

**A MODEL FOR FIRST NATIONS
EQUITY PARTICIPATION IN
MAJOR PROJECTS**

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July 2008

Outline of Presentation

- Background and Context
- The Model
- What's in it for First Nations?
- What's in it for Industry?
- What's in it for Investors?
- What's in it for Governments?
- The Model Applied
- Some Next Steps

Background and Context

Projects HAVE Impacts

Projects CAN HAVE Benefits

Background and Context

PROJECT START

SHORT TERM BENEFITS

Jobs and Training

Short-Term Business
Opportunities Ending at
Project Start-up (Contracts)

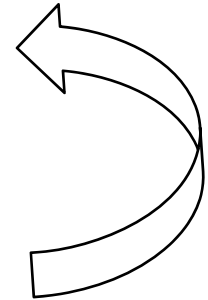
Impact-Benefit Agreements

LONG TERM BENEFITS

Profits (Industry)

Taxes (Governments)

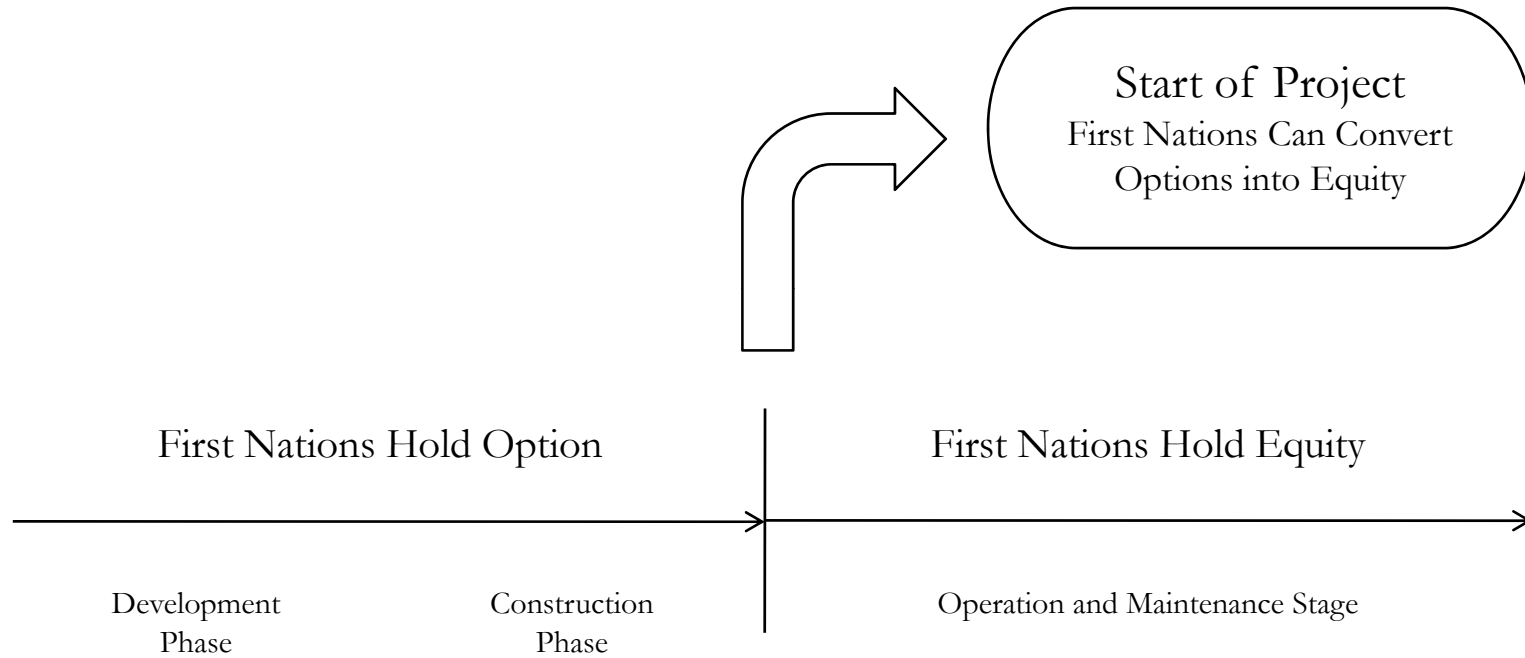
???? (First Nations)



The Model

- Project proponents make available to affected First Nations, at no initial cost, an option that does not have to be exercised until the project has been completed and begins operation
 - To receive an option is to receive the right, but not the obligation, to do something - it allows you, but does not force you, to take some specific action, in this case taking a piece of equity in a project

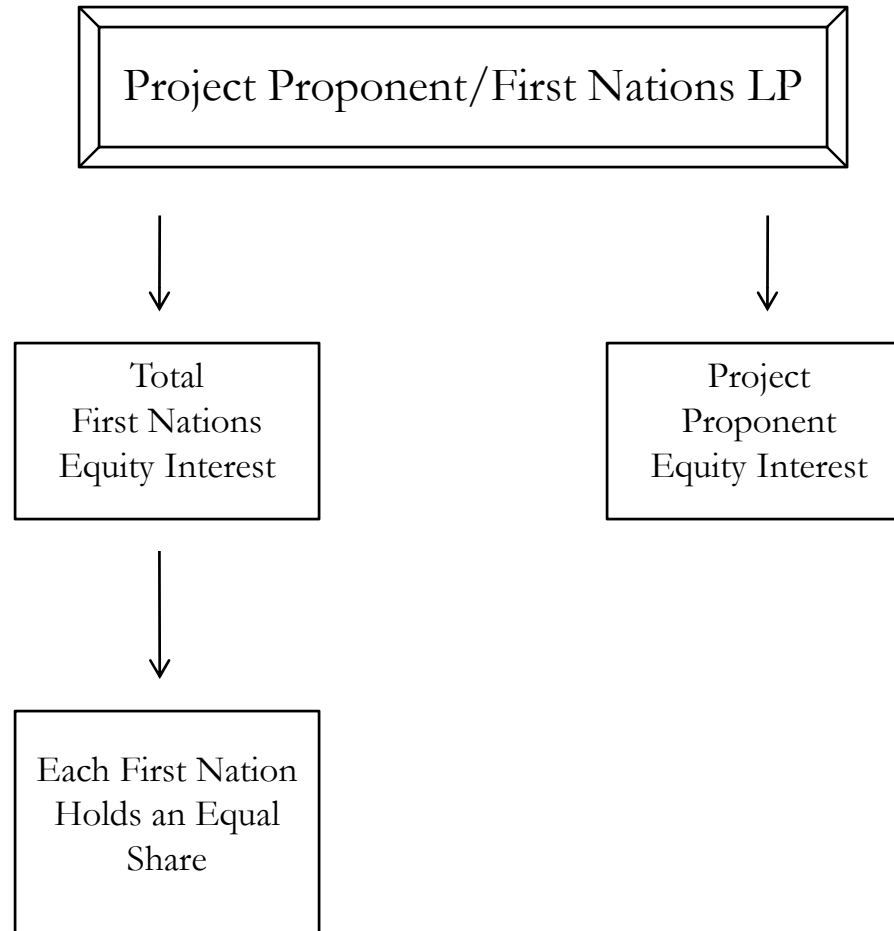
The Model



The Model

- One option to convert to one share of the total equity offered to First Nations would be offered to each affected First Nation
 - One First Nation, One Option/Share
 - Equity represented by options that are not converted are to be distributed pro-rata to those First Nations who do exercise their option
 - For example, if 25% of the equity in a project is offered to 30 First Nations, that same 25% will be distributed equally to whatever number of those 30 First Nations choose to exercise their option

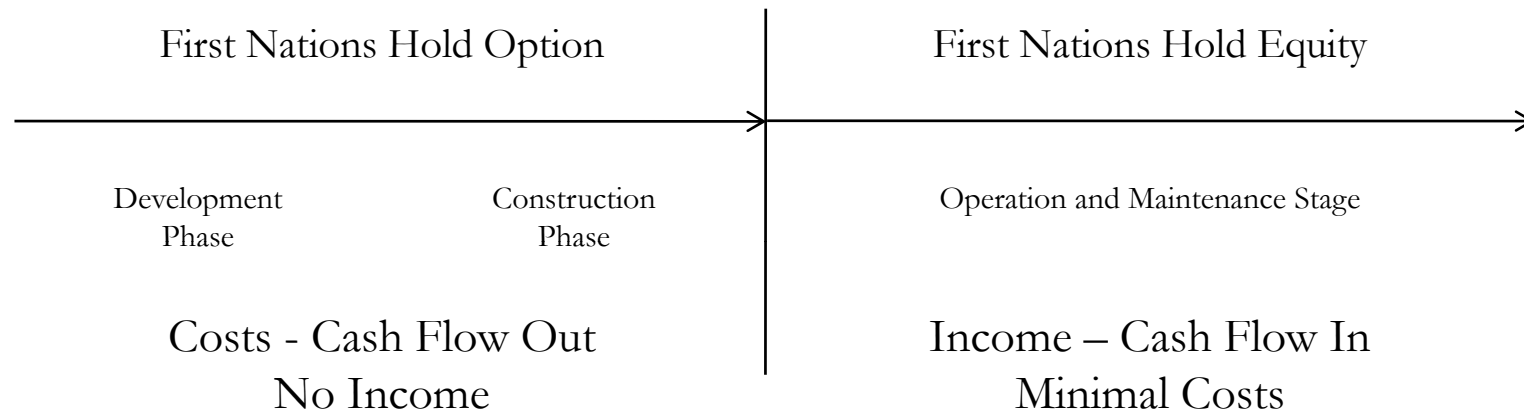
The Model



The Model

- Exercise of the option held by First Nations to purchase equity is financed independently
 - Non-recourse basis, secured by cash flows guaranteed by on-take or off-take contracts (in the case of pipelines, shipper or purchaser contracts)
 - First Nations would receive the difference between the return generated by the project and their cost of capital
 - No need for any investment of Band Funds
 - No Government involvement required

The Model



- Not having to exercise the option prior to completion of the project eliminates the need for First Nations to fund development and construction costs (as is required from the Aboriginal Pipeline Group for the Mackenzie Valley Pipeline)
- Cost of capital is reduced considerably as cash flows necessary to repay the loans would come on stream almost immediately after exercise of the option
- A deal of this nature is unique to First Nations

The Model

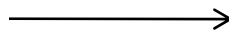
The Model separates business and legal/political considerations as much as possible

Matters Related to the
Offer of Equity



Governed by Business
Considerations

Matters Related to
Consultation and
Accommodation



Governed by Legal/Political
Considerations

Several important consequences flow from these facts

The Model

The offer of equity by the proponents is a business decision made for business purposes

- It aims to reduce what may be called “First Nations risk”, one major risk among many today that reduce the chance that major development projects advance successfully through the approval process
- The old way attempts to address this risk through the courts and/or the provision of minor benefits (First Nations as legal impediments) – the new way attempts to do so through a proposed business relationship (First Nations as partners)

The Model

The offer of equity and acceptance of the option by First Nations does not constitute accommodation by project proponents

- The legal obligation to consult and accommodate does not change because equity is on the table
- Individual First Nations (or designated collectives) retain the right to be consulted and accommodated, to address rights and title issues, mitigate environmental and socio-economic impacts, negotiate IBAs and secure short-term benefits (i.e. construction contracts, jobs, education opportunities, etc.)

The Model

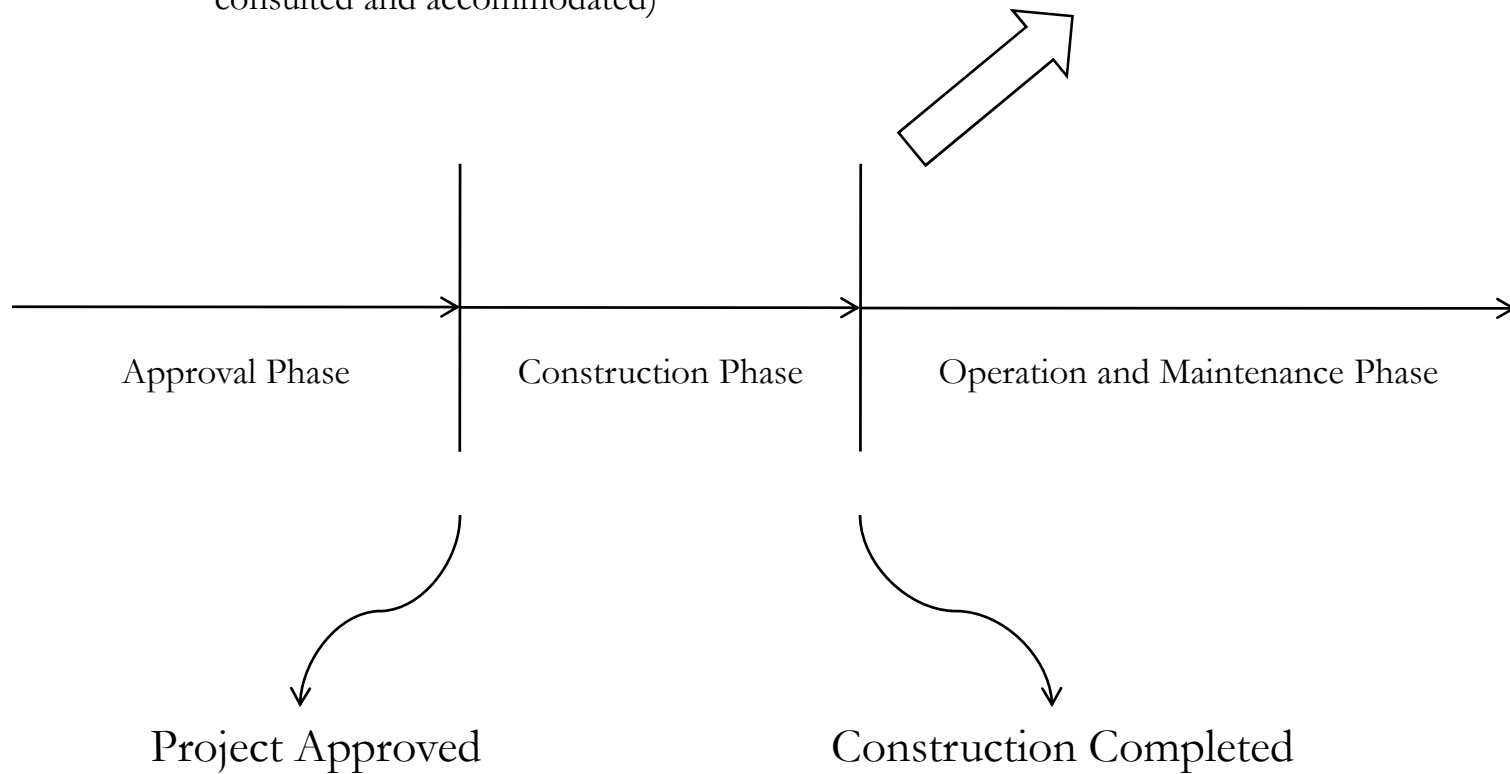
Acceptance of the option does not constitute acceptance of the project prior to regulatory approval

- The option is put on the table by project proponents on the understanding that it will not achieve certainty from First Nations, but that it would likely increase the probability of approval and subsequent completion of the project as First Nations would now be faced with a true cost-benefit analysis
- To be assessed in light of potential impacts would not only be more traditional short-term economic benefits, as is the best case now, but also significant, reliable and long-term benefits with no legal and/or political strings attached

The Model

First Nations Hold Option – cannot be exercised until project approval (which requires that First Nations be consulted and accommodated)

Option Exercised – First Nations Become Owners



The Model

Affected First Nations do not need prior agreement on a common approach to consultation and accommodation in order to secure equity

- The offer of equity is made by proponents to each affected First Nation on an individual basis – they can take it or leave it as they please
- Individual First Nations remain free to establish their own internal policy with respect to the proposed project
- Individual First Nations remain free to negotiate their own separate and specific impact and benefits agreements
- Individual First Nations remain free to participate individually in any regulatory process or hearing
- A collective approach to consultation and accommodation is also possible

The Model

Affected First Nations are not required to settle any legal and political differences before any one of them can share in the long-term benefits of economic development projects affecting their territories

- The offer of equity is made by proponents to each affected First Nation on an individual basis – they can take it or leave it as they please
- Decision by one or more First Nations to reject the offer does not preclude acceptance by other affected First Nations
- As the offer of equity does not constitute accommodation, rejection of the offer by any individual First Nation does not constitute grounds for asserting a failure to accommodate

What's in it for First Nations?

- Ensures significant, reliable and long-term benefits to First Nations from major economic development projects in their territories
- Separates Business and Politics
 - Does not require that First Nations trade away their treaty rights to consultation and accommodation
 - Does not require that First Nations trade away their ability to protect against unwanted environmental and socio-economic impacts
 - Does not require First Nations to sacrifice their independence
- Presents the opportunity for First Nations to engage in a true cost-benefit analysis
 - Not only short-term, but now also significant long-term benefits, with no legal and/or political strings attached, can be assessed against recognized impacts

What's in it for Industry?

- Increased chance that projects will make it through the regulatory process
 - Model is premised on principle that certainty cannot realistically, and should not, be demanded from First Nations prior to project approval
- More constructive and stable relationship with First Nations
 - First Nations viewed more as potential partners in economic development, not as potential legal and economic impediments

What's in it for Investors?

- There is more money looking for good deals than there are good deals looking for money
 - The financial structure contemplated by the model offers a greater return relative to risk assumed than would be possible without the involvement of First Nations
 - Investors interested in stable long-term cash flows (i.e. pension funds) should be particularly interested
 - Widespread adoption of the model has the potential to open a large new market for investors whereby increased competition should reduce the cost of capital for First Nations over the longer term

What's in it for Governments?

- More stable legal and political environment for economic development
- Achieve stated policy goals of increasing First Nations stability and economic independence
- A potential source of income (if they want it)

The Model Applied

- Proposed Enbridge Gateway Oil and Condensate Pipelines
 - North of Edmonton to Kitimat
 - \$6 Billion - \$8 Billion
- Proposed Pembina Condensate Pipeline
 - Kitimat to Summit Lake
 - \$2 Billion to \$3 Billion

Some Next Steps

- Explore possibilities for cooperation between AHAPC and CT8C with respect to promoting adoption of the equity model by pipeline proponents
- Explore possibilities for cooperation between AHAPC and CT8C with respect to pursuing funding from governments to develop and adapt the model to the Alaska Highway Pipeline project