

Discussion Paper



First Nation Opportunities: Powering Our Future

This paper is intended to promote discussion of First Nations participation in the energy sector of Ontario and is not intended to reflect the views of any particular First Nation or government.

First Nations Energy Alliance

**First Nations Energy Forum
Casino Rama Hotel
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INTRODUCTION

Global warming and rising fuel costs have made the development of renewable energy a high priority in Canada. Unprecedented opportunities are now available to First Nations which have potential energy sources in wind, hydro, solar and bio-mass. Community power projects can offset overall costs for electricity. More significantly, commercial projects offer unparalleled economic development opportunities.

In Ontario, the Standard Offer Program offers 20 year guaranteed contracts to purchase community-based renewable energy generation at enhanced rates. This makes such projects economically viable and available to a broad range of First Nation communities. Future grid expansion makes larger commercial projects an important consideration for First Nations pursuing economic development.

First Nations face many challenges in meeting the needs of a growing population. The need for revenue and economic development is more urgent than ever. Renewable energy projects offer First Nations an opportunity to create independent revenue streams and capital to promote economic development. This offers some First Nations an unparalleled prospect for contributing to their own long-term economic security, as well as that of the local economy in their vicinity.

There are a number of obstacles to be overcome in pursuing these opportunities. The existing transmission grid cannot accommodate many potential projects. The high capital cost of undertaking such projects makes it difficult for First Nations to secure adequate financing. There is also a real sense of urgency to take advantage of these opportunities before other interests occupy the field.

Such obstacles can be surmounted if First Nations undertake decisive action on a number of fronts. While various communities will be pursuing their own energy projects, there are common interests that can be more effectively addressed through collective action. As more First Nations seek to enter the energy industry, it makes sense that there be a forum where First Nations can network, share information and best practices, as well as address important policy issues and address common objectives.

The key to success is to establish a clear recognition of the mutual benefits the Province, Canada and First Nations can obtain from cooperation. Major markets in the South need power. Governments need to address the development of environmentally friendly power generation. The Near and Far North areas of the Province offer vast renewable energy potential. First Nations can play a key role in facilitating access to this power. Therefore it makes perfect sense that that industry, governments and First Nations work together to build on this potential.

Such an effort can begin to bring the call for a new relationship with First Nations closer to reality. The cooperative development of economic growth in some of the most depressed areas of the province will benefit all concerned. It may be that renewable energy offers an opportunity First Nations cannot afford to ignore.

Ontario's Standard Offer Program

Ontario's recently announced Standard Offer Program is intended to encourage the development of renewable energy generation within the limitations of the existing electricity grid. The program offers 20 year contracts for renewable energy projects of up to 10 megawatts, which can plug into existing distribution lines. It will pay 11 cents per kilowatt hour on hydro, wind and biomass generation and 40 cents for solar power. The program is generally based on a successful approach used in Europe to facilitate the expansion of renewable energy sources.

The approach is intended to promote community based projects, like cooperatives that reduce electricity costs and generate revenue for the proponents. The enhanced rates to be paid under these long-term contracts make such investment more feasible.

The program might offer First Nations unprecedented opportunities, but the opening is restricted by the limitations of the existing distribution and transmission grid. In most cases First Nations are at a disadvantage in the competition for access to the grid, as bigger players use more substantive access to capital and expertise to grab the available grid capacity.

There may be opportunities for joint ventures, but favorable terms will be required to make such joint ventures of any significant benefit to First Nations. Although the Standard Offer Program lists First Nations as a target group, there are no discernable provisions to address the unique circumstances of First Nation communities.

First Nations are governments whose interests require an active role in renewable energy projects. Most First Nations would have little interest in being passive partners by merely leasing lands for such projects. Renewable energy projects are more likely to be key components of community development strategies.

Commercial Energy Projects

Some First Nations might realize more significant economic benefits from undertaking larger scale commercial energy projects. Those with good locations for energy development may wish to pursue commercial projects as integral components of community development. Provincial procurement policies may already accommodate bilateral arrangements, but more specific measures may be required.

Again, grid limitations and competition present significant challenges. The potential benefits make positive action preferable to the status quo. Targeted grid expansion and innovative partnerships between First Nations and the private sector can make this new economy a reality. For instance, the location of inter-provincial grid extensions can be analyzed in terms of the benefits to local communities.

As development costs are significant in such projects, it would therefore be prudent to coordinate generation and transmission development.

The OPA Integrated Power System Plan

The Ontario Power Authorities' (OPA) Integrated Power System Plan (IPSP) is developing a twenty year plan for expansion that should take into account Northern Ontario's capacity for renewable energy development. The series of discussion papers that form the basis the recommendations appear to indicate some readiness for pursuing this, but the timeframes may not suit the immediate needs of First Nations for access to this market.

There is a need for more coordinated consideration of First Nation needs in this process, which is crucial to realizing whatever potential may exist. First Nations can play a positive role in facilitating the provinces plans if they can secure direct benefits.

Another aspect of power system expansion is the additional opportunities that might be available in providing transmission. There is no reason First Nations should not consider building transmission lines themselves. Transmission rates offer another potential source of revenue for First Nations, especially where Crown lands offer fewer complications for rights-of-way and construction.

Partnerships appear to be feasible where the strategic location of First Nations offer sufficient mutual benefits to the parties. First Nations can benefit from grid expansion, rather than suffering ill effects, as has often been the experience in the past. Direct involvement entails not only economic benefits, but direct input in limiting the negative impacts of such development.

As the IPSP recommendations are finalized and move toward official approval, it will be important to ensure that First Nations participation in the plan is adequately considered.

Private Sector Partnerships and Investment Strategies

First Nation projects will require creative financing arrangements, as there are minimal financial resources in most communities and government programs are very limited in what risk capital can be provided. First Nation-private sector partnerships are one key to capitalizing renewable energy projects, but few models exist for establishing such joint ventures in a manner that maximizes the benefits for First Nation communities.

Corporations and financial institutions need to recognize the potential benefits of working with First Nations. Where reserve lands have potential, there may be regulatory advantages over other sites that make projects more feasible. Joint ventures on Crown lands with energy potential pave the way for cooperation and diminish the potential for conflicting interests in First Nations traditional territories.

Energy projects and the associated economic spin-offs offer an economic boost where it is most needed, in First Nation and the local economies of the North. This would bode well both for industry and governments at all levels, while helping meet the growing energy demands in the South.

Reserve Land Issues

Always an important issue for First Nations, access to land is also of ultimate importance for renewable energy projects. While reserve lands may offer opportunities, most First Nations will not find it beneficial to lease reserve lands. Projects must offer clear economic benefits if First Nations are to commit such precious lands for such use. Each community will have to weigh the issues of benefits and land use.

The potential obstacles of federal Indian land management policies will need to be considered. For instance, rather than land designation and leasing, would Section 28(2) permits under the Indian Act be a more effective means to facilitate projects? How can the tax exemption be utilized to make projects and partnerships more viable? What about existing distribution lines on reserve? How can debt financing best be secured on reserve lands?

Access to Crown Lands

First Nation energy projects cannot be limited only to reserve lands. Renewable energy projects offer the prospect for mutual benefits to all parties. Notwithstanding the legal interests that may be retained in Crown lands, First Nations can access sustainable revenues from their traditional territory that lesson dependence on government transfers. Governments also make progress in meeting their targets to develop green energy and meet growing demand. Industry gains access to previously unavailable projects and cooperative ventures with First Nations. Citizens of the province benefit from more power, more moderate rate increases and the economic stimulus for local communities.

The more recent clarification of the Crown's legal duty to consult First Nations offers more potential opportunity. The notion of accommodation might well assist First Nations in engaging the Province and its agencies regarding First Nations participation in the energy industry.

A sense of urgency is compounded by the competition for potential energy sites on Crown land. Obviously, First Nations will be concerned where private interests may have secured access to Crown land in their traditional territories. Cooperation and partnerships can help alleviate potential problems. The positive potential is supported by a growing recognition by the corporate community that First Nations need more than a few jobs or token payments. First Nations require sustainable economic activity and many corporations are already designing investment strategies to accommodate these interests. It is crucial that there be a focused discussion about the Ministry of Natural Resources site release policy with respect to Crown land both within traditional territory and in the broader context generally for energy projects.

Some First Nations have been working with the MNR to get into hydro power (water) on Crown lands. Some consultants have also indicated a preference for looking off-reserve. There is also a need to consider what can be done where reserve lands are surrounded by park land, with a view toward accessing such lands for energy development.

Carbon Credits

Carbon credits, green tags, renewable energy certificates and government tax incentives to promote investment in renewable energy might offer additional potential to First Nation participation in the energy sector. Although the domestic market for carbon credits and green tags is not sufficiently developed in Canada, the international market might offer some opportunities.

The domestic market should follow the example being set in other jurisdictions, where the market for carbon credits is more highly developed and can be quite lucrative as polluting companies seek to offset their carbon emissions, by purchasing green tags that help finance investment in renewable energy.

Until the market develops in Canada, there is potential for some First Nations neighboring the United States to look at exporting energy to jurisdictions that will pay Renewable Energy Credits on top of the purchase of the energy. This would be feasible where the costs of export and wheeling through existing transmission systems make it economically viable.

First Nations have a direct interest in federal and provincial policies regarding carbon credits and tax incentives promoting renewable energy. For instance, it is not yet clear to many how Canada's recent announcements about promoting renewable energy will work. Does it include a renewal of the federal Wind Energy Production Incentive, which was to pay an additional cent for each kilowatt hour of wind energy? Could the Province consider a bilateral arrangement with First Nations that would provide carbon credit possibilities?

Best Practices

First Nations could also use some type of clearing house or centralized source for accessing information. A data base of best practices and standard development techniques would be useful to First Nations considering investment in renewable energy development.

There are First Nations across the province that have been involved in energy projects and have valuable experience. Many have undertaken hydro or water power projects. A number have been assessing the viability of wind, solar or biomass energy production. The Five Nations group in Northern Ontario has built and owns a transmission line on the west coast of James Bay.

It would be beneficial for First Nations to share their experiences and identify best practices in some coordinated and accessible fashion.

Analysis and Advocacy on Policy Issues

As mentioned at different points in this discussion paper, there are a range of policy issues pertinent to First Nations seeking to enter the energy industry. Whether it be legislation, policy or programs, issues of common interest need to be identified and analyzed from a First Nations perspective. In addition, where such issues need to be addressed by government, there needs to be a specialized advocacy effort. Perhaps governments will consider consultation mechanisms that facilitate communication on such policy issues.

The Concept of a First Nations Energy Alliance

Chief Robert Corbiere of the Wikwemikong Unceded Indian Reserve recognized the potential benefits for First Nations to work together on energy issues. The fact that government program transfers are not keeping pace with the needs of the First Nations community brought about a keen interest in the potential benefits of the energy sector. The potential for energy projects to bring much needed revenues and promote economic development lead Wikwemikong to look seriously at its potential for developing wind energy.

Wikwemikong's location on the largest freshwater island in the world at the top of Georgian Bay in Lake Huron offers plenty of potential for wind energy generation. However, it was soon discovered that this potential could not be developed without access to the provinces power grid. The limited capacity of the Island's existing distribution grid meant that Wikwemikong could not pursue the wind energy projects its location would allow.

Upon looking around at the situation of other neighboring First Nations, Chief Corbiere soon realized that all were in the same boat. Most First Nations appeared to face the same types of limitations with the existing provincial transmission grid. The observation led Chief Corbiere to initiate discussions with neighboring First Nations around Georgian Bay in April of 2006 in Parry Sound. At this meeting information about the industry was exchanged and a determination to begin working together was established.

Subsequent meetings at Walpole Island, Nawash and Magnetawan over the ensuing year resulted in the development of a Mission Statement for the establishment of a First Nations Energy Alliance. The purpose of the Alliance would be to work toward the common interests of First Nations with respect to the development of energy, while respecting the independence of each First Nation to pursue its individual projects.

First Nation Energy Alliance

Approved August 30, 2006 at Nawash First Nation

Vision Statement

Promote and foster the self reliance, self sufficiency and sustainability of First Nations and territories through the development of energy.

Mission Statement

The mission of First Nations Energy Alliance is to work cooperatively toward our common interests, with respect to energy as a component in achieving overall economic sustainability, while maintaining our independence and pursuing our own energy projects.

Values

Promote and protect the interests of future generations in keeping with the legacy of our ancestors

Work collaboratively while maintaining member independence and pursuit of their own energy projects

Recognition that developing energy resources requires long-term commitment and investment

Structure of Alliance

The First Nations Energy Alliance is an Association of First Nations

- ↯ A yearly membership will be required to cover administrative and related functions
- ↯ Individual First Nations will host meetings as part of their responsibilities of membership. This will include the provision of meeting space, meal etc.
- ↯ Delegates will be responsible for covering their own expenses to attend meeting and functions.
- ↯ Wikwemikong Unceded Indian Reserve has agreed to take the lead in facilitating the operations of the Alliance during the start up phase.
- ↯ Funding for Alliance initiated research, development and related activities may be sought as required.