



True North in  
Canadian public policy

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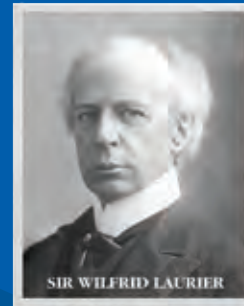
# CATCHING THE NEXT WAVE

## How BC First Nations Can Benefit from Another LNG Boom

Dr. Ken Coates



True North in  
Canadian public policy



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# Executive Summary

British Columbia Premier John Horgan recently announced special initiatives to encourage investment in the province's promising liquefied natural gas (LNG) industry. As with all natural resource activities in Canada, questions immediately emerged about the roles of First Nations people in the proposed major expansion of the industry.

Over the last decade, First Nations in British Columbia coped with the prospect of rapid growth in the provincial LNG sector. Project proponents introduced ambitious plans for multiple pipelines, large LNG processing plants, and major coastal transshipment facilities. Companies talked about multibillion dollar deals. The provincial government launched major gas-related training programs, preparing for a significant expansion of the resource economy.

In response, First Nations communities wrestled with questions about how and when to participate, and whether they should agree to construction proposals. These complex proposals placed enormous pressure on Indigenous communities and governments as they attempted to balance environmental concerns, the desire for jobs, business opportunities, and community priorities.

Then, in short order, came changes in prices and demand for LNG. One by one, the pipeline and plant proposals ran into difficulties. Some were cancelled outright. Others slowed. A few are awaiting final investment decisions. Communities that were preparing themselves for an economic boom just a short time ago are now enduring the withdrawal of investment capital and job losses. The promised – and still troubled – economic opportunities appeared to evaporate, leaving communities struggling to find alternatives.

If the LNG economy improves, First Nations will have another chance to carve out a sizeable and, one hopes, profitable place in the industry. But the patterns of the past will have to be replaced with faster, more decisive, and still environmentally protective decision-making that addresses long-term Indigenous aspirations.

The provincial government understands that British Columbia has an impressive combination of accessible natural-gas supplies, viable (if the markets improve) transportation routes, and faster access to major Asian markets. It is clear, further, that the government of BC believes that the active and voluntary participation of First Nations in the LNG sector and the broader natural-resource economy is central to the provincial effort. This paper outlines the following recommendations for a First Nations strategy on LNG engagement.

- Assess the economic aspirations of the First Nation.
- Evaluate the compromises the First Nation is willing to make to secure economic opportunity.
- Prepare for economic growth prior to the start of development pressure.
- Take early steps to identify crucial cultural, land, and environmental issues.
- Prepare the community for engagement with the LNG sector.
- Get to know the project proponent(s).
- Develop local technical expertise.
- Give careful thought to the benefits of full cycle environmental approaches.
- Consider equity investments.

- Proponents and the First Nation should establish and maintain conflict-resolution procedures, based on early alerts and transparent relationships.
- Prepare for the immediate opportunity, and plan for long-term benefits.

The recommendations outlined above are only part of the required comprehensive First Nation approach that is needed for proposed major resource developments and, specifically, LNG initiatives. The LNG sector has attractive elements: manageable environmental impact; large, multi-generational resource deposits; numerous business and employment opportunities; substantial revenues; and substantial prospects for community-owned equity.

Experience across Canada has shown that Aboriginal people can benefit from carefully planned, collaborative resource development. It is also obvious that First Nations that fail to anticipate developments and do not take protective, preparatory steps can lose out on significant opportunities. This paper provides a roadmap that would allow First Nations to take full advantage of proposed major resource developments, particularly in the LNG sector.

## Sommaire

Le Premier ministre de la Colombie-Britannique John Horgan a récemment annoncé des projets spéciaux visant à favoriser l'investissement dans la prometteuse industrie du gaz naturel liquéfié (GNL) de sa province. Comme pour tout ce qui concerne les activités liées aux ressources naturelles au Canada, on s'est questionné immédiatement sur le rôle que joueraient les Premières Nations ainsi que sur leur réaction à l'égard de l'expansion majeure proposée pour cette industrie.

Au cours de la dernière décennie, les Premières Nations de la Colombie-Britannique ont été confrontées à la perspective d'une croissance rapide du secteur du GNL dans leur province. Les promoteurs envisageaient d'ambitieux projets prévoyant la construction de nombreux pipelines, de vastes usines de transformation du GNL et d'importantes installations de transbordement côtières. Les entreprises parlaient de projets de plusieurs milliards de dollars. Parallèlement, le gouvernement provincial a mis sur pied d'importants programmes de formation orientés vers les secteurs connexes au gaz pour préparer l'expansion considérable de l'économie des ressources.

Les Premières Nations ont réagi en se posant d'angoissantes questions, à savoir comment et quand participer et s'il fallait appuyer les constructions proposées. Ces propositions complexes ont soumis les collectivités et les gouvernements autochtones à une pression énorme, alors même qu'ils tentaient de maintenir l'équilibre entre les préoccupations environnementales, la volonté de faire progresser l'emploi, les occasions d'affaires et les priorités des collectivités.

Puis, le contexte a changé rapidement en raison des prix et de la demande pour le GNL. Une après l'autre, les propositions de pipelines et d'usines ont rencontré divers obstacles. Certaines ont été purement et simplement annulées. D'autres ont connu des lenteurs. Quelques-unes sont en attente de décisions finales en matière d'investissement. Les collectivités qui se préparaient à un boom économique il y a encore très peu de temps voient maintenant les capitaux d'investissement se tarir et l'emploi reculer. Les possibilités économiques promises – et encore en difficulté – semblent s'évaporer, et les collectivités peinent à trouver des solutions de rechange.

Si la situation économique du secteur du GNL s'améliore, les Premières Nations auront une nouvelle chance de se tailler une place importante et, espérons-le, profitable à l'intérieur de cette industrie. Toutefois, pour répondre aux aspirations à long terme des peuples autochtones, les modèles du passé devront être remplacés par des processus de prises de décisions plus rapides et plus décisives, mais toujours respectueuses de l'environnement.

Le gouvernement provincial comprend que la Colombie-Britannique dispose d'une impressionnante combinaison de réserves de gaz naturel accessibles, de voies de transport viables (si les marchés s'améliorent) et d'accès rapides aux marchés asiatiques. Il est clair, en outre, que le gouvernement de la Colombie-Britannique croit que la participation active et volontaire des Premières Nations dans le secteur du GNL et l'ensemble de l'économie des ressources naturelles en général est essentielle à l'effort provincial. Cet article présente les recommandations que voici relatives à une stratégie favorisant la participation des Premières Nations à l'industrie du GNL :

- Déterminer les aspirations économiques de la Première Nation.
- Évaluer les compromis consentis par cette Première Nation pour garantir des débouchés économiques.
- Préparer la croissance économique avant que les pressions en faveur d'une mise en valeur ne se manifestent.
- Prendre rapidement les mesures permettant de cerner les questions culturelles, territoriales et environnementales de première importance.
- Préparer la collectivité à participer au secteur du GNL.
- Faire connaissance avec le ou les promoteurs du ou des projets.
- Développer l'expertise technique locale.
- Soupeser minutieusement les bienfaits des approches environnementales fondées sur le cycle de vie complet.
- Envisager des investissements dans le capital-actions.
- Établir conjointement (promoteur et Première Nation) des procédures de résolution de conflits et les tenir à jour, en misant sur des relations transparentes et en surveillant les premiers signaux d'alarme.
- Se préparer à tirer profit des possibilités qui peuvent apparaître spontanément et prévoir les bénéfices à long terme.

Les recommandations énoncées ci-dessus ne constituent qu'une partie de l'approche globale requise du point de vue des Premières Nations pour la mise en œuvre de grands projets de ressources et, plus particulièrement, d'initiatives dans le secteur du GNL. Ce secteur a des aspects attrayants : répercussions sur l'environnement contrôlables; vastes réserves de ressources sur plusieurs générations; nombreuses possibilités d'affaires et d'emploi; revenus considérables; importantes perspectives en matière d'équité au sein des collectivités.

L'expérience canadienne révèle que les Autochtones peuvent tirer profit d'une mise en valeur des ressources planifiée avec soin et de manière collaborative. Il est aussi évident que les Premières Nations qui ne parviennent pas à anticiper les développements à venir ni à franchir les étapes liées à la préparation et à la protection requises sont susceptibles de manquer des occasions extraordinaires. Cet article présente une feuille de route qui permettrait aux Premières Nations de tirer pleinement parti des principaux projets proposés de mise en valeur des ressources, en particulier dans le secteur du GNL.

# First Nations and Liquefied Natural Gas

In March 2018, British Columbia Premier John Horgan announced special initiatives to encourage investment in the province's promising liquefied natural gas (LNG) industry. Energy has been on the minds of British Columbians and Canadians over the last year, marked by the BC government's controversial decision to proceed with the Site C dam and its equally provocative opposition to the completion of the Kinder Morgan Trans Mountain pipeline. Weighing the options before it, including the need for new revenue streams to backstop the provincial budget, the NDP government opted to indicate its solid support for the development of the province's large natural gas deposits. As with all natural resource activities in Canada, questions immediately emerged about the roles and responses of First Nations people about the proposed major expansion of the industry.

The 2018 announcement did not catch First Nations unawares. Over the last decade, First Nations in British Columbia coped with the prospect of rapid growth in the provincial LNG sector. Project proponents introduced ambitious plans for multiple pipelines, large LNG processing plants, and major coastal transshipment facilities. Companies talked about multibillion dollar deals. The provincial government launched major gas-related training programs, preparing for a significant expansion of the resource economy.

But at the same time, First Nations communities wrestled with questions about how and when to participate, and whether they should agree to construction proposals. These complex proposals placed enormous pressure on Indigenous communities and governments as they attempted to balance environmental concerns, the desire for jobs, business opportunities, and community priorities.

Then, in short order, came changes in prices and demand for LNG. One by one, the pipeline and plant proposals ran into difficulties. Some were cancelled outright. Others slowed. A few are awaiting final investment decisions. Communities, which were preparing themselves for an economic boom just a short time ago, are now enduring the withdrawal of investment capital and job losses. The promised – and still troubled – economic opportunities appeared to evaporate, leaving communities struggling to find alternatives.

*“Recent experience taught First Nations that resource development opportunities can be fleeting.”*



Notably, however, prospects of LNG-based expansion have arisen again. The pressures are not immediate but there are possibilities that some of the projects will come back on line. First Nations in BC, having struggled to make decisions about development opportunities over the past decade, now face fewer high-pressure options and planning demands. Recent experience taught First Nations that resource development opportunities can be fleeting – the promises of one year can quickly become the disappointments of the next. If the LNG economy improves, First Nations will have another chance to carve out a sizeable and, one hopes, profitable place in the industry. But the patterns of the past will have to be replaced with faster, more decisive, and still environmentally protective decision-making that addresses long-term Indigenous aspirations.

It is not enough to say simply that First Nations across British Columbia face crucial decisions about their economic future. Natural gas development, gas pipelines, and liquefied natural gas production facilities are in operation, under development, or being considered for future implementation across the province. As First Nations approach this sector, which almost all do with caution and concern, they have to keep in mind several key elements:

1. **Power:** Indigenous peoples have substantial legal and political authority, particularly under the “duty to consult and accommodate” requirements established by the Supreme Court of Canada, that can and should influence the development of natural resources on their traditional territories. They have real power and have exercised this successfully in the last two decades.
2. **Experience:** Resource companies and the Government of British Columbia have considerable expertise in dealing with Indigenous rights, claims, and aspirations. They understand the need to adjust to Indigenous expectations. The opposition that characterized many of these relationships 40 years ago has been overtaken by greater collaboration, partnerships, and co-ordination in numerous instances.
3. **Pathways:** There are clear pathways for First Nations to follow in their discussions with resource companies, including those outlined in impact and benefit agreements, collaboration agreements, accords with governments, training and employment programs, joint ventures, and resource revenue-sharing agreements. Each First Nation need not develop new arrangements or strategies, in large part because governments and companies are governed in substantial measure by precedents.
4. **Capacity:** First Nations gain more benefits if skills, training, and employment programs, plus business development and joint-venture initiatives, are started well before production and operations occur. Ideally, high school and post-secondary programs would be in place for years before actual corporate activity comes in play. Across Canada, Indigenous capacity building starts too late for Indigenous peoples to fully capitalize on the opportunities in this sector.
5. **Benefits:** Increasingly, First Nations aren’t just negotiating for training and employment or direct financial contributions to communities from companies. They now can aspire to receiving substantial resource revenue sharing from governments, business development opportunities, and equity holdings in the resource companies and infrastructure.
6. **Engagement:** First Nations companies have emerged as key proponents in LNG development, offering equity positions, a role in governance, and greater integration of environmental concerns into management and operations. These firms give First Nations a key alternative to dealing with non-Indigenous companies and have the potential to be key intermediaries in the development process.
7. **Partnerships:** First Nations have to explore their potential partners in detail. Many companies have now secured Progressive Aboriginal Relations certification from the Canadian Council on Aboriginal Business or are working on inclusion strategies and demonstrating their ability to work successfully with Indigenous peoples and organizations.
8. **Prosperity:** For First Nations communities able to secure substantial agreements, the focus of governance and planning has begun to shift from managing poverty to managing prosperity. First Nations now implement agreements valued in the hundreds of millions of dollars and Indigenous companies are developing into profitable and successful entities. Managing community wealth is a formidable challenge for First Nations that long operated under colonial control and struggled with the domination of the Department of Indian Affairs. Autonomy beckons.

9. **Development Corporations:** Aboriginal Economic Development Corporations, or community-owned enterprises, play a crucial role in the development of commercial and employment opportunities. Development Corporations have often done an excellent job of capitalizing on employment and business opportunities within the sector and, equally important, of converting industry-specific activities into broader businesses engagement.
10. **Environment:** Given the primacy that Indigenous peoples and communities place on environmental protection, it is crucial that First Nations develop “full-cycle” strategies for environmental engagement. First Nations should be involved from exploration and development through the development and monitoring of infrastructure and holding a primary role in emergency response and reclamation.

To better understand the logic of potential engagement strategies outlined above, it is important to appreciate the evolution of First Nations involvement in the natural gas and LNG industry. First Nations in BC have been under intense pressure to engage with the LNG industry and the associated production and transmission facilities. The cancellation of the proposed \$35 billion PETRONAS LNG project (Pacific NorthWest LNG) in July 2017 upset provincial and federal expectations of continued energy development as the foundation for economic development. Groups like the Lax Kw’alaams Band devoted months to anguished and difficult community discussions about engaging with the mega-project, only to see their plans for job creation and wealth production evaporate. The Wet’suwet’en have experienced difficult disputes between hereditary and elected leadership, leaving community members divided about the future of LNG development.<sup>1</sup>

With the entire Canadian fossil-fuel sector facing considerable domestic and international turmoil, the break in development pressure gives First Nations in BC an opportunity to reflect on the risks, opportunities, and possibilities. Handled properly and with caution, participation in the LNG sector could produce long-term jobs, business-development opportunities, and a secure source of revenue for governments and for First Nations. Done poorly, Indigenous engagement with the natural gas and LNG sector generally could reproduce the problems and divided legacies of earlier resource projects.

*“Cautious participation in the LNG sector could produce long-term jobs, business-development opportunities, and revenue for governments and First Nations.”*




Much has changed in the relationships between Indigenous peoples and the natural-resource economy. Fifty years ago, First Nations communities had little, if any, say in the development of their traditional territories. After two major Supreme Court of Canada decisions (*Haida Nation* and *Taku River Tlingit First Nation*, both in 2004), Indigenous peoples secured the right of “duty to consult and accommodate.” Under the court-imposed rules, now ratified through a variety of federal, provincial, and territorial regulations and agreements, governments agreed to accommodate Indigenous participation in project-review and oversight processes. As a direct consequence, First Nations across the country have secured substantial financial payments, commitments to job training and hiring of their members, and extensive business opportunities.

As the natural gas and LNG industry expanded in British Columbia, First Nations now had the legal and political authority needed to secure substantial returns. While their legal power stopped short

of a veto over project development – although this matter became open to public debate after Canada endorsed the *United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP) in 2010 (Favel and Coates 2016) and more strongly in 2016 – First Nations had substantial ability to influence the pace and nature of natural-gas development in British Columbia.

In dozens upon dozens of communities, First Nations face difficult choices related to resource development in their traditional territories. Faced with high levels of poverty and unemployment, but eager to protect local eco-systems and traditional territories, they wrestle with difficult choices be-

**“LNG and natural gas projects are typically estimated in the hundreds of millions, if not billions, of dollars.**



tween stopping development and participating in the resource economy. In most communities, cautious approval is provided for the resource projects. There are literally hundreds of community agreements with mining companies, forestry firms, hydroelectric producers, and pipeline operators. These projects have produced millions of dollars in direct community benefits, led to the hiring of thousands of Indigenous workers, and underpinned the emergence of hundreds of Indigenous-controlled firms.

But participating in these development projects has carried significant costs for the First Nations: increased industrial activity on traditional lands, environmental change that is associated with even the best planned resource activities, socio-cultural disruptions connected to increased population and transformed economies, and the complex shifts that arise with increased wealth in the communities. In some cases, as with the 2014 Molly Polley mine disaster in British Columbia or a local oil spill, the development activity can also cause significant environmental disruptions.

No resource project, however well designed or well intentioned, is without some cost for the First Nations people involved. The issue, to be clear, is to identify an acceptable and clearly understood balance between the risks and benefits involved, with all of the activity wrapped in the inherent uncertainty of global resource prices. As stewards of their traditional territories, First Nations have deep cultural and traditional obligations to their ancestral lands and the local ecology. Finding the balance between economic opportunity, environmental security, creating jobs and businesses, providing for the long-term financial well-being of their community, and doing so in a manner that is culturally and politically sound are formidable challenges.

The financial stakes are high. LNG and natural gas projects are typically estimated in the hundreds of millions, if not billions, of dollars. Some communities face the prospect of receiving windfall financial benefits that could provide the First Nation with long-term financial security. Others, simply because of physical location and “geographic luck,” stand to receive few benefits from developments that pass only a few hundred kilometres away. If the projects proceed, literally billions of dollars will change hands and, for the first time in generations, Indigenous peoples will gain a significant portion of the financial returns. The LNG sector, as a consequence, presents First Nations with unprecedented and, therefore, extremely difficult choices about their future.

Before the 2017 provincial election, the Liberal government of British Columbia tied much of the province's economic future to the development of natural gas and liquefied natural gas (National Energy Board et al. 2013). The provincial government advertised its substantial advantages:

- large deposits of natural gas, located primarily in the Northern part of the province;
- ice-free ports with ready access to the large and growing Asian markets;
- a short and cost-effective transportation route to these Asian customers;
- a talented workforce; and
- strong government support and regulatory assistance for the sector.

As the Government of British Columbia declared:


The Government of British Columbia has been working closely with B.C. communities and First Nations, helping them prepare for the emerging opportunities and demands of a growing natural gas sector and a new LNG industry. Economic development, population growth and new demands on municipal services that support health, education and public safety have been anticipated. To help address these issues, community readiness plans are ready to be implemented as the need arises. First Nations have an important role in the development of our natural gas export potential and there is growing interest in, engagement with and support for the LNG industry from these communities. (“LNG in British Columbia: The opportunity”)

For the Government of British Columbia, natural gas development created an opportunity of potential province-wide economic significance, likely to produce large annual tax revenues to support government programs. The private sector investments in gas field development, transportation, LNG production, and related industrial activities promised to underpin provincial prosperity for decades to come, at least in the view of the provincial Liberal government.

Not everyone saw it the same way. The New Democratic Party and the Green Party worried about the provincial contribution to global CO<sub>2</sub> production. Environmentalists warned of dangers to provincial and local eco-systems. Some critics argued that the government's economic forecasts were too optimistic. And then the market interceded. The combination of shifting industrial demands, availability of energy alternatives (especially solar, wind, and nuclear), and a decline in the economies of East Asia undermined projections for natural gas and LNG production, resulting in lower gas prices. LNG projects that seemed eminently practical in 2015 were deemed, only two years later, to be non-viable.


Changing market conditions and shifting political realities – the formation of the NDP-Green coalition government in 2017 – altered government priorities and downgraded the status of fossil-fuel development. This created time and opportunity for First Nations in British Columbia to reflect carefully and thoughtfully on the long-term prospects for natural gas and LNG development in their territories. The resource remains in the ground and will be available in the years ahead. Even the most pessimistic forecast of oil and gas demand makes it clear that there will be a market – and potentially higher prices – for British Columbia energy commodities in the future.

*“Even the most pessimistic forecast of oil and gas demand shows a market for British Columbian energy commodities in the future.”*



But these are not assured. Other countries have ramped up natural gas production to meet the demand not addressed by Canadian producers. Alternative energy sources – solar and wind, in particular – may change long-term markets, but forecasts about the inevitable dominance of new

“ *First Nations now have the time to determine how best to engage with an industry that could produce jobs, wealth, and stability for their communities.*



energy systems seem overly optimistic. First Nations now have the time, with the risks and benefits of engagement in the natural gas and LNG sector clearly evidenced, to review options and possibilities and to determine, when and if they are ready, how best to engage with an industry that could produce jobs, wealth, and stability for their communities.

The NDP government has, with more caution than its Liberal predecessor, indicated an openness to discussing LNG development, understanding that BC has the impressive combination of accessible natural-gas supplies, viable (if the markets improve) transportation routes, and faster access to major Asian markets. It does this in the context of Premier John Horgan’s oft-repeated commitment to the *United Nations Declaration on the Rights of Indigenous Peoples* and an

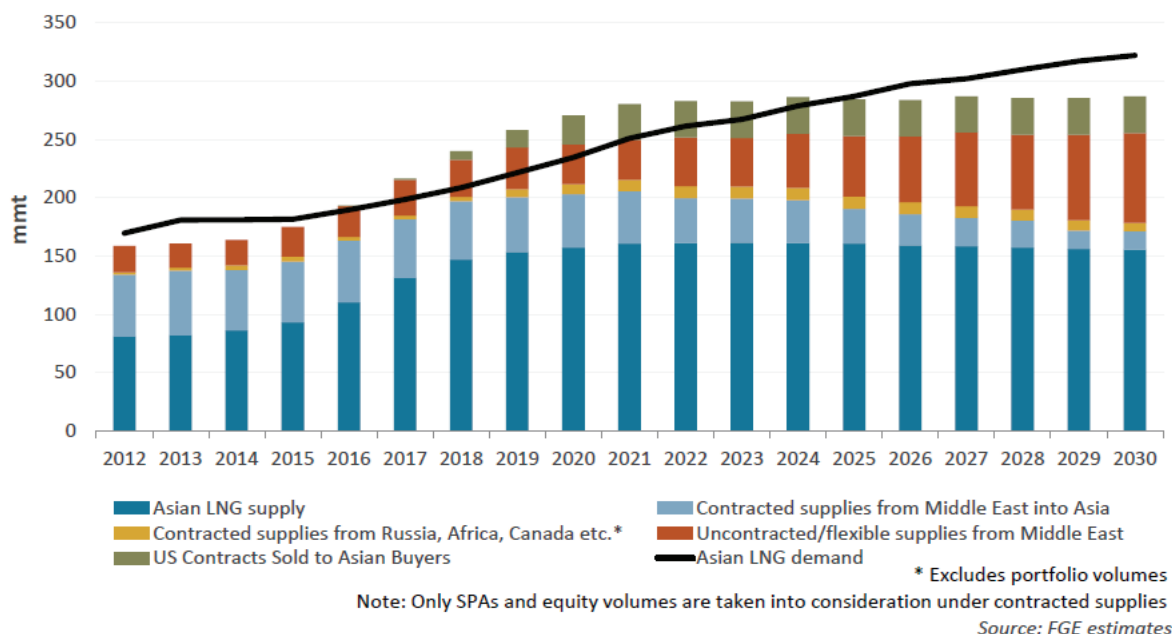
evident desire to work cooperatively with First Nations in the LNG sector and the natural-resource economy across the province. The frantic development pressures of the past five years have been replaced by a slower, more tentative approach, but one based on the province’s assessment that a global glut of LNG will ease by the early 2020s, potentially replaced by an international shortfall in the subsequent years.

Even as projects were suspended or cancelled, the industry remained optimistic about the long-term benefits. As the CBC reported, when Shell announced the ending of the Prince Rupert LNG project, the company notes that it:

continues to actively move forward on the proposed Kitimat, B.C.-based LNG Canada project with its partners, though last year it indefinitely deferred a final investment decision on it because of market conditions. LNG expectations have taken a hit in recent years as the global markets have been flooded by supply. . . . It still sees the LNG Canada project as an opportunity to bring Canadian gas resources to a global LNG market, where it expects to see a growth rate of between four and five per cent between 2015 and 2030. (Canadian Press 2017)

Forward-looking market assessments make it clear that LNG demand will continue to grow, and, logically, offer opportunity for British Columbia supplies to find eager consumers. See chart 1 showing the potential demand for LNG in Asia through 2030.

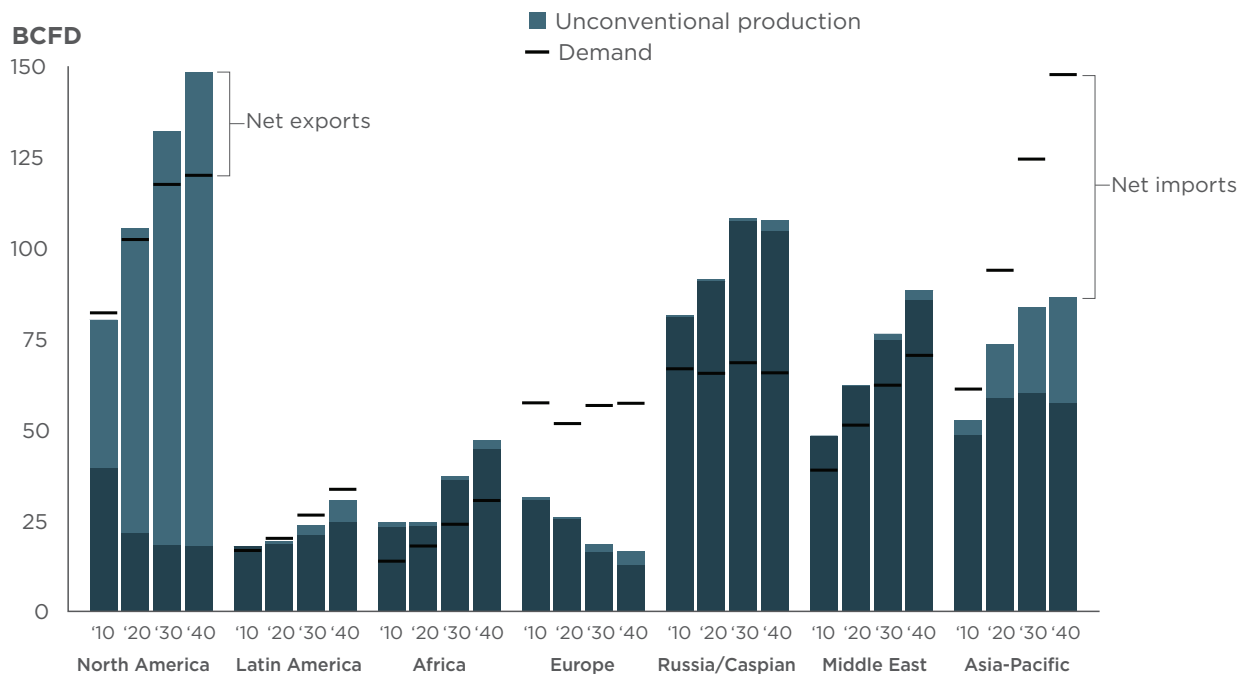
**CHART 1: ASIA'S POTENTIAL LNG SUPPLY AND DEMAND, 2012-2030**



Source: Pitatzis 2016; data from FGE estimates.

Chart 2 shows the expected trade balance in natural gas through 2040; the Asia-Pacific region is expected to continue to be net importers.

**CHART 2: PROJECTED NATURAL GAS TRADE BALANCE BY REGION, 2010-2040**



Source: Pitatzis 2016.

The prospect is fuelled by the extraordinarily rich natural-gas deposits, conventional and unconventional, to be found in the province and surrounding regions. In 2011, British Columbia produced about one-third of the 10 billion cubic feet per day produced in Canada. Since that time, production has shifted from conventional to unconventional gas production, with exploration efforts identifying vast quantities of commercially viable natural gas. The problem lay with distribution – particularly the development of pipelines to get the supplies from the source wells to coastal ports. The shortage of pipeline space created a bottleneck in the supply chain. Available supply skyrocketed. Global markets grew. But the ability of Canadian producers to sell their commodities overseas remained seriously constricted.

***“ Global markets grew.  
But the ability of  
Canadian producers to  
sell their commodities  
overseas remained  
seriously constricted.”***

A technical solution was readily at hand. Natural gas is difficult and costly to ship in a conventional manner. But liquefied natural gas, produced by reducing the temperature of the gas and shrinking it to about 1/600<sup>th</sup> of its standard volume, was easier to distribute by sea using specially designed LNG ships. The LNG is reconverted to the standard gaseous state upon delivery to the consumer. The developing system allowed producers to reach distant markets, providing an opportunity for Canadian companies to sell and distribute their product to high-volume, high-cost markets.<sup>2</sup>

These technological solutions convinced companies and the Government of British Columbia to make and consider large investments in the sector, including in exploration, domestic pipelines, coastal shipping facilities, and LNG conversion plants. For the government of British Columbia, natural gas, LNG, and the associated infrastructure had the potential to lead the province to long-term prosperity.

## Natural Gas Deposits in BC

**T**here are vast quantities of natural gas located on the traditional lands of the First Nations in British Columbia, particularly in the northeastern part of the province (see map 1).

Four areas – the Horn River Basin, the Montney Basin, the Liard Basin, and the Cordova Embayment – all hold large amounts of natural gas. Bordering areas, particularly in southeast Yukon and northwest Alberta, likewise have large exportable deposits. Managed properly, these resources could well produce energy and income for over three centuries. Managed poorly – through over-consumption, lack of attention to local environmental impacts, replacement through alternative energy sources, or delays in responding to market demand – the natural gas could sit undeveloped. The BC government, particularly under the pre-2017 Liberals, counted on natural-gas development and LNG exports to drive the provincial economy and support government activities for generations (British Columbia and BC Jobs Plan).

## MAP 1: UNCONVENTIONAL GAS DEPOSITS IN NORTHEAST BRITISH COLUMBIA



Source: Natural Resources Canada 2017, figure 1.

Emerging and evolving extraction technologies, particularly hydraulic fracturing (fracking), has allowed resource companies to extract natural gas that previously was locked in what is described as the West Canadian Sedimentary Basin. Described as *unconventional gas* (conventional natural gas is that which flows freely to the surface when tapped), these deposits have become commercially viable only when new technologies allowed developers to unleash the energy potential locked in subsurface areas. Each of the four BC deposits differs substantially in the underground formations and requires modified approaches – with varying costs and risks – to drive the gas to market.

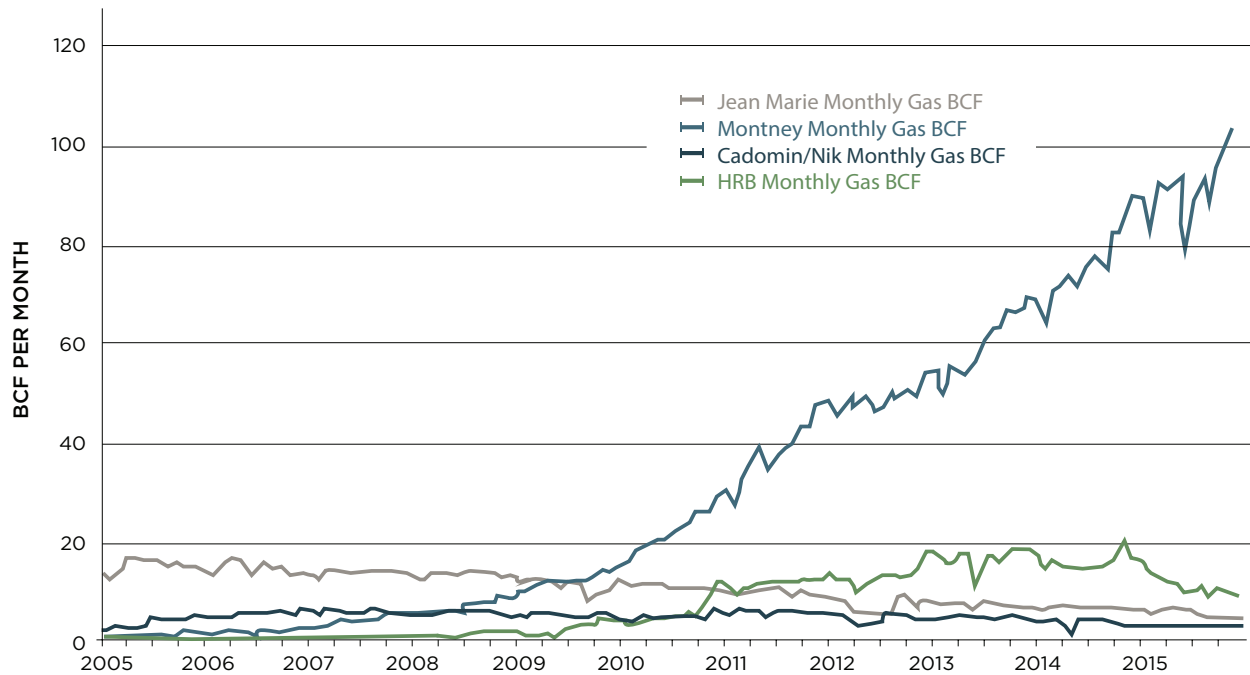
Only a decade ago, commentators were speaking about “peak oil” and the prospects of sky-rocketing prices for conventional fossil fuels. This, in turn, sparked major investments in the Alberta oil sands, one of the

world’s largest deposits of harvestable oil reserves. Some analysts anticipated \$200 per barrel for oil and growing demand for finite quantities of natural gas. Hydraulic fracturing systems had been known for decades, but major improvements in drilling technologies, particularly horizontal drilling, and other extraction techniques, allowed for the development of vast reserves of fossil fuels locked in shale and other formations.

With stunning speed, highlighted by major deposits in North Dakota, Montana, and across Western Canada and supported by comparable developments globally, the world shifted from a concern about looming energy deficits to substantial energy surpluses in many areas. Natural gas and shale gas have transformed the global energy supply industry and foreshadowed even greater growth in the sector (Energy and Mines Ministers’ Conference 2013). In British Columbia, the production of unconventional natural gas jumped five times from 2005 to 2015 (see chart 3), making up 80 percent of British Columbia’s natural gas production, with access to markets and global demand replacing available supply and local production concerns as the primary determinants of overall activity.

“*Managed properly, these resources could produce energy and income for over three centuries.*”

**CHART 3: BC UNCONVENTIONAL MONTHLY RAW GAS PRODUCTION, 2005-2015**



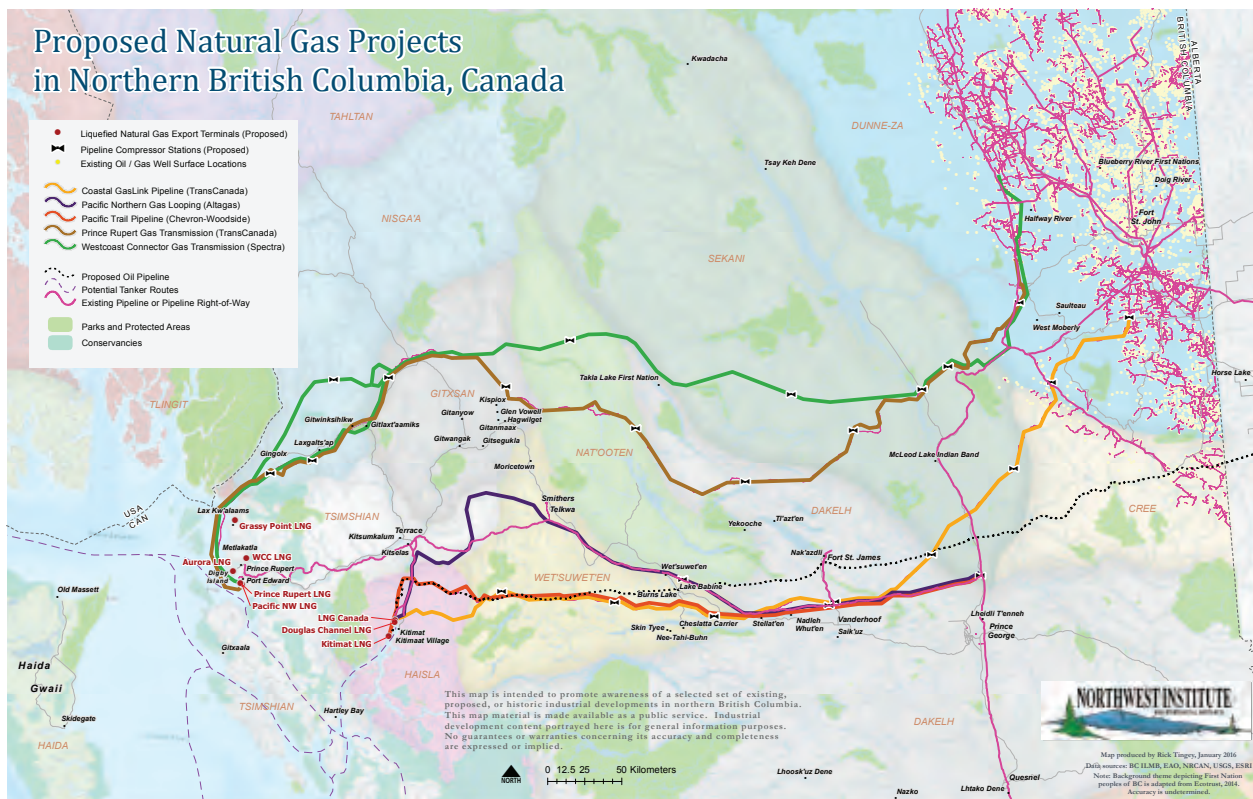
Source: BC Oil and Gas Commission 2015.

Much of this activity came from the rapid development of reserves in the Montney region in north-east British Columbia and across the border in northwest Alberta. The surge in production and commercially viable resources was not matched, however, with ready access to global markets.

It is important to have a sense of the scale and potential impact of the Montney region, now known to be one of the largest such deposits in the world and potentially the foundation for regional and national prosperity for decades to come. As one government report observes, “The potential for unconventional petroleum in the Montney Formation is estimated to be very large with expected volumes of 12,719 billion m<sup>3</sup> (449 Tcf) of marketable natural gas, 2,308 million m<sup>3</sup> (14,521 million barrels) of marketable natural gas liquids (NGLs), and 179 million m<sup>3</sup> (1,125 million barrels) of marketable oil” (National Energy Board 2017). To put these numbers in context, in 2012, Canada consumed 88 billion m<sup>3</sup> (3.1 Tcf, or trillion cubic feet), or 1/145<sup>th</sup> of Montney’s reserves. Expectations are that this one region – and it is only one of several high-volume gas plays in Western Canada – will continue to grow in production and value, generating vast quantities of natural gas available for export (National Energy Board 2017).

Map 2 shows LNG projects in northern British Columbia, many of which are located in, pass through, or otherwise affect First Nations lands and territories.

## MAP 2: LNG PROJECTS IN NORTHERN BRITISH COLUMBIA



Source: LNG in Northern BC 2015.

For First Nations with natural-gas deposits on reserve lands or on their traditional territories, the development of unconventional gas deposits holds substantial financial potential, with associated risks and questions. For First Nations whose lands sit across pipeline corridors, which are needed to take the gas to domestic, US, and international markets, the delivery of natural gas could likewise produce economic and employment opportunities. Further, for those First Nations on whose lands LNG plants can be developed, the industry could produce extremely large financial returns.

All these opportunities face an obvious problem: the natural gas is located far from markets and has to be delivered in a cost-effective manner in order for developments to be profitable. With the United States experiencing a massive expansion in unconventional gas markets, and with Canada well-served by available resources, the key to Canadian opportunities in the area rests with delivering the supplies to distant foreign consumers. This, in turn, requires the development of liquefied natural gas systems.

For First Nations in British Columbia, the questions are straightforward:

- Do First Nations support gas production on their traditional lands?
- Can First Nations, using the duty to consult and accommodate requirements as laid out by the Supreme Court of Canada, secure appropriate and acceptable terms for the development of these gas deposits?
- Are First Nations able and willing to allow pipeline construction across their territories and will they be compensated appropriately for allowing this work to proceed?

# First Nations and Natural Gas Pipeline Proposals

First Nations in British Columbia negotiated hard with project proponents, and discovered companies willing to accommodate their interests. Over a few years, the majority of First Nations communities along the pipeline corridors secured agreements with the companies. The work focused on four proposed natural gas pipeline projects: Prince Rupert Gas Transmission (PRGT), Coastal GasLink (CGL), Pacific Trail Pipeline (PTP), and the Westcoast Connector Gas Transmission (WCGT) project (map 3 shows where these are located). More than 60 agreements were reached with First Nations along these routes, representing close to 30 communities (British Columbia, “First Nations and LNG”).

**MAP 3: NATURAL GAS PIPELINES AND LNG INFRASTRUCTURE**



*Source: British Columbia, “Natural Gas Pipelines.”*


The arrangements differed according to the territories involved, the scale of the project and other considerations. In general, however,

Under the agreements, the First Nations will allow the pipeline to traverse their traditional territories, to which they hold Aboriginal rights and title. . . . In exchange for entering into agreement with the province, each First Nations group will receive “milestone” payments at certain points along the pipeline process. . . . These include: an initial payment and subsequent payments when the pipeline starts construction and when it goes into production, as well as ongoing benefit payments for the life of the project. (Magill 2017)

Agreements were reached with 17 of 19 First Nations along the Prince Rupert Gas Transmission line, which was scheduled to run from Hudson’s Hope to the Prince Rupert area. The Coastal GasLink project – Dawson Creek to the Kitimat area – had agreements with 17 of 20 First Nations along the corridor. The proposed Westcoast Connector Gas Transmission Project, from northeast British Columbia to Prince Rupert, had agreements with 15 of 19 First Nations. The pipeline supported by the First Nations Limited Partnership to complete the Pacific Trail Pipeline had agreements with all 16 First Nations along the corridor which ran from Summit Lake to Kitimat. Clearly, Indigenous communities have been able to identify their concerns, primarily related to environmental protection and community benefits, and secure acceptable returns.

Indigenous engagement with the natural-gas sector stood in stark contrast to the region-wide concerns with the initial proposal for the Enbridge diluted-bitumen pipeline project planned for north-central British Columbia. While Enbridge secured more First Nations participation over time, the Northern Gateway project foundered on widespread public opposition (Crowley and Coates 2013). After securing conditional approval by the National Energy Board and the Government of Canada, the Enbridge project was cancelled by the new federal Liberal government in 2015.

*“ More than 60 agreements were reached with First Nations along four major pipeline routes in BC.*



## PROPOSED LNG PRODUCTION FACILITIES

Producing natural gas was proceeding apace throughout the 2010s. Pipeline projects had secured substantial, if not quite unanimous, support from the First Nations along the corridors. Complex regulatory regimes were in place governing all aspects of the production and distribution systems. Producers were confident that international markets existed for British Columbia. The crucial missing stage was LNG production facilities. Within a few years, proponents brought forward 19 separate LNG export plans. As of fall 2017, Woodfibre LNG near Squamish, BC remained in development and work was continuing on LNG Canada (British Columbia 2017). In each instance, proponents started talks with First Nations communities in the area, in some instances holding out the prospect of tens of millions of dollars in local benefits. Proposed projects, each one requiring substantial corporate investments in planning, negotiations, and other preliminary work, included the projects listed in table 1.

**TABLE 1: PROPOSED LNG PROJECTS IN BC**

Project	Proponent(s)	Location
<b>Aurora LNG</b>	Nexen Energy (subsidiary of CNOOC Ltd.), INPEX Corporation, and JGC Corporation	Digby Island
<b>Cedar LNG</b>	Cedar LNG Export Development Ltd.	Kitimat
<b>Discovery LNG</b>	Rockyview Resources Inc.	Campbell River
<b>Grassy Point LNG</b>	Woodside Energy Ltd.	Grassy Point, north of Prince Rupert
<b>Kitimat LNG</b>	Chevron Canada Limited and Woodside Energy International (Canada) Limited	Kitimat
<b>Kitsault Energy project</b>	Kitsault Energy Ltd.	Kitsault
<b>LNG Canada</b>	Shell Canada, PetroChina Company Limited, Korea Gas Corporation (KOGAS), Mitsubishi Corporation	Kitimat
<b>NewTimes Energy</b>	NewTimes Energy Ltd.	Prince Rupert area
<b>Nisga'a LNG</b>	Nisga'a Nation	north of Prince Rupert
<b>Orca LNG</b>	Orca LNG Ltd.	Prince Rupert
<b>Pacific Northwest LNG Cancelled</b>	PETRONAS, JAPEX, PetroleumBRUNEI, Indian Oil Corporation, and Sinopec / Huadian	Lelu Island, District of Port Edward
<b>Steelhead LNG: Malahat LNG</b>	Steelhead LNG Corp., Seven Generations Energy Inc.	Saanich Inlet, near Mill Bay, Vancouver Island
<b>Steelhead LNG: Sarita LNG</b>	Steelhead LNG Corp., Seven Generations Energy Inc.	Sarita Bay, near Bamfield, Vancouver Island
<b>Stewart Energy LNG</b>	Canada Stewart Energy Group Ltd.	Stewart
<b>Triton LNG</b>	AltaGas Ltd. and Idemitsu Canada Corporation	No site has been chosen, but Kitimat and Prince Rupert are under consideration.
<b>Watson Island LNG</b>	Watson Island LNG Corporation (WILNG)	Prince Rupert
<b>WCC LNG Ltd.</b>	ExxonMobil Canada Ltd. and Imperial Oil Resources Limited	Prince Rupert
<b>WesPac LNG</b>	WesPac Midstream - Vancouver LLC	Tilbury Island, Delta
<b>Woodfibre LNG Project</b>	Woodfibre LNG Limited	Squamish

In addition, four other proposals described in table 2 have been under serious consideration.

**TABLE 2: LNG PROPOSALS UNDER CONSIDERATION IN BC**


Project	Proponent	Location
<b>AltaGas</b>	AltaGas Ltd.	proposal to build small LNG facilities throughout northern BC
<b>Ferus</b>	Ferus Natural Gas Fuels Inc.	Fort Nelson
<b>Mt. Hayes Natural Gas Storage Facility</b>	FortisBC	Ladysmith
<b>Tilbury LNG facility*</b>	FortisBC	Tilbury Island, Delta

\*Note: this facility is undergoing an expansion. WesPac LNG is proposing to export supply from the facility following the expansion project (British Columbia 2017).

The Province of British Columbia clearly saw LNG development as key to the future of the regional economy. They made clear commitments to the sector, reviewing almost 20 export projects. The National Energy Board, a federal regulatory agency, approved 18 export licenses. Environmental assessments were launched by the BC Environmental Assessment Office and the Canadian Environmental Assessment Agency and, in several instances, were completed, typically with significant Indigenous engagement (British Columbia, “B.C. LNG Projects”).

The scale-up scenarios called for the massive expansion in the number of exploratory and operating wells, requiring a steady supply of skilled labour and technologists, speedy regulatory approval, and full cooperation with Indigenous communities. Over the past 10 years, as British Columbia accelerated its commitment to the natural gas economy, First Nations found themselves facing substantial pressure to engage with project proponents. For many of these communities, the interest by pipeline firms, LNG companies, and the Government of British Columbia presented the first substantial opportunity in generations for local prosperity, substantial employment, and local business development. Whatever the shortcomings of the natural gas economy, no other sector has the potential to provide as many jobs or as much community income in the coming decades.

*“ Whatever the shortcomings of the natural gas economy, no other sector has the potential to provide as many jobs or as much community income in the coming decades.”*



## THE PETRONAS PROPOSAL

The highest profile LNG proposal, slated for the Prince Rupert region and with a budget that started at \$11 billion and expanded to more than \$35 billion by 2017, started with PETRONAS, a state-owned firm based in Malaysia. They were joined in the proposal by four other firms: China Petrochemical Corp., Japan Petroleum Exploration Co., Indian Oil Corp., and Brunei National Petroleum Co. Two First Nations, Lax Kw’alaams and Metlakatla, were given a role in the environmental assessment of the LNG project facility and associated port project, with the promise of millions of dollars in direct benefits to the communities involved (Hunter 2017). Further agreements followed. The Kitselas First Nation secured an accord that offered them \$13 million, more than 1200 hectares of land, and an annual contribution of \$500,000 for the life of the project.

PETRONAS provided other commitments to the Kitselas. Lax Kw’alaams and Metlakatla secured promises of \$200 million, additional Crown lands, and revenue sharing. Negotiations continued with other First Nations, including the Gitga’at, Kitsumkalum, and Gitxaala. The agreements came only after extensive and often acrimonious debates at the local level. Lax Kw’alaams, in particular, had significant concerns over the location of planned facilities, turning down a \$1 billion commitment but indicating a willingness to continue discussions about site development.


The PETRONAS project was suspended in 2017, ending the planned investment of more than \$35 billion in the region and eliminating the employment and business development possibilities for local First Nations.

## EAGLE SPIRIT ENERGY PIPELINE PROPOSAL

The most prominent Indigenous initiative in the energy sector came with the emergence of the Eagle Spirit Energy Pipeline project, led by First Nations entrepreneur Calvin Helin of Lax Kw'alaams. The pipeline corridor idea focused on shipping partially processed bitumen from the Fort McMurray region to international markets via Prince Rupert. The same corridor, Eagle Spirit declared, could be

used for a natural-gas pipeline project, improved rail and highway systems, power transmission lines for locally produced electricity, fibre-optic cabling, and other elements.

*“Eagle Spirit uses a single corridor to carry a variety of energy and transmission lines, minimizing intrusions and environmental impact.”*



The core concept was to use a single corridor to carry a variety of energy and transmission lines, minimizing intrusions and environmental impact. The multi-billion-dollar proposal sought to connect to a variety of LNG initiatives in Kitimat and Prince Rupert and to put First Nations at the centre of a major natural-resource enterprise. This initiative promised substantial Indigenous equity holdings, and active participation in everything from environmental assessment to coastal monitoring and emergency response (Priaro 2016; Morgan 2015).

The Nisga'a Lisims government supported Indigenous-led investments, highlighting their role as business partners in an enterprise that promised substantial economic returns to the region. As the Nisga'a (2015) observed in supporting the project:

The following principles represent the position of First Nation People in BC as it relates to resource and other developments. We declare that we:

- are the owners and stewards of the land;
- must provide permission and consent to any project in our territory;
- must have a fair and equitable share in any project that occurs on, or runs through, our territory;
- will create the Environmental Regulations for all land-based developments, based on our own Traditional Laws, that will set the standards world-wide;
- will remain the Stewards of Land, and will have sole responsibility to monitor all projects as they are developed, and throughout their life-cycle;
- will determine which projects will be approved through a strict decision-making process which considers such factors as environmental impacts, stewardship and sustainability; adherence with our Traditional Laws and the Economic Value to our Nations; and
- declare that our land is not for sale and will not be leveraged, but we will engage in projects where we have ownership.

## LNG PLANS FOR THE HAISLA NATION

The Haisla Nation, initially under the leadership of Chief Ellis Ross and now led by Chief Crystal Smith, has long been the most active in supporting LNG development in their region. They worked closely with a group called LNG Canada, which brought together Shell, PetroChina, KOGAS, and the Mitsubishi Corporation, working toward a major export terminal in Kitimat, in Haisla territory. The project, which secured regulatory approval, had an estimated cost of \$25–40 billion. It secured regulatory approval early in 2016 but has not yet moved into development (Kitimat 2016). The Haisla were also involved in the Cedar LNG project and applied for additional LNG export licenses in 2014 (Kitimat 2016).

## FIRST NATIONS LNG ACTIVITY

There are abundant indications of First Nations' engagement in the LNG activity. The Kitselas First Nation, as discussed, had active involvement in the Pacific NorthWest initiative. Treaty 8 nations had economic benefit agreements, as did the Haisla. In addition, the pipeline proponents had signed more than 60 accords with First Nations. The agreements were not without controversy, including a high-profile dispute with the Gitksan over the role and autonomy of hereditary chiefs, and debate about who was authorized to represent First Nations communities (Jang 2017). The Natural Resource Aboriginal Liaison Program is expanding its engagement with northern British Columbia First Nations, starting pilot programs educating people in project engagement, Aboriginal knowledge agreement, field inspections, environmental procedures, emergency responses, providing guidance in natural resource development, and hosting community information sessions.

## FIRST NATIONS LIMITED PARTNERSHIP (FNLP)

One of the largest initiatives involves the First Nations Pacific Trail Pipelines (PTP) Group Limited Partnership (FNLP). Some 16 First Nations are engaged in the initiative. The collaboration, described above, includes participation agreements with the province of BC with the following groups (British Columbia, "Natural Gas Benefits Agreements"):

- Haisla Nation – 2009
- Kitselas First Nation – 2008
- Lax Kw'alaams Band – 2008
- Lheidli T'enneh First Nation – 2008
- McLeod Lake Indian Band – 2009
- Metlakatla First Nation – 2008
- Moricetown Indian Band – 2015
- Nadleh Whut'en First Nation – 2008
- Nak'azdli First Nation – 2008
- Nee Tahi Buhn Indian Band – 2008
- Saik'uz First Nation – 2008
- Skin Tyee First Nation – 2008
- Stellat'en First Nation – 2008
- Ts'il Kaz Koh First Nation – 2008
- Wet'suwet'en First Nation – 2008
- West Moberly First Nation – 2009

There are many other natural gas and LNG-related agreements with First Nations in the province (British Columbia, “Natural Gas Benefits Agreements”):

- Lax Kw’alaams LNG Benefits Agreement – 2017
- Lax Kw’alaams LNG Benefits Agreement Coastal Fund – 2016
- Metlakatla LNG Coastal Fund Benefits Agreement – 2016
- Metlakatla Pacific North West LNG Benefits Agreement – 2016
- Amendment Agreement (1) – 2016
- Amendment Agreement (2) – 2017
- Agreement on Environmental Monitoring of the Pacific Northwest LNG Project (Lax Kw’alaams and Metlakatla) – 2017
- Coastal First Nations Great Bear Initiatives Society LNG Benefits Agreement (Wuikinuxv, Heiltsuk, Kitasoo/Xaixais, Gitga’at, and Metlakatla) – 2016
- Coastal First Nations Great Bear Initiatives Society Letter of Understanding on Environmental Quality and LNG Developments on the North Coast, and Skills Training & Employment Coastal First Nations Great Bear Initiatives Society LNG Benefits Agreement (Wuikinuxv, Heiltsuk, Kitasoo/Xaixais, Gitga’at, and Metlakatla) – 2016

Several First Nations have secured agreements from LNG project proponents, mostly covering contracting opportunities and employment and training programs (British Columbia, “First Nations and LNG”). The PTP Aboriginal Skills to Employment Partnership (PTP ASEP) provided training in such fields as Core Certification, Environmental Tech Certification, Fish Habitat Monitor, Heavy Equipment Operation and Industry Essential Skills, and Pipeline Construction Training (Chevron Canada 2018).

This agreement provides an outline of the scale and nature of engagement strategies in the natural-gas and LNG industry. First Nations people and companies secured work in many different areas, from security to transportation, logging and camp services, ambulances and security, and environmental assessment and monitoring. According to a report by Chevron Canada (2018), the partnerships produced sizeable outcomes:

- Some 1600 First Nations trained through PTP ASEP; some 900 participants found employment.
- Almost two-thirds of the construction work was done by Indigenous workers.
- FNLP businesses secured two-thirds of the construction contracts in total value. On the LNG plant near Kitimat, some 85 percent of the contracts went to Haisla Nation businesses.
- FNLP members received more than \$15 million in payments through benefit agreements.

The scale of what was possible through LNG engagement was demonstrated through the Pacific NorthWest LNG project and its partnership agreement with the Lax Kw’alaams Band and Metlakatla First Nation. The accord promised benefits worth some \$150 million, including funds for their trust funds, infrastructure developments, land, and annual payments. These are large sums for any community. But for poor and long marginalized communities, with limited economic prospects, these agreements offered a foundation for expanded work, business development, and general prosperity.

The First Nations did not leap into these agreements without cautious negotiations, placing a strong priority on environmental safety, protection of traditional and sacred sites, and long-term community viability. Each community debated these matters extensively, and often with considerable difficulty. Everyone knew what was at stake in these agreements and processes. As Chief Harold Leighton of Metlakatla commented, “Revenue sharing is going to change the communities, and hopefully one day, those communities will be self-sufficient” (Kretzel 2017).

There are numerous LNG initiatives with substantial First Nations involvement, including collective initiatives such as the PTP and a proposal emerging from the Carrier-Sekani First Nation. These plans share key elements: collective management, significant opportunities for First Nations ownership, a focus on environmental sustainability and protection, and a consistent effort to promote local job creation and training. These efforts, all slowed if not sidelined by the current downturn in LNG markets, demonstrate substantial First Nations’ interest in industry engagement and a determination to ensure that, if and when development proceeds, Indigenous communities share in the planning, construction, management, oversight, and financial returns.

## FIRST NATIONS LNG TRAINING AND RESEARCH PROGRAMS

Project proponents and the Government of British Columbia supported Indigenous engagement through a variety of skills and employment programs. High school students in Kitimat and Terrace, for example, had access to scholarships for advanced study in the trades. The provincial government created a \$30 million Aboriginal Skills Training Development Fund. More than 1000 Aboriginal people participated in the program in 2015/2016 (British Columbia, “First Nations and LNG”; British Columbia, “Natural Gas Benefits Agreements”). A specialized fund for research and environmental monitoring committed \$30 million for projects across the North (British Columbia, “First Nations and LNG”).

One of the more interesting initiatives – a collaboration of the governments of British Columbia, Canada, First Nations, and the LNG sector – involved an Environmental Stewardship Initiative (ESI), based on five working groups (Skeena, Omineca, Northeast, and North Coast plus Governance), which was created with some \$60 million in total funding. First Nations could develop and recommend projects in the areas of assessment and monitoring, site restoration, Indigenous knowledge and related research, and the preparation of Indigenous stewardship strategies; fund training programs; and otherwise focus on addressing the environmental aspects of pipeline, processing, and shipping aspects of the LNG sector. The goal of the ESI and other initiatives was to ensure that First Nations communities were prepared for LNG opportunities, when they arrived (British Columbia, “Environmental Stewardship Initiative”).

*“ The Environmental Stewardship Initiative aims to ensure that First Nations communities are prepared for LNG opportunities when they arise.*



## NATURAL GAS REVENUES TO FIRST NATIONS

From the outset, Indigenous communities saw natural gas and LNG development as an opportunity for long-term economic viability. Each of the projects included sizeable payments, targeted at com-

munities, and longer-term resource revenue-sharing agreements. First Nations negotiated hard to secure a substantial financial return, but realized that the funding really came into effect when the projects proceeded. But even here, Indigenous communities did not rush into agreements, turning down financial inducements that ran into the hundreds of millions of dollars if other conditions were not appropriate.

A 2016 review of the financial returns to First Nations from Natural Gas Pipeline Benefit Agreements between the Government of British Columbia and Indigenous Groups associated with natural gas initiatives documents the scale of the enterprise (Vypovska and Johnson 2016). The results are in table 3.

**TABLE 3: FINANCIAL RETURNS TO FIRST NATIONS FROM NATURAL GAS PROJECTS, 2016**

			<b>Coastal GasLink Pipeline Project</b>		<b>Prince Rupert Gas Transmission Project</b>		<b>Westcoast Connector Gas Transmission Project</b>	
First Nation	#	Pop.	Project Payment, \$	Additional Payment, \$	Project Payment, \$	Additional Payment, \$	Project Payment, \$	Additional Payment, \$
<b>Doig River First Nation</b>	1	303	1.17M	175,500	1.12M	168,000		
<b>Gitanyow Nation</b>	2	846			1.15M	230,000	1.13M	226,000
<b>Gitxaala Nation</b>	3	1916			1.54M	308,000	1.64M	328,000
<b>Halfway River First Nation</b>	4	277	2.03M	406,000	1.68M	336,000		
<b>Kitselas First Nation</b>	5	655	1.15M	230,000	1.76M	352,000	1.59M	318,000
<b>Lake Babine Nation</b>	6	2488			3.24M	324,000		
<b>Lheidli T'enneh</b>	7	419	1.24M	248,000				
<b>McLeod Lake Indian Band</b>	8	551	3.38M	338,000	2.95M	295,000		
<b>Metlakatla First Nation</b>	9	905			2.15M	430,000	1.95M	390,000
<b>Moricietown Band</b>	10	2039	4.99M	998,000				
<b>Nee-Tahi-Buhn Indian Band</b>	11	149	2.1M	420,000				
<b>Nisga'a Nation</b>	12	6034			5.07M	1.014M		
<b>Skin Tyee First Nation</b>	13	182	2.33M	466,000				
<b>Tl'azt'en Nation</b>	14	1777			2.16M	324,000		
<b>West Moberly First Nations</b>	15	290	2.01M	201,000				
<b>Wet'suwet'en First Nation</b>	16	246	2.32M	464,000				
<b>Yekooche First Nation</b>	17	235	390,000	78,000	390,000	78,000		
TOTAL PAYMENT			\$23,110,000	\$4,024,500	\$23,210,000	\$3,859,000	\$6,310,000	\$1,262,000

Collectively, there were more than 30 benefit agreements with First Nations across British Columbia (“Natural Gas Benefits Agreements”). For a complete list, see the appendix.

## Strategies for First Nations Engagement in the Natural Gas and LNG Sector

The decision to participate in LNG development – either at the point of extraction from the ground, along the transportation corridor, at the site of LNG plants, or along the ocean waterways used to take the LNG to market – is largely at the discretion of each First Nation. There are limits to Indigenous autonomy, however. The official position of the Government of Canada and the Supreme Court of Canada is that the “duty to consult and accommodate” does not give First Nations a veto over development (Coates and Favel 2016). Furthermore, the actual legal authority of the United Nations *Declaration on the Rights of Indigenous Peoples* is legally untested and the doctrine of “free, prior and informed consent” likewise does not automatically give an individual First Nation the right to stop a particular project.

LNG projects, of course, cross or potentially affect many different First Nations’ traditional territory between the wellhead and the movement of ships on the high seas. It is very possible that most, and potentially almost all, of the First Nations along a pipeline corridor could approve of the project (under agreed-upon conditions). Would or should a single First Nation located mid-route have the capacity to stop the entire pipeline? Similarly, a major LNG installation would provide a significant boost to the national and regional economy. Should a numerically small number of First Nations people have the ability to stop a project that is defined to be in the public interest? The precise legal answer to these questions is not at hand. Indigenous governments and communities have much more authority than a few decades ago, but they nonetheless operate within important legal and political constraints.

There are many legal and regulatory procedures that project proponents must respect and that federal and provincial governments must follow. First Nations work within these protocols and processes as well. Beyond these technical elements, an appropriate First Nations strategy for LNG engagement could have the following components; many First Nations have already taken similar steps.

- **There should be an assessment of the economic aspirations of the First Nation.** Is the community and the off-reserve population comfortable with the status quo in terms of jobs, business opportunity, and general prosperity? If the answer is “No,” as it uniformly will be, the First Nation will probably have to take steps to engage with the business community and, in particular, with natural-resource firms. The natural resource sector provides many constructive examples – Seven Generations in the Peace River country, Suncor in the oil sands, Cameco in northern Saskatchewan – that demonstrate that companies can collaborate with First Nations to their mutual benefit.

“The legal authority of UNDRIP’s “free, prior and informed consent” is untested.

- **The community must evaluate the compromises the First Nation is willing to make to secure economic opportunity.** Economic development, including something as seemingly benign as adventure tourism, requires substantial trade-offs. Where is the community prepared to compromise and in return for what level of benefit and community return? It helps to have these discussions before a specific development proposal is before the First Nation.
- **Prepare for economic growth, and do this before development pressure starts.** Many Indigenous communities lose out on commercial and employment opportunities because the preparatory effort started too late. If and when a First Nation decides that building an economy is important, significant efforts have to be made to educate and train young people, encourage business development, and explore potential opportunities. This is being done by such industry groups as Indian Oil and Gas Canada and the First Nations Major Projects Coalition, both of which support First Nations communities contemplating entry into the industry. Many of these processes are general and are not specific to the LNG industry. These early stage activities can prepare the community for the uncertainties of the natural resource economy.
- **Take early steps to identify crucial cultural, land, and environmental issues.** Once work has proceeded on mapping exploration and development corridors, it is much harder for First Nations to document and defend their interests in specific lands and waters. While changes can be made to corporate and government plans, it is much easier to lay out the limits of development ahead of time. This pre-development identification of culturally, spiritually, and economically significant sites can help project proponents shape their plans and limit conflict accordingly.

This approach has been used extensively in Australia, where the concept of cultural sites is well-established, if still controversial. The development processes included in modern treaties, like those in Yukon, NWT, and for the Nisga'a in British Columbia, provides opportunity for early stage and proactive engagement on land-related issues.

- **Prepare the community for engagement with the LNG sector.** The decision to proceed with, or oppose, a major resource project requires full community participation. It is important to extend the preparation beyond the Chief and Council. Involve elders and schoolchildren. Provide brief sessions for the community. Focus on understanding the industry, applicable technologies, and likely impacts, both positive and disruptive. In the case of LNG, invite LNG representatives to the community. Speak to and visit First Nations or other Indigenous communities that have engaged with LNG firms, and tour LNG facilities. Know the sector and be ready for the industry when they come to explore local opportunities.<sup>3</sup>
- **Get to know the project proponent(s).** If a major project goes ahead, the project developers will be long-term and crucial partners with your community, potentially for decades. Once the project proponent(s) is/are identified, First Nations should investigate them fully. Visit other First Nations who have worked with the company. Travel to their headquarters and meet with key personnel. Get to know the individuals who are responsible for the company's operations in the First Nations' territory and province and who work with Indigenous communities. Key decision-makers and company officials play major roles in long-term relationships with First Nations. If they are going to be your business partners, get to know them.

- **Develop local technical expertise.** If a collaboration is likely or has been established, ensure that several local people develop a technical background in LNG and related fields. Regional universities, polytechnics, and community colleges play crucial roles in the preparation of Indigenous populations, which can be done through community-based certificate, diploma, and degree programs, on-the-job training, and, importantly, community education initiatives. This must be done over time, building local expertise slowly and deliberately, alongside specific job training and employment programs. While outside experts can be valuable at early transitional points, over time the First Nation will want to have knowledgeable local people to handle negotiations, anticipate changes in the industry, and participate in First Nation-corporate partnerships and joint ventures.
- **Give careful thought to the benefits of full cycle environmental approaches.** For many years, Indigenous peoples were only engaged in environmental processes, if they were at all, at the early environmental assessment stage. More recently, First Nations have made it clear that they want to participate in all stages in order to protect their territories and want to maximize benefits while minimizing negative effects. This means that First Nations should be involved in the pre-development assessment and project environmental monitoring, through to post-operation remediation.

First Nations are involved in many remediation initiatives from resource projects in the 1960s, 1970s, and 1980s and have been actively engaged in follow-up measures in the northern Alberta oil sands. This has provided jobs and business opportunities while ensuring that Indigenous communities have a say in defining the pace and standards for remedial work. The crucial environmental processes should be viewed as both a means of protecting Indigenous traditional territories and providing employment opportunities for community members.


- **Consider equity investments.** If the First Nation has the financial resources and if the LNG project looks promising, the community should investigate an investment in the company or in the regional infrastructure. Properly made investments can maximize the financial returns to the community and provide long-term, stable benefits, including ownership stakes in other job-creating businesses. Equity stakes can be (and have been) included in impact and benefit agreements, going back to the cancelled Mackenzie Valley Pipeline and Northern Gateway projects, and firmly imbedded in such new initiatives as the Indigenous-led Eagle Spirit Pipeline and First Nations-controlled Alberta to Alaska project.
- **Proponents and the First Nation should establish and maintain conflict-resolution procedures, based on early alerts and transparent relationships.** Resource projects often produce problems and even conflicts. Resolving difficulties in a fair and just manner is crucial to maintaining positive long-term relationships between First Nations and companies. Open and fair processes, particularly ones that operate quickly and decisively, can prevent long-term problems and create a platform for constructive and mutually beneficial partnerships.
- **Prepare for the immediate opportunity, and plan for long-term benefits.** First Nations outside major towns and cities typically have only a small number of commercial opportunities. This certainly holds for many First Nations whose territories could be affected by LNG activity. First Nations have to maximize the immediate benefits – and these can be considerable. But the community also needs to look at long-term economic

benefits and employment opportunities, which involves preserving revenue, and converting short-term construction and medium-term operations work to long-term jobs and sustainable businesses.

The strategies outlined above are only part of the required comprehensive First Nation approach that is needed for proposed major resource developments and, specifically, LNG initiatives. The LNG sector has attractive elements: manageable environmental impacts, large, multi-generational resource deposits, numerous business and employment opportunities, substantial revenues, and substantial prospects for community-owned equity. Experience across Canada has shown that Aboriginal people can benefit from carefully planned, collaborative resource development. It is also obvious that First Nations that fail to anticipate developments and do not take protective, preparatory steps can lose out on significant opportunities.

A few years ago, First Nations in British Columbia faced intense pressure to participate in the rapidly expanding natural gas and LNG economy. Multi-billion-dollar pipelines and processing plants, major ocean shipping facilities, and massive gas field developments had the potential to generate a province-wide economic boom. The national and international media took an interest in intense local debates about First Nations' participation in LNG projects, with columnists weighing in about the prospect that a First Nation would stall a major, foreign direct investment opportunity.

*“While anticipating future LNG opportunities, First Nations in BC should use the time to determine the level and degree of involvement in the next stages of development.”*



Combined with global interest in efforts by environmentalists and some First Nations communities to stop Canadian bitumen pipeline development, the LNG debate thrust Indigenous peoples into an uncomfortable position at the forefront of the debate about the country's economic future. Market forces intervened, as did new environmental assessment procedures and growing discussion about climate change and the country's Paris Accord targets. The Enbridge Northern Gateway pipeline project was shelved, and the Energy East pipeline project seemed headed for a similar fate. (Energy East was eventually cancelled in 2017.) Debate rages about Kinder Morgan's Trans Mountain TransCanada pipeline twinning plan; growing local protests at the West Coast raised doubts about its future as well.

For First Nations in British Columbia, the lull in development pressure provides an important opportunity to reassess their engagement strategies, review construction plans, and determine how to maximize community benefits. The NDP government appears sympathetic to LNG development, in part because of the economic fallout from the general oil and gas slowdown and the pipeline delays. They are also committed to working with First Nations to identify mutually-beneficial

strategies for LNG development. The strategy laid out earlier emphasizes early-stage engagement, preparatory investments in training and business development, and extensive collaboration between First Nations and project proponents. Some of these elements are already in place with some projects, First Nations, and proponents.

LNG development could, if done properly, be managed in an environmentally sound manner, produce sizeable revenues and employment opportunities for First Nations, and build long-term collaborations among First Nations, companies, and governments. Opportunities on this scale do not come along very often, and few if any have carried substantial benefits for Indigenous peoples.

First Nations want to change this pattern and trajectory; the Government of British Columbia clearly favours an industry-wide re-set. The resource companies, for their part, have become innovators in Indigenous relations and collaborative resource development. The LNG sector may not have produced the rapid economic boom that the previous Liberal government anticipated; it remains to be seen if the First Nations, companies, and NDP government can co-create an approach to the LNG sector that establishes a new foundation for resource development in British Columbia.

Industry forecasts about, and provincial government strategies for, medium-term market demand for LNG point to a potential revival in the sector. This, in turn, creates an opportunity for First Nations to rethink their strategies on LNG pipeline and infrastructure development and to prepare their communities and their people for the decisions that lie ahead. The opportunity existed in the recent past and has been substantially downsized. Possibilities may re-emerge in the next decade. One way or another, First Nations in British Columbia should use the time to determine the level and degree of their involvement and to take the steps needed to participate in the next stages of LNG development in the province.

# Appendix

## EXISTING BENEFIT AGREEMENTS WITH BC FIRST NATIONS

1. Doig River Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
2. Doig River Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014
3. Gitanyow Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014
4. Gitanyow Natural Gas Pipeline Benefits Agreement (Westcoast Connector Gas Transmission Project) – 2015
5. Gitxaala Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014
6. Gitxaala Natural Gas Pipeline Benefits Agreement (Westcoast Connector Gas Transmission Project) – 2014
7. Gitxsan Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2016
8. Halfway River Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
9. Halfway River Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2015
10. Kitselas Natural Gas Pipeline Benefits Umbrella Agreement (Coastal GasLink Pipeline Project, Prince Rupert Gas Transmission Project, Westcoast Connector Gas Transmission Project) – 2014
11. Lake Babine Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2015
12. Lax Kw'alaams Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2017
13. Lheidli T'enneh Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
14. McLeod Lake Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
15. McLeod Lake Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2015
16. Metlakatla First Nation Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2016
17. Metlakatla First Nation Natural Gas Pipeline Benefits Agreement (Westcoast Connector Gas Transmission Project) – 2016
18. Moricetown Band Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
19. Nee-Tahi-Buhn Natural Gas Pipeline Benefits Agreement (Coastal Gaslink Pipeline Project) – 2014

20. Nisga'a Nation Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014
21. Saulteau Natural Gas Pipeline Benefits Agreement (Coast GasLink Pipeline Project) – 2016
22. Skin Tyee Natural Gas Pipeline Benefits Agreement (Coastal Gaslink Pipeline Project)– 2014
23. Stellat'en Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
24. Takla Lake Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2015
25. Takla Lake Natural Gas Pipeline Benefits Agreement (Westcoast Connector Gas Transmission Project) – 2015
26. Tl'azt'en Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014
27. Ts'il Kaz Koh Burns Lake Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
28. West Moberly Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2015
29. Wet'suwet'en Natural Gas Pipeline Benefits Agreement (Coastal Gaslink Pipeline Project) – 2014
30. Yekooche Natural Gas Pipeline Benefits Agreement (Coastal GasLink Pipeline Project) – 2014
31. Yekooche Natural Gas Pipeline Benefits Agreement (Prince Rupert Gas Transmission Project) – 2014

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## Endnotes

- 1 For a description of the resulting Unist’ot’en Camp blockade, see Hughes 2013.
- 2 For background on the current state and future potential of the LNG industry in British Columbia, see “LNG in BC,” available at [Inginbc.gov.bc.ca](http://Inginbc.gov.bc.ca).
- 3 If the government of British Columbia is serious about this sector, this stage could be undertaken on a regional or even province-wide basis. Such an initiative would demonstrate real government sincerity.

## About the Author



**K**enneth S. Coates is MLI's Munk Senior Fellow in Aboriginal and Northern Canadian Issues. He is the Canada Research Chair in Regional Innovation in the Johnson-Shoyama Graduate School of Public Policy at the University of Saskatchewan. He has served at universities across Canada and at the University of Waikato (New Zealand), an institution known internationally for its work on Indigenous affairs. He has also worked as a consultant for Indigenous groups and governments in Canada, New Zealand, and Australia as well as for the United Nations, companies, and think tanks.

He has previously published on such topics as Arctic sovereignty, Aboriginal rights in the Maritimes, northern treaty and landclaims processes, regional economic development, and government strategies for working with Indigenous peoples in Canada. His book, *A Global History of Indigenous Peoples: Struggle and Survival*, offered a world history perspective on the issues facing Indigenous communities and governments. He was co-author of the Donner Prize winner for the best book on public policy in Canada, *Arctic Front: Defending Canada in the Far North*, and was short-listed for the same award for his earlier work, *The Marshall Decision and Aboriginal Rights in the Maritimes*.

Ken contributes regularly, through newspaper pieces and radio and television interviews, to contemporary discussions on northern, Indigenous, and technology-related issues.



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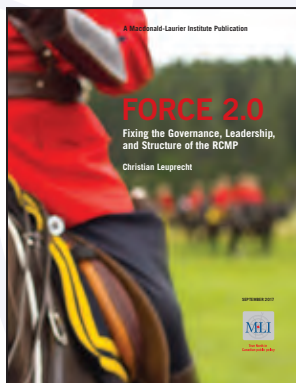
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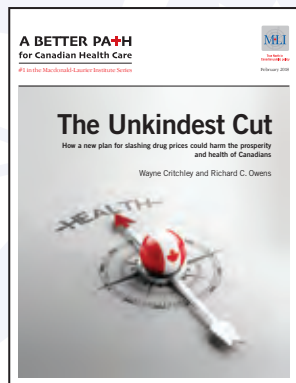
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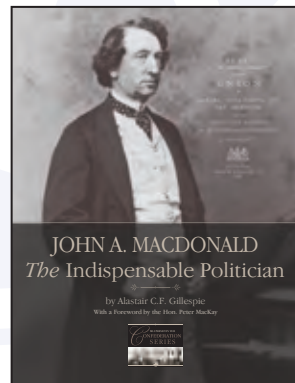
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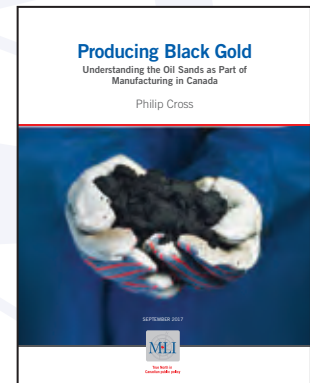
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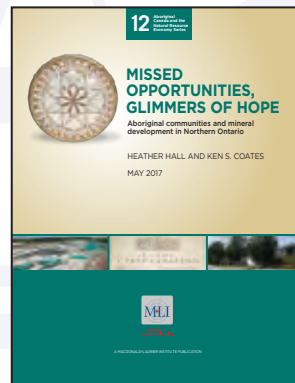
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