

Optimizing Positive Impacts for Indigenous Peoples

Through Reliable & Cost Competitive Renewable Energy Projects

A. Overview

This briefing analyzes how to optimize positive impacts for Indigenous communities, organizations, and Peoples through reliable and cost-effective renewable energy projects.

The briefing is based on Indigenous Clean Energy's (ICE) extensive programming supporting Indigenous clean energy participation; and tracking of project development and impacts over the past two decades.

ICE is open to interacting with electricity agencies including utilities, regulators, and provincial/territorial governments on policy, programs, regulatory, systems planning and structuring of arrangements to procure new generating capacity. To bring online reliable and cost-competitive new generating capacity that also optimizes positive economic and social impacts/outcomes for Indigenous communities and peoples. ICE is open to such dialogues on a confidential and collaborative basis.

It should be noted that ICE's programming focuses on Indigenous clean energy capacity-building. ICE is supportive of, but does not directly participate in, clean energy project developments, ownership, or operations; and does not derive any material benefit from clean energy project development and implementation.

B. Electricity Policy and Procurement Indigenous Impacts

It is important to highlight that First Nations, Métis, and Inuit leadership of and participation in clean energy projects, wholly-community-owned or in partnership with project development companies, crown and private utilities and capital market entities, has evolved significantly over the last two decades.

Indigenous clean electricity engagements in the early part of this period tended to be more passive; for example, project endorsements, employment, and procurement positions or set asides, and/or royalty or one-time fiscal benefits. Those mechanisms tended to have modest and short-term benefits for Indigenous communities and peoples.

Over the past decade Indigenous communities have concluded that modest project participation arrangement does not reflect First Nations, Métis and Inuit rights, treaties; as well as Indigenous stewardship of the lands and waters, encompassing traditional territory.

Since 2012 the clear trend is towards Indigenous clean energy ownership, initially with small minority positions, and increasingly, higher equity holdings, and more active, and indeed proactive project development participation. Further background on the evolution of Indigenous clean energy participation can be found at the paper [Waves of Change](#). ICE's most recent National Survey, [Accelerating Transition](#) provides further market metrics. The next national survey shall be posted by the end of 2024.

C. Indigenous Partnership-Governance-Equity: Unlocking Impact

The trends described above tell only part of the Indigenous inclusion in clean electricity story. The most effective clean electricity projects, both in terms of project reliability and performance with positive impacts on Indigenous communities, organizations, and peoples have embedded three integrated practices in project development, financing, and operations.

1. *Structured Project Partnerships* between Indigenous entities, and sometimes multiple Nations, and project development proponents.
2. *Active and Collaborative Project Governance*, defined in project partnership documentation and practices, that sees project general managers (i.e.,

developers, utilities, and others) jointly: develop and design; secure environmental and other authorizations and permits; formalize power offtake agreements; manage/mitigate risks; finance (equity and long terms senior debt); and operate projects. In most projects, development entities have executed the role of a General Partner and brought expertise and fiscal capacity to shared-benefit projects. Partnership agreements generally define governance parameters and rights and decision-making powers and processes conditions of project partners. Which might specify sole General Partner authorities, or joint decision-making by all equity holders.

3. *Indigenous Project Equity* positions vary in terms of magnitude by project. The trend is towards equity positions of 20% - 50%, and in a significant number of projects, even higher. Indigenous equity positions have been secured through a combination of: a) Indigenous communities as Rights Holders and the use of traditional lands and waters, b) securing project development/feasibility funding from federal government programs (and from provincial/territorial governments in some jurisdictions) obtained on the basis that it contribute to securing some project equity for Indigenous communities or organizations, c) notable preference by the Canada Infrastructure Bank for providing senior debt provision with sovereign backstops to projects with substantive Indigenous co-ownership, d) equity lending provisions with project partners, and in some instances with senior debt lenders, and e) direct Indigenous investment (where available) from First Nations, Métis and Inuit economic development corporations and trusts. Risk-oriented, early-stage capital placement can be leveraged into higher equity positions for Indigenous communities or organizations relative to later stage (e.g., financing close or later) investment.

The combination of Indigenous Partnership-Governance-Equity is unequivocally the factor that unlocks positive impacts for Indigenous communities and projects. Moreover, integrated Indigenous Partnership-Governance-Equity is a catalyst that triggers a Cascade of outcomes with material value to project development, reliability, and cost competitiveness, as well as Indigenous Nations benefits and impacts.

Achieving such outcomes requires capacity-building such that Indigenous communities and organizations can be proactive, intentional, and sustained project partners.

Positives in this regard include: a) many Indigenous communities have already been partners or beneficiaries in clean electricity projects, with larger and more prominent positions in a second or third project, b) Project development companies have become more experienced with working with Indigenous communities, and supporting Partnership-Governance-Equity participation by Indigenous communities and organizations, and c) Indigenous bodies, notably Indigenous Clean Energy (ICE) provide intensive and ongoing support to First Nations, Métis and Inuit project champions to support project partnerships and development (reference: [20/20 Catalysts Program](#)).

D. Indigenous Partnership-Governance-Equity Impacts Cascade

Key cascade value-realization from Indigenous Partnership-Governance-Equity in renewable energy projects are described below. These values fundamentally reduce projects risks for Indigenous communities, project proponents, electricity sector authorities and provincial/territorial governments generating tangible and sustained positive impacts for Indigenous Nations, and rate payers as a whole.

Project Community Value

Indigenous Partnership-Governance-Equity clean electricity projects generate the Community Project Value in the following ways.

- 1 *Proactive Community Engagement* ensuring there is a high degree of transparency and openness regarding project plans, impacts on lands/waters, as well as wildlife, fishery and traditional food harvesting, and partnership terms, and opportunities arising from clean electricity projects.
- 2 *Generally Strong Community Project Support* resulting from early-stage community engagement, and consideration by partners of member/citizen/family/clan interests which include mitigation of project impacts on traditional livelihoods. Such respectful and inclusionary processes generally substantively reduce community project opposition.
- 3 *Community Employment/Contractor Engagement* is facilitated through community engagement that builds skills and ensures local job opportunities.

Project Development & Design Value

Indigenous Partnership-Governance-Equity clean electricity projects generate the Project Development & Design Value in the following ways.

- 1 *Direct Involvement of Community Elders, Knowledge-Keepers, and Lands Stewards* can strengthen project development and design planning and decisions in areas such as siting and environmental assessment. Partnerships that have sought out and utilized Indigenous Traditional Knowledge (ITK) reflect the process of reconciliation, and can garner useful information, including historical patterns on lands/waters.
- 2 *Community Early-Stage and Ongoing Input and Guidance* improves overall generating projects design, and routing of transmission interconnections.
- 3 *Permitting and Approvals Processes* are much more effective and often accelerated for projects that include Indigenous Partnership-Governance-Equity. In effect, a collaborative approach to project development with First Nations, Métis and Inuit Nations makes better projects.

Project Cost & Financing Value

Indigenous Partnership-Governance-Equity clean electricity projects generate Project Cost and Financing Value in the following ways.

- 1 *Much Higher Levels of Indigenous Project Employment and Contractor/Sub-Contractor Agreements* are achieved in projects with Indigenous Partnership-Governance-Equity. This includes training and apprenticeship arrangements that enhance skills amongst Indigenous peoples which enables them to pursue further, higher value employment with other infrastructure and services projects.
- 2 *Local Indigenous Labour Reduces Project Costs* by diminishing the scale of external labour transported to project sites or housed in work camps.
- 3 *Construction Capital Costs Can Be Lessened* in projects with Indigenous Partnership-Governance-Equity, as covered in Section C above which is highly important for making senior debt more affordable.

- 4 *Institutional Lenders Place a Premium on Projects with a Lower Risk Profiles*, and Indigenous Partnership-Governance-Equity can materially reduce such risk profiles.

Project Legacy Clean Electricity Value

Indigenous Partnership-Governance-Equity clean electricity projects generate Legacy Clean Electricity Value in the following ways.

- 1 *Renewable Energy Project Distributions to Indigenous Partners* are applied to a range of community needs including infrastructure, social and health services, economic development and youth/Elder programs and services.
- 2 *Project Distributions are Often Placed into Community Trusts* or other capital holding entities, building community wealth which benefits current and future generations.
- 3 *Clean Energy Projects Increase Indigenous Development Know How* which is increasingly being applied to other commercial projects and ventures, including follow on clean energy initiatives such as housing energy efficiency efforts.
- 4 *Community Project Participation by Indigenous Youth and Women* fosters more broad-based economic development with greater equity and diversity, powering the next generation of Indigenous leadership.

Jurisdictional Project Value

Indigenous Partnership-Governance-Equity clean electricity projects generate Jurisdictional Project Value in the following ways.

- 1 *Proactive Action on Climate Change*, fundamental to transitioning to a Net Zero Economy. Grounded on a clean growth platform that also generates substantive and diverse economic and social dividends.
- 2 *Clean Electricity Driven Economic Growth* including employment and enterprise creation, led by Indigenous and broader communities.
- 3 *Stronger Provincial/Territorial Economic*, through Indigenous inclusion and inter-generational and all gender participation in a clean energy economy.

D. Summary

The combination of Indigenous Partnership-Governance-Equity is unequivocally the factor that unlocks positive impacts for Indigenous communities and projects. Indigenous Clean Energy is committed to dialogue with Indigenous communities and governing bodies, energy regulators and utilities, project development companies, financial firms and institutional lenders, and provincial/territorial governments to optimize positive impacts for Indigenous Peoples, through reliable and cost competitive renewable energy projects.

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