protects treaty rights, culture and values.

> "My nation is not opposed to natural gas or oil and gas activities. We’re for it. All First Nations people want is equal opportunity and to build a relationship with producers in the area and prove that we’re as capable at handling any big jobs as our neighbours are."

> "We’re trying to build that relationship and letting industry know that we’re open to working together."

– Chief Judy Desjarlais
Figure 1: Royalty volumes for oil and gas production on reserve, 2019-2021 (Jan-Sept)

Figure 2: Volume of natural gas sales from First Nations Lands, 2009-2019, by province
Table 1: IOGC Royalty for Gas for top producing nations, assessed by reserve from high to low (Apr 2019 - June 2021)

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Indigenous people in Canada make almost 3x more on average in the oil and gas sector than other industries.
Midstream

Indigenous engagement in the midstream of the energy sector has grown in prominence in recent years. Indigenous nations have negotiated equity stakes in existing pipeline systems for both oil and natural gas: a 15% equity by eight First Nation and Métis communities in the Northern Courier pipeline system in 2021, and an 11.57% interest by 23 First Nations and Métis communities in seven Enbridge pipelines in the Athabasca region in September 2022. In the natural gas sector, there is notable Indigenous involvement in new pipelines and LNG terminals.

Pipelines

Coastal Gas Link (CGL) is a 670km pipeline in northern BC being built by TC Energy that runs from Dawson Creek to Kitimat. It started construction in 2018 and will supply natural gas to the LNG Canada export terminal. It is expected to be completed in late 2023.

CGL made headlines in 2020 due to opposition of the project, primarily by a group of hereditary Chiefs from the Wet’suwet’en Nation and their supporters. In the past decade, pipelines have become a notable source of friction between the energy sector and Indigenous communities. A primary reason for this is that pipelines are linear, and thus cross many Indigenous territories. An LNG terminal or mine, by contrast, might only impact a handful of Indigenous nations. That means many more nations need to be consulted and accommodated; and opposition by one nation, even if others support it, can affect approval of the project.

“A lot of people who used to be opposed to gas projects are now in favour, especially when fishing and forestry have been a struggle. My response to people protesting it is, what are you going to replace the opportunity with? Not everyone can be an artist, not everyone can be involved in tourism and many renewable projects are not financially sustainable. Why are you taking away the ability to participate in global energy markets?”

– Indigenous business leader Chris Sankey

In general, CGL has had strong Indigenous support and participation. As has been often reported, the pipeline has project agreements with all twenty elected First Nation governments along its route (see Figure 3). And it has prioritized Indigenous employment and procurement, reporting $1 billion in employment and contract opportunities for both Indigenous & local communities to date (CGL, 2022).

“The way I looked at it was as an opportunity. As elected Councils we are administering the Indian Act which comes with very few dollars. Funding is next to nothing, but it’s all we had to rely on. Other revenues streams help offset costs and needs of our people.”

– Former Wet’suwet’en Chief Karen Ogen

What makes CGL particularly notable in terms of Indigenous engagement however is the equity option negotiated for the pipeline in March 2022.

Because it is not yet completed, it has a very different investment risk profile from other pipeline projects where Indigenous nations have become owners. While it is preferable for Indigenous partners to be involved from the very beginning, it is harder for them to finance uncompleted projects than completed ones. This makes the CGL equity option a new kind of achievement and model for future projects.

The option to become equity partners was offered to all twenty Nations with agreements on CGL. In the end, 16 First Nations decided to support the opportunity through two separate, Indigenous limited partnerships: eleven nations with CGL First Nations Limited Partnership and five with the FN CGL Pipeline Limited Partnership. The equity option is exercisable after commercial in-service of the pipeline, subject to customary regulatory approvals and consents.
The finalization of the option agreement represents a historic milestone in our desire to participate as equity owners in Coastal GasLink. For many of us, this marks the first time that our Nations have been included as owners in a major natural resource project that is crossing our territories. This deal is important because it demonstrates the value First Nations can bring as true partners in major projects.

– Chief Corrina Leween, Cheslatta Carrier Nation, as quoted in the press release announcing the deal on March 9, 2022.

In response to concerns in the region related to natural gas development, an Indigenous-led organization, the First Nation LNG Alliance (FNLNG Alliance), was established to provide education and information to, and for, First Nations interested in LNG and natural gas projects. Its board members include chiefs and councillors from the First Nations in the region.

It was a real learning process for us. That’s why we started FNLNG Alliance. Prior to CGL, we had no knowledge of pipelines. In the 1960s they put in the pipeline [Pacific Northern Gas] without our knowledge or consultation at all. People just started opposing without the learning facts first, and then making an informed decision. We started the Alliance so we can get educated on this – LNG, what it is and what it isn’t – and how to bring benefits back to our community. The reason we exist is to educate people.

– Karen Ogen, Executive Director of FNLNG Alliance and former Chief and Councillor of Wet’suwet’en First Nation

In addition to CGL, there are three other proposed new natural gas pipelines in northern BC: Prince Rupert Gas Transmission, Pacific Trail Pipeline and Westcoast Connector Gas Transmission project. In total, 63 agreements with 29 First Nations for four natural gas pipeline projects, including CGL, have been signed, representing more than 90% of First Nations along B.C.’s proposed northern pipeline routes (British Columbia, n.d.).

**LNG Export**

Liquefied natural gas is natural gas that has been cooled to -162°C to become a liquid, reducing its volume to 1/600th of its original state, allowing it to be transported aboard LNG carriers in large, insulated tanks, rather than through pipelines in its gaseous form. Global LNG trade has been slowly growing since 1969, with energy-importing...
Japan and South Korea as the largest consumers, and the European market growing rapidly, particularly since early 2022. Growing LNG trade is part of an overall shift of natural gas from a local, to a global commodity, with pricing based on global supply and demand.

Canada, while not currently an LNG exporter, has been producing and using LNG domestically for several decades as a supply of natural gas to meet peak winter demand requirements in regions where supplemental gas is needed. There are several LNG storage facilities in Canada, notably in British Columbia, Alberta, Ontario and Quebec used to help ensure reliability of domestic natural gas supply when demand reaches its peak in winter. Over the last decade, the use of this LNG has expanded from winter peak shaving to include new business opportunities including LNG as a fuel for ferries, road transport trucks, remote mining and northern communities. Both Inuvik and Whitehorse, for example, use LNG as an energy source that is trucked into the communities.

With the shale revolution in the early 2010s, North America’s previously uneconomic gas has become affordable, dramatically increasing supply. In the United States, this has underpinned a major shift in electricity generation from coal to natural gas, helping them significantly reduce greenhouse gas emissions. It also supported the establishment of a new LNG export industry in the United States to export surplus gas.

The development of an LNG export industry in Canada has come in fits and starts. As has been widely noted, in 2015 both Canada and the United States had virtually no LNG export capacity. However, since 2015 the United States has built eight LNG export facilities, with five more under construction (FERC, 2022), and it has become the largest exporter of LNG in the world. In the same period, Canada has seen many proposed and cancelled LNG export projects and currently only one is under construction: the massive LNG Canada facility in Kitimat BC. Woodfibre LNG, in Squamish BC, will begin major construction in 2023. Regulatory burdens, legal delays, political ambivalence and lack of social license have contributed to Canada’s slow start.

Indigenous engagement has often been seen as a barrier to developing Canadian resources. But increasingly it is seen as a solution to some of these challenges. By respecting treaty rights and including Indigenous nations in the benefits of the projects, legal challenges are reduced and social license is more readily granted. LNG Canada and Woodfibre are both examples of where progressive industry-Indigenous relations are resulting in the manifestation of real projects and actual facilities.

**LNG Canada**

The $40 billion LNG Canada project is in Kitimat BC, on Haisla territory. Its Community Level Infrastructure & Services Management Plan (CLISMP) scope includes the District of Kitimat, City of Terrace, Regional District of Kitimat-Stikine, Haisla First Nation, Kitselas First Nation and Kitsumkalum First Nation.

The LNG Canada project has directly employed over 270 Indigenous workers and has spent over $2 billion in Indigenous and local procurement (van Mulligan, 2020). The Haisla have also entered into joint ventures (JVs) with Mammoet and Seaspan respectively for LNG Canada related work, in addition to a limited partnership (LP) with Ledcor for work on CGL. JVs and LPs are common strategies for Indigenous nations to partner with experienced companies in order to secure a high level of involvement, employment and revenues from the construction of projects in their territories and beyond, and are considered a best practice.

In addition to agreements with industry, the Haisla also signed a framework agreement with the provincial BC government in 2012 to lease their lands to develop LNG export terminals and facilities.

**Woodfibre LNG**

The $5.1 billion Woodfibre LNG will be built on the territory of the Skwxwú7mesh Úxwumísxw (Squamish First Nation). Squamish signed an impacts benefits agreement in 2018 with Woodfibre LNG, the provincial government and FortisBC that includes $225.7 million in
cash and nine parcels of land totaling 422 hectares. The prime contractor for the project, Graham Construction, has been endorsed by the Squamish.

Perhaps most notably, the Squamish have developed a unique environmental review process for Woodfibre LNG that makes it both a partner and an environmental regulator of the project, implementing the first legally-binding Indigenous-led environmental assessment in Canada.

While paralleling to the extent possible the Crown’s environmental assessment, including the technical information required, in order to provide some certainty to proponents and avoid duplication of information and costs, the Squamish also added their own unique criteria (Bruce & Hume, 2015). They then undertook their own independent assessment of the project.

On October 14, 2015, the Squamish Council voted to approve an Environmental Assessment Agreement for the proposed Woodfibre LNG project, and issued an Environmental Certificate to Woodfibre LNG. The Sḵwx̱ wú7mesh Úxwumixw Rights & Title and Environmental Working Group continues to monitor the project and ensure any concerns or violations are addressed, providing monthly, published updates to its members (Squamish Nation, 2022).

Cedar LNG and Ksi Lisims LNG

In the years since those projects were planned and agreements negotiated, an even higher level of Indigenous engagement has been achieved with the proposed Cedar LNG and Ksi Lisims LNG projects.

Cedar LNG is a proposed $3.0 billion export facility in Kitimat, and is currently in the environmental assessment phase. It is slated to be the first Indigenous-owned LNG export facility in the world, and the largest First Nation-owned infrastructure project in Canada, based on a partnership between the Haisla Nation and Pembina Pipeline Corporation.

The story of Cedar LNG is unique. LNG terminals had been proposed in Haisla territory for decades, originally as import facilities. Three export facilities were eventually proposed in the 2010s, including Kitimat LNG, Douglas Channel LNG and LNG Canada. Only the latter has gone forward.

The Haisla Nation developed a sophisticated consultation process to address these proposals. For Kitimat LNG, they negotiated an IBA (Impact and Benefit Agreement) which was then summarized for community members. They then hosted community information meetings in Kitimat, Terrace and Vancouver, and finally held a vote on whether to accept the IBA. The support for the IBA was overwhelming. For LNG Canada, because the terms were similar and community support was still high, they did not feel the need to conduct another referendum.

However they did achieve a special and unique accommodation in the LNG Canada IBA – the reservation of 400 mmcf/d of capacity on CGL for themselves. This was the foundation of being able to develop their own export facility.

“I get goose bumps when I think of it. Not just for our community but for the neighbouring First Nations too. We hold them close in the ability to share in the opportunities that the project brings, and our entire region. When words can’t describe it, the only thing I can show is the passion that I have for what Cedar LNG means to the nation.”

- Haisla Nation Chief Councillor Crystal Smith

As a proponent of the project alongside Pembina, the Haisla have had to apply for regulatory approval for Cedar LNG. At the time of writing a decision on the project was imminent. Cedar will not only be the biggest project considered with an Indigenous proponent, but will likely be the first project decision under the 2019 Impact Assessment Act.

Ksi Lisims LNG is a proposed $10.0 billion floating liquefied natural gas (LNG) export facility located on a site owned by the Nisga’a Nation near the community of
Gingolx in British Columbia. It is a partnership between the Nisga’a Nation, Rockies LNG and Western LNG. They have applied for a 40-year LNG export licence and filed a detailed project description with regulators. Ownership details and natural gas supply are still being negotiated.

Both the Haisla and Nisga’a nations, as well as Metlakatla, recently signed an MOU with Halfway River First Nation, located in Treaty 8, where production of natural gas feeding their proposed terminals will take place. The MOU sets out the Nations’ “commitment to collaborate with the aim of strengthening the First Nations Climate Initiative and working towards the Parties’ shared goals with respect to economic self-determination and climate change mitigation and adaptation” (MOU, 2022).

“Hearing [Halfway River] Chief Darlene Hunter speak about what they’ve lost so far, and their desire and commitment to see the revival of their lands was truly moving and inspiring. I believe we are advocating for nature-based solutions and are committing to projects that will achieve what First Nations want to see in their territory.

Being a proponent ourselves, we can make that push to see policies and opportunity come to our communities, to see this work completed.”

- Haisla Nation Chief Councillor Crystal Smith

The Haisla, Nisga’a and Metlakatla are the current members of the First Nations Climate Initiative. Established in October 2019 by the Leadership of the Lax Kw’alaams, Metlakatla, Nisga’a and Haisla First Nations to serve as a forum to address climate change as well as poverty in First Nations. the FNCI focused its initial efforts on understanding the challenges and opportunities associated with the development of net zero LNG and other gas products.

They have developed a climate action plan that puts alleviation of First Nations poverty alongside climate change mitigation, while growing the low carbon economy in BC. Their approach combines (1) Indigenous-led nature based approaches, including through carbon offsets and carbon trading; (2) investing in energy transmission and renewable energy generation capacity; (3) providing increased tax incentives and direct government investment for demonstration projects to support the development and growth of new low carbon and negative emission energy system, such as in hydrogen and carbon utilization; (4) creating and expanding programs that support First Nations investment in new infrastructure, enabling them to become major equity partners; (5) fast tracking project approval by establishing an expedited approvals process with a 12 month approval timeframe for First Nations led or partnered projects; (6) positioning Canadian gas as the cleanest in the world and work with energy providers in Asia to support fuel switching from coal to gas to hydrogen (FNCI, 2022).

In many ways the FNCI plan is a more pragmatic alternative to some of the more ideological positions advocated for in the province. Yet it has the potential to accomplish a more diverse set of societal goals, and more meaningfully reduce global GHGs by displacing coal power generation in Asia. It is also an important example of a serious plan being advanced by Indigenous nations, rather than always being in a position of reacting to other governments’ plans.

Although western Canadian natural gas production and West Coast LNG terminals tend to have a higher profile, there are also gas projects planned on Canada’s East Coast. LNG Newfoundland and Labrador is a $5 billion proposed project that involves building a central gas hub near the four oil-producing fields in the Jeanne d’Arc Basin and a 600-kilometre subsea pipeline to Grassy Point in Placentia Bay. The project would require construction of a special ship to produce liquefied natural gas and transport it to Europe.

Due to the availability of hydroelectricity, LNG Newfoundland and Labrador’s projected CO₂ emissions from liquefaction are 0.03-0.06 tonnes of CO₂e per tonne of LNG produced – amongst the lowest in the world – with virtually no upstream emissions profile. The facility
offers the additional potential for blue hydrogen and ammonia export.

Miawpukek First Nation, on the other side of the Burin Peninsula from Grassy Point, has been involved in the project from the beginning, and has positioned itself for an equity position in the project. It is working with the First Nations Major Projects Coalition to achieve this and signed an MOU in 2021 to work with them to advance a deal. This is in addition to agreements for contracts and employment between the Miawpukek community and LNG Newfoundland and Labrador.

“I think the potential benefit is to continue with the 100% employment we have, and for people to get trained and hold good jobs. We’re building a substantial base of wealth for the seven generations to come. It’s not for right now. That’s why we make sure the businesses we get involved in are all sound businesses.”

- Chief Mi’isel Joe, Miawpukek First Nation

The own source revenue generation and the jobs this project could create would feed into Miawpukek’s plan for self-sufficiency. The Nation currently has a small equity stake in the project; the community is not interested in using its own band funds for a business venture and is looking at other ways to raise capital. An important part of its current arrangement with the industry proponent is to retain the option to buy more equity in the project later. As the project moves forward, more details on benefits and equity for the Miawpukek will emerge.

“We can build all the business we want. But the #1 issue is we have to look after the environment. We want it to be an environmentally safe, sound practice for the waters around Newfoundland. There’s only so much you can guarantee, but we can ensure there are good environmental laws and regulations in place and that they are enforced.”

- Chief Mi’isel Joe, Miawpukek First Nation

Through their involvement in the project, the Miawpukek are also able to influence the processes and standards for environmental protection and monitoring, including working in partnership with the provincial government to identify and address concerns or advice they have.

**Downstream**

The involvement and leadership of First Nations in the construction of LNG terminals has received significant attention. These projects are world class and in many ways are transformative not only in the revenues and jobs they can bring in, but in demonstrating that a future where Indigenous nations are true partners and owners of major projects in Canada is not just possible, but imminent.

However, there is still another aspect to Indigenous involvement in natural gas: enhancing Indigenous energy security through expanded local distribution and natural gas use. About 38% of Canada’s energy needs are met by natural gas. In 2021 natural gas was used by approximately ⅔ of Canadians in over 7.4 million customer locations across the country (CGA, 2021). In many communities across Canada, it is by far the most affordable source of residential heat. Communities not tied into the natural gas distribution system can pay up to five times more for their heat.

This is particularly problematic for Indigenous communities, which are far more likely to be off grid. According to the Remote Communities Energy Database (Atlas of Canada, 2018), 169 Indigenous communities in Canada still rely primarily on diesel fuel for heat and power. This is not only expensive; it also has significant greenhouse gas emissions, with black carbon, an emission of diesel generation, having a warming impact on climate that is 460-1,500 times stronger than CO₂. Still others are reliant on expensive electricity and wood heat.

Despite natural gas being cleaner and more affordable, only about 40% of people living on-reserve in BC have access to it to heat their homes - compared to 95% of other BC residents (Ecotrust Canada, n.d.).
Table 2: LNG Export Facilities in Canada and Indigenous Engagement

<table>
<thead>
<tr>
<th>LNG Project</th>
<th>Indigenous nations with formal benefits</th>
<th>Indigenous ownership</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nisga’a LNG Ksi Lisims</td>
<td>Nisga’a</td>
<td>Yes – being negotiated</td>
<td>Proposed</td>
</tr>
<tr>
<td>LNG Canada</td>
<td>25 individual agreements with affected ‘Indigenous groups’</td>
<td>No</td>
<td>Under construction</td>
</tr>
<tr>
<td>Cedar LNG Project</td>
<td>Haisla Nation</td>
<td>Yes -- 50% ownership by Haisla Nation</td>
<td>Planned</td>
</tr>
<tr>
<td>Woodfibre LNG</td>
<td>Squamish Nation</td>
<td>No</td>
<td>Under construction</td>
</tr>
<tr>
<td>Watson Island (Port Ed LNG)</td>
<td>Tsimshian</td>
<td>No</td>
<td>Planned</td>
</tr>
<tr>
<td>LNG Newfoundland and Labrador</td>
<td>Miawpukek</td>
<td>Yes – being negotiated</td>
<td>Proposed</td>
</tr>
</tbody>
</table>

Figure 5: Cost of fuel sources in BC. (EcoTrust 2021)
The federal funding programs targeted to help Indigenous communities get off diesel do not fund programs involving natural gas (NRCan, 2022), even though it is generally a cheap source of energy, and more reliable than intermittent sources such as wind and solar, which require diesel back-up.

However there has been incremental progress in connecting Indigenous communities to the natural gas grid. Some recent examples include Red Rock First Nation and the Mohawks of the Bay of Quinte First Nation, which will be receiving natural gas hook ups for the first time under Ontario’s Natural Gas Expansion program, announced in 2021. The program is estimated to save the average household up to 50% per year in energy costs by switching to natural gas from costlier fuel sources, and businesses up to 30% per year on energy costs (Ontario, 2021). As Tyendinaga Mohawk Council Chief R. Donald Maracle stated, “the expansion project will provide reliable and affordable heating to many residents and will support economic development across the community” (Cameron, 2022).

Across the country in B.C, Wei Wai Kum Nation also added a natural gas hook-up in 2022 to meet the needs of one of their commercial developments of theirs, which includes one of the highest volume gas stations on Vancouver Island, a restaurant, and a large equipment sales and service business; and Tsou’ke Nation received natural gas for residential access last year as well.

Similarly, K’ómoks First Nation recently gained access to residential natural gas. Although it’s adjacent to the town of Comox, it never had the same option for natural gas as its non-Indigenous neighbours, in some cases just meters away. When it built its latest sub-division, the nation worked with Fortis BC, a large energy utility in B.C., to provide the option of natural gas heat to those households that wanted it. It has been a more affordable source of energy for the community than the electricity they had previously been relying on.

Interestingly, the first LNG project with Indigenous ownership was actually a storage facility for local distribution. In 2012, the Stz’uminus First Nation and Cowichan Tribes contributed $5.7 million to FortisBC’s Mount Hayes LNG facility in what might be the earliest Indigenous equity arrangement in the gas sector. The Vancouver Island natural gas storage facility holds 1.5 billion cubic feet of liquefied natural gas to protect against service disruptions (Fortis BC, 2022).

Emerging Opportunities: Blue Hydrogen, CCUS and Petro-Chemicals

Global demand for natural gas, and by extension LNG, is expected to grow rapidly over the course of the next ten years. The business and environmental case for natural gas for the next several decades is strong, especially in markets in Asia which are highly reliant on coal. Western Canada has an excellent competitive advantage in serving LNG to customers in the region due to its geography.

However, LNG is far from the only opportunity for Indigenous peoples in the natural gas sector. Blue hydrogen, derived from natural gas + CCUS (carbon capture, utilization and sequestration), and petrochemicals are fast growing markets in which Indigenous nations in Canada are positioned to capitalize upon.

The Edmonton Region Hydrogen Hub is the most advanced hydrogen initiative in Canada, seeking to provide blue hydrogen both for domestic use and export. The International Energy Association expects the market for hydrogen to grow from 94 million tonnes (Mt) in 2021 to 115 Mt in 2030 (IEA, 2022a). Blue hydrogen is currently 2-3 times cheaper than green hydrogen (Magill, 2021) and is integral for a more rapid adoption and use case for the fuel. The biggest announcement in the hub so far is the Air Products $1.6 billion (CAD) net-zero hydrogen production and liquefaction facility expected onstream in 2024.

In addition, major investments have been announced in the past year and a half by Northern Petrochemical Corporation, which plans a $2.5 billion carbon-neutral
ammonia and methanol production facility in the Grand Prairie region; and an up to $10 billion investment by Dow to triple the size of its current petrochemical facility in Fort Saskatchewan and transition it to become the world’s first net-zero carbon emissions ethylene and derivatives complex.

“First Nations haven’t had a footprint in the industrial petrochemical heartland. Maybe we’ve gotten cleaning contract or servicing contracts. But we haven’t been equity owners. With blue hydrogen we don’t want to talk about small contracts anymore. We want to talk about economic reconciliation and ownership of billion-dollar assets…Those big numbers don’t scare us anymore. We can be owners and do right by each other.”

- Chief Billy Morin, Axxcelus Capital Managing Director

Blue hydrogen and petrochemical growth in Western Canada are underpinned by carbon capture and storage. The attraction of large chemical multinationals is not only the low cost of the natural gas and natural gas liquids (NGLs) feedstock in the province. It is also the geological and technical capacity to sequester carbon, in order to produce net zero hydrogen, plastics and chemicals.

This is where Indigenous nations are being engaged in the early stages of development of the sector. In 2022, Alberta selected six proposals to move forward with carbon sequestration hubs, including the allocation of pore space. Alberta has ideal geology for storing carbon, with captured carbon dioxide from large-scale projects stored more than one kilometre underground.

Two of the approved proposals involve projects with Indigenous partners: the Wabamun Carbon Hub west of Edmonton, involving the First Nation Capital Investment Partnership (FNCIP) (Enoch Cree, Paul, Alexander and Alexis Nakota Sioux) and Lac St. Anne Métis with 50% ownership in a partnership with Enbridge; and the Wolf Midstream project, east of Edmonton, in which FNCIP has 28% ownership, alongside Heart Lake First Nation and Whitecap Resources.

“In one way, shape or form I would say they got ahead of the game this time and learned from some of their historic mistakes in not engaging with us developing oil and gas over the last 80 years... This one is a brand-new industry and from the start we’re at the table, having ownership (and) upholding treaty rights below the depth of the plow.”

- Chief Billy Morin, Axxcelus Capital Managing Director

Like CGL, there are different challenges that arise from being part of a project from the very beginning: there is greater project risk and uncertainty, as revenues are not yet being generated, and for community-owned ventures, elections result in political turnover. However, in terms of influence and engagement in how projects are done, it can be ideal. For the first time, with the CCUS sector, it is an option from the outset.

Global Significance of Indigenous Leadership in Natural Gas: A New Meaning to Nation-to-Nation

The world has been plunged into an energy crisis following Russia’s invasion of Ukraine in February 2022, although markets were unbalanced even before then due to policy and other drivers constraining investment in oil and natural gas supply. The global LNG market in particular has been affected with global long-term LNG contracts sold out until 2026 and high spot prices driving a consumer and industry energy affordability crisis in many countries.

A shortage of natural gas has led to a resurgence in the use of coal for electricity generation – even in countries like Germany with significant build out of renewable generation capacity. The IEA expected coal use to reach record levels in 2022 (IEA, 2022b). The importance of LNG and gas energy more broadly as a foundational fuel is being recognized around the world. With roughly half the GHG emissions associated with coal, natural gas is seen as a key, deployable resource for power generation, as well as an efficient residential and commercial space heating solution.
For Canada, the LNG opportunity is a significant one with ample resource and export opportunities closer to important Asian markets. Adding to our resource and price advantage over global market competitors is the low emission profile associated with our processes from upstream production (CAPP, 2021) to the liquefaction process to transform natural gas into LNG.

Notably, the recent environmental assessment by the BC regulator of Cedar LNG made this point explicit, saying that while the project would add marginally to greenhouse gas (GHG) emissions in BC, it would reduce them globally: “Cedar LNG could support global decarbonisation and the transition to a more sustainable energy future through the displacement of higher emitting fuel sources (e.g. - coal), and via shorter shipping distances as compared to those associated with competitors to Asia-Pacific markets” (BC Environmental Assessment Office, 2022, p. 488).

“I would say: allow us to do our work. ESG is not just another new buzzword. We’ve been practicing that for time immemorial. We know our lands, and we have the cultural knowledge to lead the development in a meaningful, respectful way. Cedar LNG is showing that we know what we are doing in our territories and we know how to be a solution.”

- Haisla Nation Chief Councillor Crystal Smith

Countries interested in doing business in Indigenous territories in Canada are increasingly aware that they need to engage with those Indigenous nations directly, and in fact they are doing so. There is a growing realization that Indigenous nation-to-nation relationships go beyond those with Canada.

“People aren’t really well versed in LNG, how it’s a cleaner fossil fuel, and how many by-products come out of it. We need to help other countries and we need to act fast. I’m not an expert in anything but common sense. With our resources, why aren’t we able to help?”

– FNLNG Alliance Executive Director Karen Ogen

Indigenous Leadership in the Natural Gas Sector is Transformative

There is no parallel in the modern history of Indigenous economic development to what we have been seeing in the Canadian natural gas sector since 2015. Four trends are worth highlighting:

Indigenous-led major projects

The Cedar LNG and Ksi Lisims LNG projects are billion-dollar major projects that are Indigenous led. This would not have been contemplated a decade ago. It signifies a new era in the Canadian resource sector where development is occurring in a way that aligns with Indigenous values and interests so well that major projects now have Indigenous nations as proponents.

This is not a zero sum game and nothing is lost to non-Indigenous Canadians by having Indigenous communities lead and own major projects. On the contrary, it is likely to attract more investment to the resource sector and generate the same jobs, business contracts and other spin offs, but with more of the wealth staying within Canada’s borders.
**Indigenous MOUs on upstream impacts of development**

The Haisla, Nisga’a and Metlakatla Nations’ first of its kind MOU with Halfway River First Nation acknowledges the impacts natural gas extraction has on Halfway River’s territory and seeks to address those proactively. Halfway River is in northeastern BC and sits on the Montney gas field which will supply natural gas to the Cedar, Ksi Lisims and other LNG terminals.

This MOU represents in practice what many Indigenous leaders have been advocating for: a system where developments that affect multiple territories are discussed and negotiated between and amongst affected Indigenous nations themselves, as they did pre-contact; rather than always through an industry intermediary.

**First Nations Climate Initiative**

Indigenous nations are engaging in natural gas not despite its emission profile, but because of it. Both BC and Newfoundland LNG exports are likely to have amongst the lowest emissions profile in the world. Indigenous communities participating in these projects are fully aware of this and have concluded that their projects can help lower global GHG emissions if used to switch from coal for power generation. What is novel is that they are also making poverty alleviation central to their climate action approach in very practical ways, rather than as aspiration.

While lip service is often paid to Indigenous-led climate action, the establishment of the FNCI and their work to advance climate action is an important example of Indigenous leadership on the issue, and how Indigenous-led efforts may practically contribute to Canadian thinking and influence policy on climate change in the future.

**Equity options on new projects**

The equity option on CGL is notable not only in the inclusion of Indigenous peoples on major linear infrastructure crossing their territory, but on the sophistication of the deal from a financial perspective, along with the negotiation and consensus process involving 16 separate First Nations. It shows that large equity deals can be made before projects are completed, including on a $10 billion+ project. Cedar LNG is a further example of an Indigenous nation and an industry partner bringing their respective resources together to create a multi-billion-dollar project of mutual benefit. There are no more ceilings.

"Having a credible partner such as Pembina, and seeing their desire to partner with the First Nation to the depths that they have, has been key to our equity position. I’m not naïve to think it’s easy work to do. It’s a new process for them to be a part of too. But more First Nations are going to develop that capacity and want to be a part of projects like Cedar LNG, and it takes proponents that see us more as a partner than a shareholder or stakeholder."

- Haisla Nation Chief Councillor Crystal Smith

Similarly, the early involvement of First Nations and Métis communities in the carbon sequestration for new petrochemical and hydrogen facilities shows that this is not something unique to LNG, but part of a bigger trend which will see Indigenous communities increasingly involved as partners and owners in major projects going forward.

"The transition will require a lot of capital, and industry is not a charity, so we have to do the work in raising capital. As we become more sophisticated, and some deals come down, the bigger banks and players are coming to us and knocking on our doors. They see a niche there. It’s about to explode even more. I didn’t expect Bay Street to know a lot about Indigenous communities but they did. And they don’t need convincing to work on big Indigenous deals. They just need help in establishing the relationship and moving it forward."

- Chief Billy Morin, Axxcelus Capital Managing Director
Indigenous regulation and environmental assessment

The Sḵwx̱wú7mesh Úxwumixw (Squamish) developed an independent environmental review process for Woodfibre LNG that made it both a partner and an environmental regulator of the project, implementing the first legally binding Indigenous-led environmental assessment in Canada.

This is an important advancement in the exercise of Indigenous rights over their own lands. It is also an indication of how sophisticated many nations are becoming in evaluating resource projects and their impacts; in actively asserting their jurisdiction; and in the openness of industry to participate in and comply with fair and clear processes set out by Indigenous nations.

Conclusion

The path has sometimes been difficult, but we are now witnessing innovations in Indigenous-industry relations in the LNG sector that promise to be transformative and beneficial for all, creating jobs, work contracts, project equity, community capacity and regulatory innovation. What is clear is that resource development in Canada is moving into a new era; one that promises to be less adversarial if it provides fair benefits for Indigenous peoples.

“...It is important to build capacity. We don’t just build projects; we grow our communities by investing in people to manage those projects and build a sustainable future for our communities from housing to education and health for the next seven generations. It’s about inter-generational wealth transfer...”

– Indigenous business leader Chris Sankey

Resource development and Indigenous rights have been at odds for most of Canada’s history, characterized by competing interests. But the intersection of the duty to consult and free, prior and informed consent, with the opportunity for tens of billions of dollars in major natural gas projects reliant on that consent on the other, have led to a major evolution in how Indigenous nations can and will participate in resource projects, and how industry and government will engage with them.

Many Indigenous leaders and communities are embracing, and leading this new paradigm. If they see it as in their best interests to pursue partnerships and projects in the natural gas sector, they should be supported in that. Too often government and public efforts are directed at deterring it instead.

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Zach Authier is a Communications Coordinator with the Indigenous Resource Network.
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Interviews (November-December 2022)

Chief Judy Desjarlais (Blueberry River First Nation)

Chief Mispel Joe (Miawpukek First Nation)

Carol McColl (Lands Manager, K’ómoks First Nation)

Chief Billy Morin (Capital Managing Director, Axxcelus; former Chief, Enoch Cree Nation)

Chief Karen Ogen (former Chief and Councillor of Wet’suwet’en First Nation; Executive Director, FNLNG Alliance)

Chris Sankey (former Councillor, Lax Kw’alaams Band; Senior Fellow, Macdonald-Laurier Institute; CEO of Blackfish Enterprises)

Chief Crystal Smith (Haisla Nation)