



**RESEARCH  
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# **THE FIRST ENTREPRENEURS**

## NATURAL RESOURCE DEVELOPMENT AND FIRST NATIONS

By Germain Belzile, with the collaboration of Alexandre Moreau



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## HIGHLIGHTS

The media often convey the impression that First Nations wish to earn a living from traditional activities alone and have little interest in the development of their communities. Yet while some oppose mining and forestry or the building of energy infrastructure, others favour such development and wish to take advantage of the resulting wealth and jobs. This paper focuses on cases where First Nations decided to become involved in the development of resources on their territory, and on the benefits they derived from this involvement.

### Chapter 1 – Natural Resources as an Economic Lever

- In Canada, First Nations located far from big cities are often situated in regions rich in natural resources with great potential for economic development, whether in forestry, mining, hydroelectric power, or fisheries.
- While there is no consensus among First Nations regarding natural resource development, according to some estimates, they took in \$321 million of revenues from these resources in 2015-2016.
- Hydroelectric dams are often located on or near indigenous lands, so the support of affected First Nations is important to most hydroelectric power producers.
- The Tahltan Nation, wishing to be involved in and benefit from their territory's development, created the Tahltan Nation Development Corporation in 1985, which its president described in 2015 as "a quintessential success story."
- In Canada, 80% of indigenous communities live in wooded areas. It is therefore hardly surprising to see them involved in forestry, especially given the relatively high wages in that industry.
- The National Aboriginal Forestry Association estimates that from 1,200 to 1,400 indigenous companies are active in the forestry industry.
- Logging revenues for the Lax Kw'alaams Nation exceed \$22 million a year, representing more than one-third of its total revenues and far exceeding federal government transfers.
- For many small coastal communities in Canada, aquaculture production is a major source of income

as well as an industry that pays good wages, given income levels in remote areas.

- Aquaculture Canada has identified some fifty indigenous groups that are active in this sector, including the Kitasoo/Xai'Xais in British Columbia and the Waycobah in Cape Breton, Nova Scotia.
- Mining is one of the areas where First Nations are the most active, with 455 agreements signed in this sector between 2000 and 2017, often featuring priority hiring and subcontracting clauses for their members.
- In 2016, First Nations members working in the mining sector declared a median income twice as high as that of workers in their communities overall, and nearly twice as high as that of non-indigenous people as a whole.

### Chapter 2 – Oil and Gas: Major Benefits and Missed Opportunities

- Canada is among the top five countries both for the production and for the export of oil and natural gas, supporting hundreds of thousands of direct and indirect jobs across the country.
- In terms of economic activity, crude oil and natural gas extraction represented \$113 billion in 2017, or 6.5% of the country's GDP, to which must be added nearly \$20 billion in indirect economic activity.
- In the 2016-2017 fiscal year, natural gas was produced on 51 reserves belonging to 39 First Nations and oil was extracted on 35 reserves belonging to 25 First Nations.
- Crude oil and natural gas extraction directly employed slightly over 2,000 First Nations workers across the country in 2015, along with about 4,000 workers involved in support activities.
- While First Nations members holding jobs earned an average of \$51,500 in 2016, before taxes, average wages were nearly \$150,000 for those working in oil and gas extraction, and more than \$200,000 for those working on gas pipelines.
- The Fort McKay Nation, with just under 900 members, has reported annual revenues of \$60 million in recent years, reaching a peak of \$80 million in the 2017-2018 fiscal year.



- The major partnership negotiated as part of Northern Gateway could have been another inspiring example of indigenous involvement in an oil project. But in November 2016, the federal government put an end to the project by choosing not to continue consultations.
- The Trans Mountain expansion project's future is uncertain due to a ruling by the Federal Court of Appeal, which found that the National Energy Board's assessment was flawed and that Ottawa had not adequately consulted the indigenous population before granting its approval.
- The uncertainty surrounding the regulatory process and its politicization have led to a number of oil or gas projects being terminated over the past few years, the value of which exceeds \$100 billion since 2015.
- One study has estimated that, in 2018 alone, insufficient Canadian pipeline capacity will deprive companies in the energy sector of nearly \$16 billion in income, due to lack of access to international markets.



# INTRODUCTION

## A Brief Picture

From a social standpoint, First Nations members face significant challenges, including rapid demographic growth and a higher prevalence of alcoholism, drug dependence, and family violence than among other segments of the population. Their life expectancy at birth is from three to fifteen years lower than that of other Canadians.<sup>1</sup> They also have inferior access to health care<sup>2</sup> and are well behind the rest of the Canadian population in terms of education.

Unemployment in these communities is more than double that of the non-indigenous population. Their median after-tax income is 30% lower than that of other Canadians. In addition, the proportion of low-income individuals is twice as high among First Nations.<sup>3</sup>

Inevitably, financial dependence on governments is significant. In 2012-2013, one-third of the First Nations population living on reserves drew benefits under the federal income assistance program, whereas only 5% of the Canadian population receives similar government benefits.<sup>4</sup>

Clearly, the situation of First Nations citizens can and must be improved.

## What Is to Be Done?

Government assistance is not a sustainable way to get out of poverty. Access to high-quality jobs is what needs to be encouraged so that First Nations can play a greater role in the economy of their communities and of the country as a whole.

Natural resources are often found in abundance on First Nations territory. Further developing them would promote wealth creation and help alleviate the problems of poverty.

Whether we are looking at hydroelectric, mining, forestry, or oil and gas development, the areas surrounding indigenous communities offer significant economic opportunities, especially in terms of jobs.<sup>5</sup> Many First Nations have or claim ancestral title to the territories where such resources are located. The legal implications of this title offer First Nations the possibility of signing agreements with companies and governments in order to benefit from these resources.

But are such agreements feasible, and do First Nations members want this development of resources on the lands they claim?

## Another First Nations Vision

The media often convey the impression that First Nations, and indigenous people in general, differ profoundly from other Canadians. The implication is that they wish to earn a living from traditional activities alone and have little interest in the development of their communities. Yet this is just a caricature of the reality.

While some First Nations oppose mining and forestry or the building of energy infrastructure, others favour such development and wish to take advantage of the resulting wealth and jobs. This cleavage is no different from what is found in non-indigenous cities and villages in Canada, where there is no vision for the future that everyone agrees upon.

There are indeed many examples of indigenous communities that have made a significant shift in favour of economic development, with everything that comes along with it: jobs, income, lower economic dependence, and much more. The distance of many First Nations from major urban centres, the often low educational level of many of their members, and the abundant resources on their territories have led many of them to regard resource exploitation as an engine for their development.

## The Purpose of Our Research

This research paper does not aim to present the pros and cons of natural resource development, whether by or in collaboration with First Nations. The “cons” are often in the news. Our research has focused instead on tangible cases where First Nations decided to become

1. Statistics Canada, Life expectancy, Chart 13: Projected life expectancy at birth by sex, by Aboriginal identity, 2017, November 30, 2015.

2. Social Determinants of Health, *Access to Health Services as a Social Determinant of First Nations, Inuit and Métis Health*, 2011, p. 1.

3. Statistics Canada, 2016 Census, Tables 98-400-X2016287, 98-400-X2016171, and 98-400-X2016173, 2016.

4. First Nations members living on-reserve receive benefits from the federal government, whereas those living off-reserve receive benefits from their respective province. Indigenous and Northern Affairs Canada, On-reserve Income Assistance Program, Income Assistance: Key facts, November 7, 2014.

5. Douglas Eyford, *Forging Partnerships, Building Relationships*, November 29, 2013, p. 23.

involved in the development of resources on their territory, and on the benefits they derived from such involvement. This study, although not comprehensive, helps to show the impact that such projects have already had, and how they have the potential to profoundly alter the relationships between First Nations, companies, and non-indigenous people—how, above all, they provide a glimpse of a better future for indigenous people in Canada.

It does all this by giving a voice to indigenous players involved in these profound changes, which are undoubtedly just beginning. Six First Nations leaders involved in development projects agreed to be interviewed for this paper. Excerpts from these discussions are sprinkled throughout the text. One of the interviews is presented in full as an annex.

The impression one gets from this research is far from the pessimistic, even despondent, vision often associated with First Nations communities. It features indigenous leaders who are attached to their traditions but also turned resolutely to the future, people who are determined to preserve their environment but also intent to not depend on government largesse any longer, and who want to put food on the family table and to see their children benefit from better opportunities.

This is hardly surprising considering that the First Nations were the “first entrepreneurs” of this land, as one of their representatives recalls in these pages. In sum, this publication presents a part of the First Nations picture that is often so hidden that most people do not even suspect its existence.

**A First Nation is a group that has a legal status in Canada linked to its ancestral occupation of territory prior to the arrival of Europeans. The people who identify with or belong to one of these groups are recognized as “First Nations members.” Moreover, First Nations are not the only indigenous group in Canada, which also include Métis and Inuit.**

**None of these groups should be confused with the legal definition of “Indian,” which applies to individuals registered within the meaning of the Indian Act. All Indians are First Nations members, but not all First Nations members are necessarily Indians. For the purposes of this research paper, we are focusing on First Nations, the most populous group of indigenous peoples.**



The agreement allowing for the development of the Éléonore mine, located in the James Bay region, was approved unanimously by the Wemindji Cree Council, the Grand Council of the Crees, and the Cree Regional Authority. The mine now employs 225 members of First Nations. PHOTO CREDIT: GOLDCORP

## CHAPTER 1

# Natural Resources as an Economic Lever

The geographic locations of First Nations pose a significant challenge to their economic development.<sup>6</sup> The survival and economic viability of communities that are far from urban centres often depend on specialized regional industries that support the local economy.<sup>7</sup> These industries create well-paid jobs and inject capital into communities. An economic development cycle is thus set in motion: Subcontracting and service companies are created to support the local industry, narrowing the gap with markets and enabling communities to pursue their development.

6. Conference Board of Canada, *Barriers to Aboriginal entrepreneurship and options to overcome them*, Document prepared for the National Aboriginal Capital Corporations Association and the Business Development Bank of Canada, February 14, 2017, p. 23.

7. Keith Story and Heather Hall, "Dependence at a Distance: Labour Mobility and the Evolution of the Single Industry Town," *The Canadian Geographer*, Vol. 62, No. 2, December 2017, pp. 225-237.

In Canada, First Nations located far from big cities are often situated in regions rich in natural resources with great potential for economic development. Whether in forestry, mining, hydroelectric power, or fisheries, resource development offers tangible job opportunities, as noted by Stephen Buffalo, President and CEO of the Indian Resource Council: "If there is a way for the community to make money, you have got to do it. We have to use the resources that surround us."<sup>8</sup> In short, natural resource development can offer an economic escape route from government dependency.

Many First Nations are already active in natural resources. Others benefit indirectly from the sector's spinoffs through related businesses, such as transportation, processing, or logistical support, to name a few examples.

8. Stephen Buffalo, interview conducted by the MEI, May 11, 2018.



# \$321 million

## First Nations' revenues from natural resources

The extent of the involvement of members of First Nations in the natural resources sector is therefore significantly greater than direct employment numbers alone would suggest, especially since these related companies are often indigenous businesses created to meet increased demand for services.

Since natural resource development requires the consent of First Nations, they are active in project assessment. Various First Nations associations assist them in the process by providing them with the necessary tools.<sup>9</sup> Natural resource companies also sometimes provide funds for First Nations to conduct their own project assessments.

***If there is a way for the community to make money, you have got to do it. We have to use the resources that surround us.***

— Stephen Buffalo, President and CEO of the Indian Resource Council

This reflects a change of mindset, according to JP Gladu, member of the Sand Point Nation and President and CEO of the Canadian Council for Aboriginal Business (CCAB). “Companies are definitely making a significant switch in the way they work with indigenous communities, but for the most part, only in the natural resources sector.”<sup>10</sup>

This change of attitude stems primarily from revenue-sharing agreements negotiated directly between First Nations and non-indigenous businesses. While these agreements vary, they often follow a similar formula, with priority job guarantees for community members, revenue sharing, investment in economic development, and the establishment of workforce training programs. First Nations thus find themselves negotiating agreements

that benefit their communities, in addition to creating their own natural resource development companies, as well as support companies.

According to some estimates, First Nations took in \$321 million of revenues from natural resources in 2015-2016.<sup>11</sup> For those that are active in this sector, these are substantial amounts, with the potential to promote their economic empowerment. While there is no consensus among First Nations regarding natural resource development, and even though some of them remain opposed to such activities on their territory, many are open to them and are even playing an active role.

### First Nations and Hydroelectric Power

Water is among the most abundant resources in Canada, and its energy potential is enormous. Nearly 60% of the electricity produced in the country is hydro power.<sup>12</sup> Like mines, hydroelectric dams are often located on or near indigenous lands. The support of affected First Nations is important to most hydroelectric power producers, since it helps promote project participation.<sup>13</sup>

This is easier to secure when First Nations are involved in projects right from conception. There is no ready-made formula guaranteeing that a project will be accepted. Each nation has different problems and concerns that electricity producers need to be aware of if a project is to see the light of day. The numerous partnerships that have borne fruit in different sectors testify to this, including the recent hydroelectricity partnership concluded by the Tahltan Nation.

### The Entrepreneurial Spirit of the Tahltan

Many rivers and other natural resources lie on Tahltan territory, located in northern British Columbia, which has drawn potential investors to the region. The Tahltan, wishing to be involved in and to benefit from their

9. *Ibid.*

10. JP Gladu, interview conducted by the MEI, May 4, 2018.

11. There is no uniform financial framework among First Nations, making estimates of revenues from natural resources quite imprecise. See Tom Flanagan and Taylor Jackson, *Bending the Curve: Recent Developments in Government Spending on First Nations*, Fraser Institute, 2017, p. 12.

12. Natural Resources Canada, Electricity facts, September 12, 2018.

13. Canadian Hydropower Association, “Paths Forward: Hydropower and Aboriginal Relationships Across Canada,” 2018.

territory's development, created the Tahltan Nation Development Corporation (TNDC) in 1985.<sup>14</sup>

This company offers various services in the natural resources sector, such as equipment rental and consulting in the hydroelectric sector. Thirty years after its creation, the TNDC employs 30 people on a permanent basis, along with hundreds of seasonal workers.<sup>15</sup> Today, these jobs are at the centre of economic activity in this community of just under 2,000 people.<sup>16</sup>

To benefit fully from its territory's hydroelectric potential, the Tahltan Nation has also signed external agreements, notably related to the impressive Forrest Kerr project, in which it is involved on several fronts. In this specific case, project developer AltaGas<sup>17</sup> agreed to the usual clauses on revenue sharing, granting contracts to Tahltan companies, and hiring of labour, as well as a stake in the project.<sup>18</sup>

The TNDC now takes care of managing workers' camps, road and bridge construction, and heavy machinery operation on the Forrest Kerr site.<sup>19</sup> In addition, since the project is located on the nation's ancestral territory, the provincial government shares the revenues from land and waterway use with the Tahltan, which represents an annual sum of \$2.5 million.<sup>20</sup>

Although the specifics of the Forrest Kerr deal, like other agreements between AltaGas and the Tahltan, are confidential, it is also known that the company has set up scholarship programs. For example, the McLymont Creek Scholarship provides \$20,000 a year to one or more members of the nation to help them pursue post-secondary studies.<sup>21</sup>

The Tahltan also have an agreement with BC Hydro, the provincial public corporation that owns the transmission lines crossing its territory. Except for equity ownership,

the agreement provides benefits similar to those offered by AltaGas.<sup>22</sup>



The Forrest Kerr Hydroelectric Facility, in British Columbia, saw the light of day thanks to an agreement between AltaGas and the Tahltan Nation. PHOTO CREDIT: ALTAGAS



Chad Day (2<sup>nd</sup> from the right), President of the Tahltan Central Council, at the official opening of the Forrest Kerr Hydroelectric Facility. Also pictured, from left to right: John Rustad, Minister of Aboriginal Relations and Reconciliation; David Cornhill, Chairman and Chief Executive Officer of AltaGas; and Bill Bennett, Minister of Energy and Mines. PHOTO CREDIT: ALTAGAS

14. Tahltan Nation Development Corporation, Tahltan Nation Development Corporation Reaches 30 Year Milestone, Press release, June 30, 2015.

15. *Idem*.

16. Out of the total, about 300 live on-reserve. Indigenous and Northern Affairs, Indigenous peoples and communities, First Nation Profiles, Tahltan.

17. The agreement was reached with Coast Mountain Hydro, but AltaGas purchased the project in 2008.

18. Tahltan Nation Development Corporation, Projects and Contracts, 2014.

19. *Idem*.

20. Indigenous Business and Investment Council, Tahltan Nation, May 30, 2018.

21. AltaGas, The McLymont Creek Scholarship, January 31, 2018.

22. Indigenous Business and Investment Council, *op. cit.*, footnote 20.

On the 30<sup>th</sup> anniversary of the Tahltan Nation Development Corporation, its President Calvin Carlick referred to it as “a quintessential success story—a strong, progressive and financially sustainable Aboriginal business corporation that is benefitting from resource development, working in partnership with industry and bringing financial prosperity to our Nation, while continuing to exercise our title and rights.”<sup>23</sup>

**We were the first entrepreneurs. It is just embracing that entrepreneurial spirit in a modern context.**

— JP Gladu, President of the Canadian Council for Aboriginal Business

## The “First Entrepreneurs” of the Forest

In Canada, 80% of indigenous communities live in wooded areas.<sup>24</sup> It is therefore hardly surprising to see numerous First Nations involved in forestry, especially given the relatively high wages in that industry: The median income for members of First Nations earning a living from the forest is about 15% higher than the median for all economic sectors.<sup>25</sup> The National Aboriginal Forestry Association estimates that 1,200 to 1,400 indigenous companies are active in this industry.<sup>26</sup> This reflects the entrepreneurial spirit that indigenous people have always had, says JP Gladu of the CCAB: “We were the first entrepreneurs. It is just embracing that entrepreneurial spirit in a modern context.”<sup>27</sup>

First Nations are present in the forest industry in different ways. Most straightforwardly, indigenous businesses carry out contracts for companies in this sector. First Nations that wish to be more involved in forest management and related activities instead choose to work in partnership with non-indigenous companies. As in the case of the mining sector, such agreements favour First

Nations workers and the sharing of forestry revenues.<sup>28</sup> Finally, First Nations sometimes take on a clear leadership role, as the Lax Kw’alaams Nation has done.

### **Lax Kw’alaams: Creating Their Own Market**

For a long time, the Lax Kw’alaams Nation, a community of just under 4,000 people, was dependent on wood processing plants.<sup>29</sup>

When some of these closed in 2001, insecurity and economic dependence on government assistance grew worse. A Lax Kw’alaams member put it this way: “It was pretty grim. The forestry industry as a whole took a hit. There was a huge downturn in the local economy. A lot of people were moving out.” Facing an unemployment rate of 80%, the Lax Kw’alaams decided to tap into their forestry knowledge.<sup>30</sup>

In 2005, it therefore created the Coast Tsimshian Resources forestry company. The business acquired two successive permits covering a total of 564,314 m<sup>3</sup>, among the larger timber cutting allowances in the province.<sup>31</sup>

**1,200 to 1,400**

**The number of indigenous companies active in the forestry sector**

Remarkably, as there was little demand for the types of wood growing on their lands—low-quality balsam fir and hemlock—the Lax Kw’alaams created their own market, exporting raw logs to Japan, Korea, and China.<sup>32</sup> Today, logging revenues exceed \$22 million, representing more

23. Tahltan Nation Development Corporation, *op. cit.*, footnote 18.

24. Forest Products Association of Canada, *Aboriginal Connections*, June 15, 2018.

25. Statistics Canada, 2016 Census, 98-400-X2016359, March 28, 2018. Data on full-year workers.

26. National Aboriginal Forestry Association, *Assessment of Market Development Needs of Aboriginal Forest Products Companies*, March 2011, p. 5.

27. JP Gladu, *op. cit.*, footnote 10.

28. Stephen Wyatt, “First Nations, Forest Lands, and ‘Aboriginal Forestry’ in Canada: From Exclusion to Co-management and Beyond,” *Canadian Journal of Forest Research*, Vol. 38, No. 2, 2007, pp. 171-180.

29. Out of the total, about 650 live on-reserve. Indigenous and Northern Affairs Canada, First Nation Detail, Lax Kw’alaams, March 28, 2017; Duncan McCue, “‘Open for business’: How the Lax Kw’alaams First Nation revitalized forestry in B.C.’s northwest,” *CBC News*, May 27, 2018.

30. Duncan McCue, *ibid.*

31. Government of British Columbia, Ministry of Forests, Lands, and Natural Resource Operations – Apportionment System, April 4, 2018, p. 3.

32. Duncan McCue, *op. cit.*, footnote 29.



than one-third of the nation's total revenues and far exceeding federal transfers.<sup>33</sup>

The Lax Kw'alaams Nation is also active in natural gas and fishing. It signed a revenue sharing agreement with TransCanada for the Prince Rupert natural gas transport project, which should bring \$10 million a year to the nations located on the pipeline's route,<sup>34</sup> and is in negotiations to sign a similar agreement for the Pacific NorthWest LNG project. The nation also uses a fleet of 70 salmon fishing boats, and has its own processing plant, employing more than 250 people per year in all.<sup>35</sup>

## Aquaculture in Coastal Communities

Aquaculture has grown almost continuously since the 1990s. Production is evenly split between the west and east coasts, with British Columbia accounting for slightly over half of total production, and Nova Scotia nearly one-quarter.<sup>36</sup> For many small coastal communities, aquaculture production is a major source of income as well as an industry that pays good wages, given income levels in remote areas.<sup>37</sup>

As for indigenous people, Aquaculture Canada has identified some fifty groups that are active in this sector.<sup>38</sup> Here again, the challenge for First Nations is to remain on their territory while empowering themselves economically through the development of the resources found there. However, the initial investment required for aquaculture production is lower than for mining or hydropower. Indeed, First Nations have tended to develop this sector themselves, within their communities.

### *Kitasoo/Xai'Xais: Betting on Salmon*

The Kitasoo/Xai'Xais First Nation consists of some 500 members living in the northern coastal region of British Columbia.<sup>39</sup> The nation's proximity to the water has made fishing a means of subsistence for the community. However, its geographic isolation limits its economic prospects. In the 1980s, the Kitasoo/Xai'Xais confronted this problem by turning to the resource found on its ter-



Wan Badrul, Pacific NorthWest LNG chief project officer; Christy Clark, former Premier of British Columbia; and John Helin, Mayor of the Lax Kw'alaams nation, during the announcement of the construction of a liquefied natural gas terminal in Prince Rupert, in 2017. PHOTO CREDIT: CHAD HIPOLITO, THE CANADIAN PRESS

ritory with the greatest economic potential: fish.<sup>40</sup> It therefore created its very own salmon farm.

Faced with certain difficulties related to the lack of economies of scale and to falling salmon prices in the 1990s, the Kitasoo/Xai'Xais held talks with Marine Harvest Canada, the province's biggest aquaculture producer.<sup>41</sup> In 1998, the two parties came to an agreement regarding the operation of six salmon farms on reserve territory and the establishment of environmental standards. Aquaculture now employs 50 people, or about 10% of the nation's population.<sup>42</sup> Wages and benefits from this activity account for annual income of \$1.5 million to \$2 million for the Kitasoo/Xai'Xais.<sup>43</sup>

### *Waycobah: Regaining Control*

The Waycobah First Nation in Cape Breton, Nova Scotia, is made up of 1,000 people, most of them living on the Whycocomagh reserve.<sup>44</sup>

In 2010, the Waycobah "made a courageous decision," in the words of Don Davis, director of corporate services for the nation, buying back a trout farm and taking over

33. Lax Kw'alaams First Nation, Financial Statements, March 31, 2017, p. 6.

34. Nelson Bennett, "Lax Kw'alaams throw support behind Petronas' \$36b LNG project," BIV, February 21, 2017.

35. Lax Kw'alaams Fishing Enterprises Ltd., "CFE Profile," October 2016.

36. Gardner Pinfold, *Socio-Economic Impact of Aquaculture in Canada*, 2013 Edition, Fisheries and Oceans Canada, February 2013, pp. 2-3.

37. Fisheries and Oceans Canada, Aquaculture statistics, March 3, 2015.

38. Fisheries and Oceans Canada, "Aboriginal Aquaculture in Canada Initiative," 2014.

39. Out of the total, about 300 live on-reserve. Indigenous and Northern Affairs Canada, First Nation Detail, Kitasoo, March 28, 2017.

40. Kitasoo/Xai'xais, Economic Development, Kitasoo Seafoods.

41. Indigenous Business and Investment Council, Kitasoo/Xai'Xais and Marine Harvest Canada.

42. Fisheries and Oceans Canada, *op. cit.*, footnote 38.

43. Indigenous and Northern Affairs Canada, *op. cit.*, footnote 39.

44. Out of the total, about 900 live on-reserve. Indigenous and Northern Affairs Canada, First Nation Detail, We'koqma'q, March 28, 2017.





Workers from the Waycobah First Nation on a trout farm, bought back in 2010. The nation also has its own fish processing plant. PHOTO CREDIT: ERIN POTTIE, THE CAPE BRETON POST, reprinted with the permission of the Cape Breton Post

its operation.<sup>45</sup> The facilities soon expanded, and the nation even built its own fish processing plant.<sup>46</sup>

Waycobah's economic environment is changing, and members are being encouraged to become more involved. As Chief Rod Googoo noted in an interview, "When you have that many people employed, you can imagine the spinoffs to the neighbouring areas."

***When you have that many people employed, you can imagine the spinoffs to the neighbouring areas. Everybody is now going out and buying cars or furniture, or stuff for kids. People have money now.***

— Chief Rod Googoo, of the Waycobah nation

Everybody is now going out and buying cars or furniture, or stuff for kids. People have money now."<sup>47</sup>

## The Mining Sector and First Nations

Mining is one of the areas where First Nations are the most active. Between 2000 and 2017, 455 agreements were signed in this sector, guaranteeing benefits in addition to those stemming from extraction royalties due to rights held by First Nations on their territories.<sup>48</sup> As mentioned previously, such agreements often have priority hiring and subcontracting clauses for their members. These provisions explain in part that 6% of

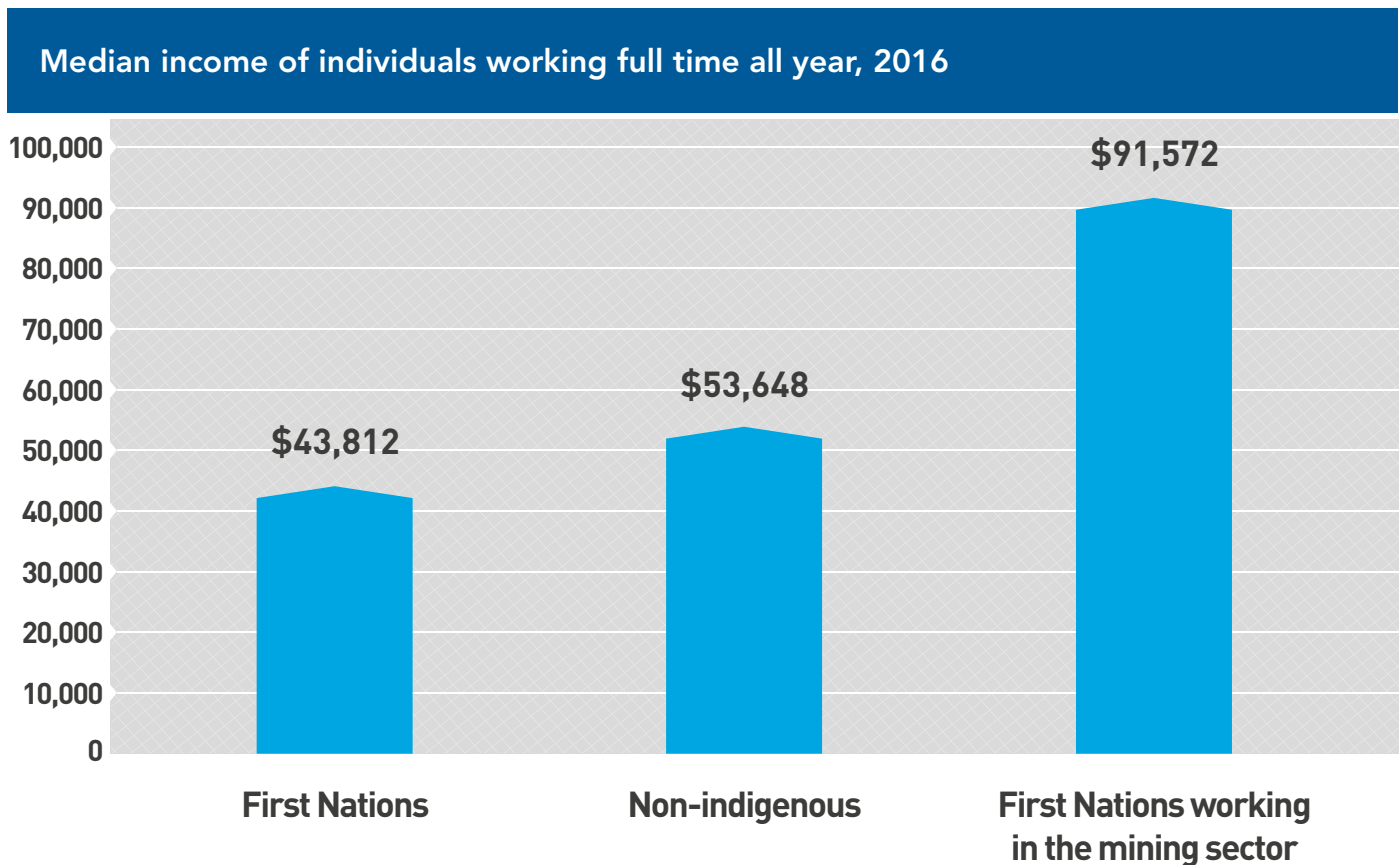
45. Holly Conners, "First Nations fisheries success stories shared at forum," CBC News, May 17, 2017.

46. *Idem*.

47. Erin Pottie, "Waycobah aquaculture operation nets \$1 million ACOA contribution," *Cape Breton Post*, June 1<sup>st</sup>, 2018.

48. Natural Resources Canada, 10 Key Facts on Canada's Minerals Sector, August 10, 2018.

Figure 1-1



Source: Statistics Canada, 2016 Census, 98-400-X2016359, March 28, 2018.

indigenous people work in the mining sector, compared to only 4% in other industries.<sup>49</sup>

The fact that incomes are relatively high in the mining sector is an added benefit. In 2016, First Nations members working in this sector declared a median income twice as high as that of workers in their communities overall, and nearly twice as high as that of non-indigenous people as a whole (see Figure 1-1).

#### **English River: Looking to Uranium**

The English River First Nation is home to 1,600 members in northern Saskatchewan.<sup>50</sup> This part of the province is rich in uranium, making Canada the world's second biggest producer, with nearly one-quarter of

global production.<sup>51</sup> Like various others, English River wanted to provide economic opportunities to its members while reducing its dependence on the federal government.

In 2013, English River thus reached a revenue-sharing agreement with mining firms Cameco and Areva, both active in the uranium sector.<sup>52</sup> Among other things, the nation gave its support to mining operations and also dropped a lawsuit against the provincial government involving an area of land coveted by both companies for operation of their Millennium project. In exchange, numerous benefits, estimated at \$600 million for the first ten years, were offered to English River.<sup>53</sup>

49. Natural Resources Canada, Mining/Materials Publications, Minerals Sector Employment, Information Bulletin, 2016, August 11, 2017.

50. Out of the total, about half live on-reserve. Indigenous and Northern Affairs Canada, First Nation Detail, English River, March 28, 2017.

51. World Nuclear Association, World Uranium Mining Production, July 2018; Saskatchewan Mining Association, "Uranium in Saskatchewan: Facts on the Industry for 2017," 2017.

52. Cameco, "Collaboration Agreement builds on relationship between First Nation and industry," Press release, May 31, 2013.

53. John Cotter, "Uranium giants Cameco, Areva reach deal with northern Saskatchewan," The Canadian Press, May 30, 2013.

These benefits are collected through companies affiliated with the First Nation that are directly involved in uranium extraction and processing onsite. The point of view of English River Vice Chief Marie Black is unambiguous: "It is very, very important that we go ahead and work with industry. This is for jobs."<sup>54</sup>

The signing of an agreement of this scope involves a degree of risk, and First Nations, like any business, are not immune to market uncertainties. The price of uranium has fallen steadily since the agreement was signed, leading Cameco to put the Millennium project on ice for an indeterminate period.<sup>55</sup> The company, which also operates sites at Cigar Lake, Key Lake, and McArthur River, has also had to suspend activities in the last two of these regions. About 250 First Nations workers had to be laid off.<sup>56</sup>

According to English River, the agreement with Cameco and Areva nevertheless generated revenues of \$50 million in 2014 and \$58 million in 2015. These amounts were invested directly in community services (housing, education, health care, sports, etc.), business development, and workforce training.<sup>57</sup> A turnaround in global markets enabling the Millennium project to go ahead could see the benefits set out in the agreement fully realized.

***It is very, very important that we go ahead and work with industry. This is for jobs.***

— Marie Black, Vice Chief of the English River Nation

### ***The Muskowekwan Nation's Bet on Potash***

To the south of the English River Nation resides the Muskowekwan First Nation, with just under 2,000 members.<sup>58</sup> In 2011, one-quarter of its population lived on a



The Cameco uranium mine at Cigar Lake, Saskatchewan. The company also mines deposits in collaboration with First Nations at Key Lake and McArthur River, in addition to the future Millennium project. PHOTO CREDIT: LIAM RICHARDS, THE CANADIAN PRESS

reserve with an unemployment rate close to 30%. Faced with this situation, the Muskowekwan decided to take action and make use of the natural resources on its land.

In 2012, the Muskowekwan came to an agreement with Encanto Resources to develop a potash mine on the nation's territory.<sup>59</sup> The agreement also led to creation of the company operating the mine, First Potash Venture, in which the Muskowekwan Nation is a shareholder.

Once the mine goes into operation,<sup>60</sup> this economic partnership will ensure income and jobs for decades to come. And since the Muskowekwan Nation is a shareholder in First Potash Venture, the community will receive dividends in addition to an estimated \$80 million a year in royalties stemming from its land rights.<sup>61</sup> The project will require an investment of about \$3 billion and will create 300 to 500 jobs. The economic potential for the Muskowekwan is enormous, so much so that First Potash Venture acknowledges a risk associated with the social instability that could result from the rapidly rising incomes of community members.<sup>62</sup> This is undoubtedly the sort of problem many other communities would love to have.

54. *Idem*.

55. Cameco, Markets, Uranium Price; Cameco, Uranium Projects, Millennium.

56. Manfred Joechnck, Chief Not Worried About Millennium Project Delay, MBC Network Radio, May 20, 2014; The Canadian Press, "Indigenous leader, union concerned about Cameco mine shutdowns in Saskatchewan," *Financial Post*, July 26, 2018.

57. English River First Nation, "JIC Report 2014"; English River First Nation, "The Power of Partnerships: JIC-JIEES Report."

58. Out of the total, about 600 live on-reserve. Indigenous and Northern Affairs Canada, First Nation Detail, Muskowekwan, March 28, 2017.

59. First Potash Venture, *Muskowekwan Project: Project description and Technical Proposal*, December 2012.

60. Changes in the rules governing on-reserve mine operation, necessary for project fulfilment, have led to delays.

61. Estimate based on 2012 prices; First Potash Venture, *op. cit.*, footnote 59, pp. 1-6.

62. *Ibid.*, p. XIX.



### Nemaska: Developing to Produce Graduates

In Quebec, many Cree communities have signed agreements since the “Paix des Braves” (the Peace of the Braves) took effect in 2002, establishing a new relationship between the Cree Nation and the Quebec government.<sup>63</sup> Located in northern Quebec, the community of Nemaska has a very young and fast-growing population: 37% of members are less than 20 years old, and the average age is 30.<sup>64</sup>

In 2014, the Cree of Nemaska decided to use economic means to ensure a sustainable future for their youth. The nation took a 3.6% ownership stake in Nemaska Lithium’s Whabouchi mining project, and also signed a revenue-sharing agreement with the company.<sup>65</sup> The agreement provides for the development of educational and workforce training programs for the Cree in order to promote hiring in the mining sector.<sup>66</sup>

Since the agreement was signed, the proportion of Nemaska Cree with a trade certificate or diploma, or other non-university certificate, has risen from 32% to 47%.<sup>67</sup>

The Cree of Nemaska are thus in the process of transforming various aspects of their community, including in social matters. But while an agreement like the Nemaska Lithium deal does not lead in the short term to diversification of skills or of the economy, it does represent a major step in the economic and entrepreneurial awakening of the community. Construction of the mine should be completed in 2019.<sup>68</sup>

### A Golden Agreement in Wemindji

Further north, the Wemindji Cree are also involved in the mining sector. When Goldcorp Inc. undertook the Éléonore gold mining project, it immediately began talks with the nation. The resulting agreement was approved unanimously by the Wemindji Cree Council and



Matthew Coon Come, National Chief of the Assembly of First Nations; Bernard Landry, Premier of Quebec; and Ted Moses, Grand Chief of the Grand Council of Crees, during the signing of the “Paix des Braves” (the Peace of the Braves), in 2002. PHOTO CREDIT: JACQUES BOISSINOT, THE CANADIAN PRESS

then by the Grand Council of the Crees and the Cree Regional Authority.<sup>69</sup>

In concrete terms, the agreement, which is valid for the mine’s lifetime, includes various clauses on education and training as well as on job and business opportunities for the Cree. At the time of signing, the Grand Chief of the Council of the Crees, Matthew Coon Come, presented it as “a vibrant example where, with the participation of the Crees, mining can take place and prosper” and as the start of “a relationship based on respect for Cree rights and environmental and economic sustainability.”<sup>70</sup>

The mine, inaugurated in 2015, now employs 225 members of First Nations, accounting for about one-quarter of its employees.<sup>71</sup> As planned, Goldcorp has paid \$200,000 to the Mâyâupiu Training Institute, which provides training for adults, including a business start-up course, plus \$250,000 for the preservation of Cree culture.<sup>72</sup> Both the jobs and the acquisition of vocational training are long-term benefits for this isolated 1,600-member community.<sup>73</sup>

63. David Descôteaux, “The Cree and the Development of Natural Resources,” Economic Note, MEI, March 2015.

64. Statistics Canada, 2016 Census, 98-316-X2016001, Nemaska (Lands reserved for the Cree), November 29, 2017.

65. David Descôteaux, *op. cit.*, footnote 63; Natural Resources Canada, Indigenous Mining Agreements, Lands and Minerals Sector.

66. Nemaska Lithium Inc., Cree Nation of Nemaska, Grand Council of the Crees (Eeyou Itscree) and Cree Regional Authority, *Chinuchi Agreement*, November 2014, p. 23.

67. Statistics Canada, 2016 Census, 98-316-X2016001, Nemaska (Lands reserved for the Cree), November 29, 2017; Statistics Canada, 2011 Census, 99-004-XWF, Nemaska (Lands reserved for the Cree), November 11, 2013.

68. *L’Hebdo du St-Maurice*, “Nemaska Lithium fait le point sur son budget et l’échéancier,” October 1<sup>st</sup>, 2018.

69. Goldcorp Inc., “Goldcorp, Cree Nation of Wemindji, Grand Council of the Crees (Eeyou Itscree) and Cree Regional Authority sign an important agreement regarding the Éléonore gold project in northern Quebec,” Press release, February 21, 2011.

70. *Idem*.

71. Goldcorp Inc., Operations, Éléonore, 2018.

72. Patrick Rodrigue, “Éléonore veut former les leaders miniers de demain,” *La Frontière*, July 21, 2017.

73. Almost all live on-reserve, except for about a hundred people. Indigenous and Northern Affairs Canada, First Nation Detail, Cree Nation of Wemindji, March 28, 2017.



A cultural site at the Éléonore mine, in the James Bay region. PHOTO CREDIT: GOLDCORP

## Adapted Solutions

The handful of examples cited in this chapter, along with many others, show that First Nations, when confronted with structural socio-economic problems, can be proactive in the search for solutions adapted to their needs and realities, and that they can also achieve considerable success.

In the mining sector, this often involves partnerships with companies with a view to developing mineral resources on their territories or in adjacent areas. Communities' direct ownership stakes in certain projects and businesses is another path that has proven its worth. Through equity ownership, First Nations have a greater economic interest in seeing natural resource development projects succeed.

Such successes result in more jobs for members of the nations involved and additional income for communities. The substantial benefits they derive from this and

the greater control of First Nations over the development of these resources also favour their participation.

As for more traditional sectors such as forestry and fishing, First Nations are more likely to develop their resources autonomously. And here again, they can maintain control of those resources, in which they moreover have long-standing expertise.

In each of the cases presented, First Nations have made important decisions, sometimes breaking with traditional positions, and occasionally leading to significant financial risk to ensure a prosperous future for their communities. Partnerships have helped ensure the economic viability of promising projects, as well as the creation and growth of businesses owned by First Nations.

In short, a shift in dynamics between First Nations and non-indigenous businesses is now taking place that will help improve the social and economic conditions of First Nations. As noted by Dale Swampy, Member of the Samson Cree Nation, Manager of the Aboriginal Equity

Partners, and President of the National Coalition of Chiefs, “Working with the government and corporations, we can develop initiatives to get our communities out of poverty. That is the biggest key.”<sup>74</sup> For many First Nations, this economic awakening is essential in breaking the cycle of dependence on government.

The examples presented in this chapter testify to the central role played by the natural resource sector in remote areas. Without access to jobs and a diversified local economy, First Nations would ultimately be forced to leave their ancestral lands. All across the country, natural resource development offers them a chance to stay close to home while becoming wealthier and improving their quality of life.

***Working with the government and corporations, we can develop initiatives to get our communities out of poverty. That is the biggest key.***

— Dale Swampy, Member of the Samson Cree Nation,  
Manager of the Aboriginal Equity Partners, and President of  
the National Coalition of Chiefs

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74. Dale Swampy, interview conducted by the MEI, April 18, 2018.







In the summer of 2018, work is in progress on the site of a future work camp, in Kitimat, BC, in anticipation of the LNG Canada project. PHOTO CREDIT: ROBIN ROWLAND, THE CANADIAN PRESS

## CHAPTER 2

# Oil and Gas: Major Benefits and Missed Opportunities

Canada is among the top five countries both for the production and for the export of oil and natural gas.<sup>75</sup> The resulting economic activity benefits all Canadian provinces and supports hundreds of thousands of direct and indirect jobs across the country. This includes those First Nations involved in oil and gas projects in Canada.

Some of them oppose such projects, and this is often what attracts media attention, but a broader perspective shows that many are in favour of them and also benefit from them, even actively taking part. This chapter therefore aims to re-emphasize the importance of the hydro-carbon sector for all local communities, focusing on cases where the signing of agreements between First Nations and companies in the industry has provided mutual benefits, and others that have not come to pass, despite the will of the nations concerned.

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75. Natural Resources Canada, Energy Facts, February, 6, 2018.

### Significant Opportunities

The oil and gas sector will continue to provide significant opportunities over the coming years. It also remains the primary magnet for investment in the country,<sup>76</sup> despite a slow recovery following the decline in oil prices in 2015.<sup>77</sup>

In terms of economic activity, crude oil and natural gas extraction represented \$113 billion in 2017, or 6.5% of

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76. Crude oil and natural gas extraction accounted for 16% of all investments in Canada in 2017, nearly a third in Newfoundland and Labrador, and almost half in Alberta. Overall, capital expenditures in these sectors reached \$37.5 billion in 2017. Statistics Canada, Table 34-10-0035-01: Capital and repair expenditures, non-residential tangible assets, by industry and geography, 2017.

77. Federal Reserve Bank of St. Louis, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma, 2013-2018.

the country's GDP.<sup>78</sup> Added to this is the nearly \$20 billion in indirect economic activity, generated by extraction support activities, refineries, and pipeline transport, not to mention the companies that supply equipment needed for the extraction and processing of raw materials.

Overall, these sectors are growing, and projections show that this trend could continue; crude oil production is expected to grow by close to half by 2040, while natural gas production should increase by 11%.<sup>79</sup>

These investments support more than 70,300 direct jobs and 67,200 indirect jobs across the country.<sup>80</sup> Obviously, First Nations also benefit from the economic spinoffs arising from the extraction, processing, and transport of oil and natural gas. And, like oil and gas production, their populations are concentrated in the western part of the country.<sup>81</sup>

# \$2 billion

**Royalties and land fees collected by Indian Oil and Gas Canada in connection with crude oil and natural gas extraction over the past decade**

In the 2016-2017 fiscal year, natural gas was produced on 51 reserves belonging to 39 First Nations in Western Canada. Nearly all of these 1.6 billion cubic metres came from Alberta.<sup>82</sup> Meanwhile, oil production on First Nations lands occurred mainly in Saskatchewan, which accounts for two-thirds of the 800,000 m<sup>3</sup> extracted in the 2016-2017 fiscal year. Overall, oil was extracted on 35 reserves belonging to 25 First Nations. Although the quantities

extracted are modest compared to the size of the Canadian oil sector, the spinoffs are far from negligible.

## Tangible Benefits for Communities

Most oil and gas resources exploited on First Nations lands come under Indian Oil and Gas Canada, which manages the agreements signed by 57 First Nations representing 101 reserves. The royalties and land fees collected by this organization in connection with crude oil and natural gas extraction have totalled nearly \$2 billion over the past decade.<sup>83</sup> These funds are ultimately redistributed to the communities, which use them to develop and maintain their infrastructure or to support social programs.<sup>84</sup>

Of course, significant portions of these royalties fluctuate along with world market prices. As a result, the decline observed in recent years has had a significant impact on revenues from oil and natural gas extraction. After hitting a peak of \$250 million at the start of the decade, these royalties fell to about \$60 million last year.<sup>85</sup>

In addition to the royalties, which represent money in the pockets of communities, the sector also supports many jobs, which also contributes to their vitality. According to the most recent census, crude oil and natural gas extraction directly employed slightly over 2,000 First Nations workers across the country in 2015. Added to this are about 4,000 workers involved in support activities for the extraction of crude oil and natural gas, in the manufacture of petroleum products, and in pipeline transport.<sup>86</sup>

These workers' wages are well above the average for First Nations as a whole or for other Canadians. According to data from the 2016 census, First Nations members holding jobs earned an average of \$51,500 in 2016, before taxes. For workers in the oil and gas sector, it could range from two to four times as much: Average wages were nearly \$150,000 for those working in raw

78. Amounts expressed in 2007 chained dollars for NAICS 211. Statistics Canada, Table 36-10-0402-01: Gross domestic product (GDP) at basic prices, by industry, provinces and territories, 2017.

79. According to the reference case. National Energy Board, Integrated Energy Analysis, Canada's Energy Future 2017: Energy Supply and Demand Projections to 2040, October 25, 2017.

80. Direct jobs correspond to NAICS 211 and indirect jobs to NAICS 212311A, 32411 and 486. Statistics Canada, Table 36-10-0489-01: Labour statistics consistent with the System of National Accounts (SNA), by job category and industry, 2017.

81. One-third of the First Nations population lives in British Columbia and Alberta alone. Statistics Canada, Census Profile, 2016 Census, product no. 98-316-X2016001, 2016.

82. Government of Canada, Indian Oil and Gas Canada. About IOGC, 2016-2017 Annual Report.

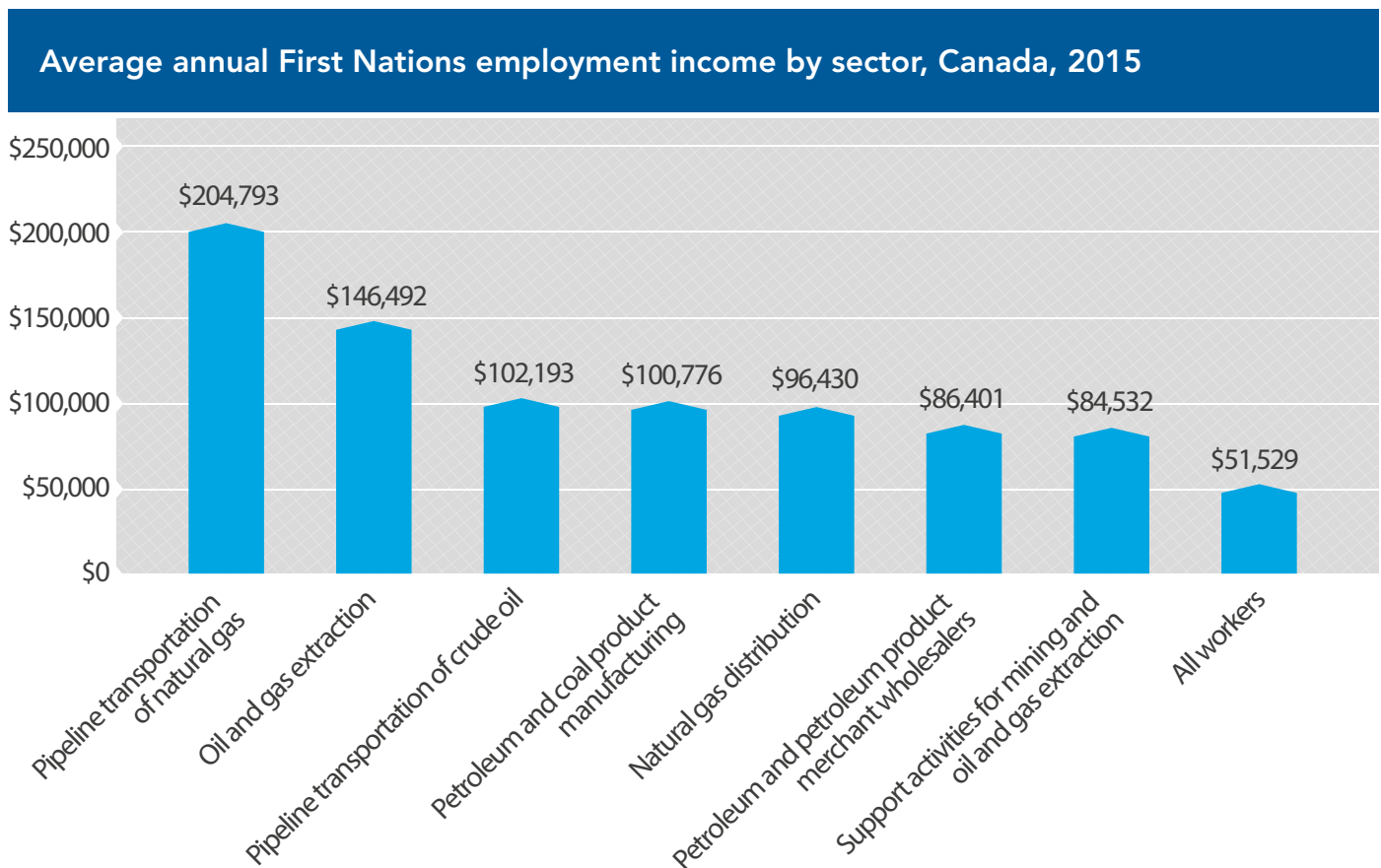
83. *Ibid.*

84. *Ibid.*; Government of Canada, *First Nations Oil and Gas Moneys Management Act*, S.C. 2005, Chapters 34 and 48, June 20, 2018.

85. Government of Canada, *op. cit.*, footnote 82, p. 29.

86. Statistics Canada, 2016 Census of Population, product number 98-400-X2016359. The NAICS for extraction support activities (21311A) and oil refineries (32411) are not available. We therefore used the most specific NAICS available in the 2016 census, namely NAICS 213 – Support activities for mining, oil and gas extraction and NAICS 324 – Petroleum and coal product manufacturing. Indirect jobs may be slightly overestimated even though the majority of jobs are in the oil and gas sector.

Figure 2-1



**Note:** Average pre-tax employment income for people 15 and over who worked full-time all year. Respondents reported a First Nation identity and live on or off a reserve. See footnote 86 for the North American Industry Classification System (NAICS) groups selected.

**Source:** Statistics Canada, 2016 Census of Population, product number 98-400-X2016359 in the catalogue, Canada, January 16, 2018.

material extraction, and more than \$200,000 for those working on gas pipelines (see Figure 2-1).

The spinoffs for First Nations are not limited to high wages. Some have created their own oil companies or subcontracting firms. Asked about the impact of the oil and gas sector on First Nations, Stephen Buffalo, President of the Indian Resource Council, said that overall, it "has produced a lot of entrepreneurship" and "has provided means of revenue for a lot of communities and a lot of entrepreneurs, and it has been very beneficial."<sup>87</sup>

Indeed, many of the projects now in place or under discussion clearly indicate the desire of many First Nations to develop their oil and gas resources. In British Columbia's oil and gas sector alone, the government has

signed 64 agreements with 29 First Nations.<sup>88</sup> Some oil or gas projects that have been able to move forward have produced substantial benefits for the communities involved, while other projects remain suspended, despite the support of the nations concerned.

### First Nation Groups Limited Partnership and the Pacific Trail Pipeline

Chevron Canada and Woodside Energy received an assessment certificate in 2008 for the Pacific Trail Pipeline (PTP) project, which is to carry natural gas to the British Columbia coast through a 463-kilometre pipeline. Work began four years later and, as with many similar projects, the PTP route crosses the territories of several First Nations. All of them joined the First Nations Group

87. Stephen Buffalo, *op. cit.*, footnote 8.

88. Government of British Columbia, Indigenous Relations and Reconciliation, Natural gas pipeline agreements with First Nations, March 23, 2017.

Limited Partnership to benefit from the project.<sup>89</sup> Chief Joe Bevan of the Kitselas Nation notes that the initial proposal failed to meet the expectations of the First Nations, but this did not prevent an agreement from being reached:

The PTP folks came to us and started discussions with us. What we were realizing was that the offers weren't that great. What we have done is gotten a hold of all of the nations that were affected [by the project], and we asked them to join us in joint negotiations with industry and the province, and that got the ball rolling to where we are today. [...] There were challenges along the way but we met them all and we succeeded in coming to an agreement. [...]

We started with the environment first, and then we talked about training and developing [skills] for our people, and then we talked about [First Nations] business procurement, and lastly benefits for the community as a whole. [...] We knew that, with this collaboration, we could get together and we could give industry and government the social licence to move forward with these projects.<sup>90</sup>

The agreement was revised in 2013, bringing the financial benefits for the First Nations up to \$200 million for the pipeline's full lifespan, in addition to providing training for indigenous workers and business opportunities for indigenous companies.<sup>91</sup>

For example, the value of the contracts allocated to companies in the First Nation Groups Limited Partnership now stands at \$245 million, or 65% of the total value of the contracts awarded in connection with the project's pre-construction phase. In addition, 1,600 First Nations members took training courses under the terms of the agreement, and more than half of them obtained jobs.<sup>92</sup> According to Joe Bevan, some of them even went back to school after a year of work to seek additional skills, putting them in a position to ask for higher wages. Entrepreneurship developed, and the impact of this initial phase of the project was substantial, with a huge drop in unemployment:



For Joe Bevan, Chief of the Kitselas Nation, the Pacific Trail Pipeline project allowed for an "incredible transformation" of his community. PHOTO COURTESY OF LISA MUELLER, FOUNDER AND CREATOR OF NATION2NATION FORUMS

[Just about everyone who used to be unemployed] were all working for us in one form or another, whether they were working in the LNG industry or working for the companies that help service that industry. The employment was amazing, and we had dropped our social assistance rate down to zero, almost. It was incredible, the transformation that was made.<sup>93</sup>

## Fort McKay First Nation

The Fort McKay Nation is recognized as an entrepreneurial model among the country's First Nations. Located in the Athabasca region, home to most of Alberta's oil sands operations, it has created companies in the oil sector under the Fort McKay Group of Companies (FMGOC) banner.<sup>94</sup>

Thanks to its entrepreneurship, this nation of just under 900 members<sup>95</sup> has reported annual revenues of \$60 million in recent years, reaching a peak of \$80 million in the 2017-2018 fiscal year. Part of this money is returned directly to the community, notably in education, local health care, and services for the elderly. The community is also largely self-sufficient; it generates substantial surpluses, and federal transfers account for only 5.3% of its revenues.<sup>96</sup>

89. BC Oil & Gas Commission, "Pacific Trails Pipeline," June 2018; Jeff Lewis, "Chevron, Apache extend construction window on Pacific Trail Pipeline," *Financial Post*, June 28, 2013.

90. Joe Bevan, interview conducted by the MEI, June 14, 2018.

91. Apache, *Energizing a Sustainable Future: 2013 Summary Sustainability Report*, 2013, p. 33.

92. Chevron, Kitimat LNG Project, Pacific Trail Pipeline, 2018.

93. Joe Bevan, *op. cit.*, footnote 90.

94. Fort McKay Group of Companies, *Company History*, 2018.

95. Out of the total, about 450 live on-reserve. Indigenous and Northern Affairs Canada, *First Nation Profiles*, Fort McKay First Nation, March 28, 2017.

96. Indigenous and Northern Affairs Canada, Fort McKay First Nation 2017-2018 financial statements, July 20, 2018, p. 5; Tom Flanagan, *The Community Capitalism of the Fort McKay First Nation*, Fraser Institute, 2018, pp. 7 and 11.





Aerial view of Fort McKay, Alberta. The average income of its residents was around \$73,000 in 2015, or 25% higher than the average income in Alberta. PHOTO CREDIT: JEFF MCINTOSH, THE CANADIAN PRESS

Individual benefits are also tangible. The average after-tax income of Fort McKay residents was about \$73,000 in 2015, or 25% higher than the average income in the province where it is located.<sup>97</sup> The nation also redistributes part of the profits to each member, adults and children alike, whether or not they live on the reserve. For the 2016-2017 fiscal year, this “business profit distribution” amounted to \$2,300 per member, and was projected to hit \$3,000 the following year.<sup>98</sup>

Fort McKay further increased its industry involvement in 2013 by creating a drilling company, in which it holds a majority stake, in partnership with Savanna Energy Services Corporation.<sup>99</sup> More recently, it again showed its entrepreneurial spirit by acquiring, jointly with the

Mikisew Cree Nation, 49% ownership in Suncor’s East Tank Farm expansion project.<sup>100</sup> The two nations funded this \$503-million purchase with no government assistance, preferring to issue secured notes to raise the required capital.

In 2017, Fort McKay donated \$550,000 to the Northern Lights Health Foundation, an organization in the Wood Buffalo area devoted to improving public health.<sup>101</sup> Without the nation’s economic development, a donation like this would not have been possible.

According to JP Gladu of the Canadian Council for Aboriginal Business, Fort McKay members now have “beautiful homes, they got a youth centre, they got paved roads. From an interesting point of view, they got everything. Then, if you have good infrastructure, you

97. Tom Flanagan, 73, Fraser Institute, 2018, p. 2

98. *Ibid.*, p. 12.

99. Fort McKay Group of Companies and Savanna Energy Services Corp., Form Energy Services Partnership, August 26, 2013; Savanna Energy, Community, Aboriginal Partnerships.

100. Fort McKay First Nation, Fort McKay and Mikisew Cree First Nations complete purchase of 49 percent interest in Suncor’s East Tank Farm Development, November 22, 2017.

101. Fort Mackay First Nation, *Business Report 2017*.

know that is a great place to raise a family, you have got more opportunities for your kids to grow and flourish. It is the base. One of the determinants of health is shelter and your income. Their income is higher, so their outcomes are higher.”<sup>102</sup>

## Coastal GasLink Pipeline Project

Like many other companies in the sector, TransCanada began discussions with the First Nations potentially affected by construction of the Coastal GasLink pipeline even before seeking government authorization.<sup>103</sup> Since then, 17 of the 20 First Nations concerned have reached

***If you have good infrastructure, you know that is a great place to raise a family, you have got more opportunities for your kids to grow and flourish.***

—JP Gladu, President of the Canadian Council for Aboriginal Business

agreements with the British Columbia government.<sup>104</sup> These agreements guarantee multi-million-dollar amounts at each stage of the pipeline’s construction and annual payments during its use.

The economic benefits for the First Nations will be considerably greater, however, since contracts totalling \$620 million will be awarded to indigenous companies in connection with the project.<sup>105</sup> Additional contracts worth \$400 million could be awarded, for a total of about \$1 billion. Coastal GasLink has also offered \$250,000 to the Prince George Nechako Aboriginal Employment and Training Association to train 48 indigenous students in the field of energy.<sup>106</sup>

This \$6.2-billion pipeline project is part of the LNG Canada megaproject, worth a total of \$40 billion, the biggest private investment in Canadian history, includ-

ing a terminal at Kitimat for exporting liquefied natural gas. The five companies investing in LNG Canada (Petrobras, Shell, PetroChina, Kogas, and Mitsubishi) gave their approval in October 2018. The project will create up to 10,000 jobs during construction, and 950 permanent jobs subsequently. The agreements with the First Nations will generate direct and indirect spinoffs, boosting not only their living standards but also the economy of the entire country.<sup>107</sup>

## Mackenzie Valley Pipeline Projects

First considered following the discovery of gas deposits in the late 1960s, the Mackenzie Valley Pipeline project has turned into a saga over the years. The pipeline, which at the time would have been the longest in the world, was to connect Prudhoe Bay, in Alaska, with the Mackenzie River delta and with Alberta and U.S. markets.<sup>108</sup>

In 1974, the Canadian federal government set up a royal commission to determine the effects the project would have on the economy, the environment, and indigenous communities.

The report was submitted three years later. The commission concluded that the pipeline was feasible but recommended a ten-year moratorium to allow for the settlement of territorial claims along the project’s route in the Mackenzie River Valley.



The Coastal Gaslink project is part of the LNG Canada megaproject, the largest private project in Canada’s history, with a total value of \$40 billion. PHOTO CREDIT: ROBIN ROWLAND, THE CANADIAN PRESS

102. JP Gladu, *op. cit.*, footnote 10.

103. TransCanada, *Aboriginal Consultation Report 1*, Coastal GasLink Pipeline Project, May 2013, p. 9.

104. Government of British Columbia, *Natural gas pipeline agreements with First Nations*, March 23, 2017.

105. The contracts are conditional on the construction of a gas liquefaction plant at Kitimat. TransCanada, “Coastal GasLink Pipeline Project Conditionally Awards \$620 Million in Contracting Opportunities to B.C. First Nations,” Press release, June 26, 2018.

106. Coastal GasLink, PGNAETA and TransCanada Sign Special Training Agreement, July 2018.

107. Jessica Jaganathan and Julie Gordon, “LNG Canada project in British Columbia given final approval by shareholders,” *National Post*, October 2, 2018; Richard Zussman and Jesse Ferreras, “LNG Canada announces final investment decision to build export facility in Kitimat,” *Global News*, October 1<sup>st</sup>, 2018.

108. Nathan Baker and James H. Marsh, *Mackenzie Valley Pipeline*, Canadian Encyclopedia, March 21, 2018.





The construction of new houses in Inuvik, Northwest Territories, had begun in anticipation of the substantial economic activity that was to stem from the construction of the Mackenzie Valley Pipeline. PHOTO CREDIT: FRED LUM, THE GLOBE AND MAIL DIGITAL IMAGE

Since then, most indigenous communities in the Mackenzie Valley have come out in favour of developing the erstwhile project.<sup>109</sup> In 2000, the Gwich'in and Sahtu Got'ine Nations, as well as the Inuvialuit Regional Corporation, came together to create the Aboriginal Pipeline Group (APG), with the aim of ensuring active participation by indigenous groups in development of the territory. A joint venture formed by this group and by Imperial Oil, ConocoPhillips Canada and ExxonMobil Canada was created the same year to revive pipeline plans in the Mackenzie Valley.<sup>110</sup> In 2003, the APG acquired one-third of the assets in the pipeline project, becoming a full participant.<sup>111</sup>

The National Energy Board gave its approval to the Mackenzie Gas Project in 2010 on condition that work begin before the end of 2015, a timeline that ended up being pushed back.<sup>112</sup> The project was again put on hold in 2017 due to a decline in prices and increased competition in the North American market. Today, the region's indigenous communities are still hoping that

the abundant natural resources in the area can continue to benefit the communities through other development projects.<sup>113</sup>

### Northern Gateway

The major partnership negotiated as part of Northern Gateway could have been another inspiring example of indigenous involvement in an oil project.

Enbridge, the company responsible for the project, consulted the First Nations located along the pipeline route, in accordance with the applicable rules. In 2013, 31 of the 52 First Nations and Métis communities affected formed Aboriginal Equity Partners (AEP).<sup>114</sup> The group began by negotiating jobs and contracts for indigenous companies and obtained 10%, and later 33%, of the shares in Northern Gateway, worth \$2 billion.<sup>115</sup> Then, in November 2016, the federal government put

109. Only the Deh Cho Nation still refused to take part in the project. Dave Ebner, "Aboriginal group seeks to block Mackenzie Valley pipeline," *The Globe and Mail*, September 3, 2004.

110. Nathan Baker and James H. Marsh, *op. cit.*, footnote 108.

111. Robert Reid, Standing Senate Committee on Energy, the Environment and Natural Resources, Evidence, May 27, 2008.

112. Nathan Baker and James H. Marsh, *op. cit.*, footnote 108.

113. Walter Strong, "Mackenzie Valley pipeline project officially one for the history books," CBC News, December 28, 2017.

114. Dale Swampy, House of Commons Standing Committee on Transport, Infrastructure and Communities, November 2, 2017.

115. Claudia Cattaneo, "Enbridge plans Northern Gateway shakeup, giving greater control to aboriginal partners," *National Post*, December 6, 2014; John Paul Tasker, "Liberals decide fate of Northern Gateway pipeline, but won't announce until next week," CBC News, November 25, 2016.



an end to the project by choosing not to continue consultations.<sup>116</sup>

According to Dale Swampy, an AEP representative and member of the Samson Cree Nation, anger among the First Nations and Métis communities concerned was so great that they are considering legal proceedings. The prime minister “opted to cancel our rights, to say ‘I don’t care about the court decision, I don’t care about law, I don’t care about the Constitution, and I don’t care about the indigenous rights of the 31 communities that signed on as owners of Northern Gateway.’ He justifies it by saying that everyone in northern BC who is aboriginal opposed the pipeline, and that is just totally false.”<sup>117</sup>

Stephen Buffalo, President and CEO of the Indian Resource Council, agrees with the assessment: “The decision [to cancel Northern Gateway] was bad for our First Nations. They had a deal struck, they were prepared to be part of the project. I think it is a model that can be utilized now, that works.”<sup>118</sup>

***[The prime minister] opted to cancel our rights, to say “I don’t care about the court decision, I don’t care about law, I don’t care about the Constitution, and I don’t care about the indigenous rights of the 31 communities that signed on as owners of Northern Gateway.”***

— Dale Swampy, Member of the Samson Cree Nation, Manager of the Aboriginal Equity Partners, and President of the National Coalition of Chiefs

## Trans Mountain

The Trans Mountain network has been transporting oil from Alberta to the British Columbia coast since 1953. In 2013, Kinder Morgan decided to boost capacity with an expansion project tripling the network’s throughput.<sup>119</sup> As others have done, Kinder Morgan approached all the First Nations that could be affected by the pipeline expansion. Altogether, 43 of them signed mutual benefit



The hereditary Chief of the Haisla Nation, Clifford Smith, and the nation’s Chief Councillor, Ellis Ross, during the launch of consultations for the Northern Gateway project. A consortium of First Nations had obtained shares valued at \$2 billion in the project, which has since been cancelled. PHOTO CREDIT: DARRYL DYCK, THE CANADIAN PRESS

agreements (33 in British Columbia and 10 in Alberta), valued at \$400 million.<sup>120</sup>

The agreement development process was different for each of the First Nations concerned. For example, before finalizing the agreement guaranteeing the Simpcw Nation annual payments, jobs, and contracts, the band council consulted its members by referendum. Nearly 80% said they were in favour of participation in the project.<sup>121</sup>

In the spring of 2018, following the federal government’s acquisition (temporary, in principle) of the pipeline,<sup>122</sup>

several First Nations showed interest in a potential takeover. For some of them, the possibility of equity stakes was indeed the missing element in the Kinder Morgan offer.<sup>123</sup>

116. John Paul Tasker, “Trudeau cabinet approves Trans Mountain, Line 3 pipelines, rejects Northern Gateway,” CBC News, November 29, 2016.

117. Dale Swampy, *op. cit.*, footnote 74.

118. Stephen Buffalo, *op. cit.*, footnote 8.

119. The Canadian Press, “Timeline: Key dates in the history of the Trans Mountain pipeline,” CTV News, April 15, 2018; Trans Mountain, Expansion Project.

120. Trans Mountain, “43 Indigenous Groups Have Signed Agreements in Support of the Trans Mountain Expansion Project,” Press release, April 19, 2018.

121. Trans Mountain, “Simpw First Nation Signs Agreement with Trans Mountain; Mutual Benefits Agreement will Bring Opportunities and Shared Economic Benefits,” Press release, May 11, 2016; Simon Little, “‘We’ve made our decision’: B.C. First Nation speaks up for Trans Mountain pipeline,” Global News, April 25, 2018.

122. Kinder Morgan was considering abandoning the pipeline expansion due to the uncertainty weighing upon the project. Radio-Canada, “Un possible abandon de Trans Mountain évoqué par Kinder Morgan,” April 8, 2018.

123. Danielle Smith, “First Nations eyeing bid to buy Trans Mountain pipeline,” Global News, July 20, 2018.



The National Energy Board had approved the Trans Mountain pipeline expansion project, which had also received the approval of 43 First Nations. The future of the project is now uncertain due to a ruling by the Federal Court of Appeal, which found that the indigenous population had not been adequately consulted. PHOTO CREDIT: JASON FRANSON, THE CANADIAN PRESS

In a way, this turnaround was what they had been looking for since the beginning. As noted by JP Gladu of the Canadian Council for Aboriginal Business, “The next big business trend that we are going to see, and that is happening already, is not only that aboriginal businesses are going to be stronger components of the corporate supply chain, but we are also going to see them as stronger proponents of equity positions and actual partners within resource projects.”<sup>124</sup>

The project’s future is uncertain as these words are written, due to a ruling by the Federal Court of Appeal, which found that the National Energy Board’s assessment was flawed and that Ottawa had not adequately consulted the indigenous population before granting its approval.<sup>125</sup>

124. JP Gladu, *op. cit.*, footnote 10.

125. Julie-Anne Lapointe, “Le pipeline Trans Mountain ne peut pas aller de l’avant, tranche la cour,” Radio-Canada, August 30, 2018.

## “One School a Day, One Hospital a Week”

The development of Canada’s oil and gas resources supports a significant portion of the country’s economy and provides higher living standards to many communities. First Nations are no exception, and a number of them also benefit from the extraction, transportation, and processing of these resources. Some have even decided to take part by creating their own businesses, which has changed the face of these communities.

However, the uncertainty surrounding the regulatory process and its politicization have led to a number of oil or gas projects being terminated over the past few years; since 2015, the value of these stillborn projects exceeds \$100 billion. Lower hydrocarbon prices alone are not enough to explain these cancellations.<sup>126</sup> This deprives First Nations—and many other Canadians—of

126. Teresa Wright, “Are Liberals to blame for cancelled energy projects?” CTV News, September 7, 2018.

substantial benefits, as well as being harmful to the Canadian economy as a whole. One study has estimated that, in 2018 alone, insufficient Canadian pipeline capacity will deprive companies in the energy sector of nearly \$16 billion in income, due to lack of access to international markets.<sup>127</sup> In the words of JP Gladu, “That’s one school a day, one hospital a week.”

***The next big business trend that we are going to see, and that is happening already, is that aboriginal businesses are going to be stronger proponents of equity positions and actual partners within resource projects.***

— JP Gladu, President of the Canadian Council for Aboriginal Business

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127. Elmira Aliakbari and Ashley Stedman, “The Cost of Pipeline Constraints in Canada,” Fraser Institute, May 8, 2018.

## CONCLUSION

Historically, relations between First Nations and non-indigenous Canadians have not always been easy. A lack of respect for treaties and the often cavalier attitude of businesses toward the desires and needs of the first inhabitants of the Canadian territory, among other things, have left their mark. This makes it easy to understand how a degree of mistrust persists with respect to certain resource development projects. However, over the past 25 years, an obvious change has been taking place. Both sides increasingly understand that exchanges based on real collaboration are always profitable.

A number of communities have hopped aboard the natural resource train in the hope of regaining control of their destiny. This extends from the Cree of northern Quebec, who are active in the mining sector, to the Lax Kw'alaams and Kitselas of British Columbia, operating in the forestry and natural gas sectors respectively, not to mention the Fort McKay Nation, which is growing rich from Alberta oil.

This latter case reveals the change in mindset. In the early 1960s, opposition to oil sands development projects was nearly unanimous in Fort McKay, as Chief Jim Boucher explained recently.<sup>128</sup> During the 1970s and 1980s, anti-fur campaigns in Europe eliminated substantial markets for indigenous people, who became poorer as a result. Many then began looking more favourably upon oil sands development. Numerous First Nations members were hired by the industry, and they thrived. This enabled them to emerge from dependence on the federal government. Thus, in the past five years, only 5% of the Fort McKay Nation's revenues came from federal transfers. The average after-tax income of its residents is even higher than that of other Albertans.

In addition, the community owns a majority stake in the oil infrastructure on its territory, worth half a billion dollars.

### Reconciliation Involves Development

Reconciliation between First Nations and the rest of Canada has been on the agenda since 2008, with the launch of the Truth and Reconciliation Commission of Canada.

This reconciliation obviously involves greater recognition of indigenous rights and the abandonment of harmful

**"I am incredibly optimistic. Our rights are only being strengthened every day that goes by with the greater business success that we can showcase. That only adds to a more prosperous future between indigenous and non-indigenous business communities and government. I am very hopeful for a stronger and more inclusive Canada."**

**— JP Gladu, President and CEO, Canadian Council for Aboriginal Business**

**"The community that we are in now is full of optimism and hope. It is not about what we can't do, it's about what we can do. It is a totally different community from the one I grew up in."**

**— Ellis Ross, MLA, former Councillor for the Haisla Nation**

**"There is no power in poverty. Transfer payments from the federal government is a system that preserves poverty. First Nations leaders want to become economically independent, develop their own source of revenues."**

**— Calvin Helin, writer, businessman and member of the Tsimshian First Nation**

128. Remarks at the 2018 Energy Business Forum in Banff, Alberta, August 22, 2018.



policies. It will truly be achieved, however, only when First Nations have taken their destiny in hand and broken free of the vicious cycle of government handouts.

This assumes that First Nations members can work in exchange for good wages and that their leaders have access to stable and viable sources of funding to meet community needs. Many First Nations have found the solution: resource development.

This paper has shown that concrete examples of success in confronting poverty and despair are not lacking. It has also shown that, contrary to widespread opinion, this desire for economic development among First Nations is very real.

Of course, in a free society, no group achieves unanimity for or against change.<sup>129</sup> There will always be tensions between resource development and the environment. But it is time to acknowledge that First Nations are not an extension of environmentalist groups.<sup>130</sup> Like all Canadians, they want to improve their living standards and provide a better future for their children. The interviews we conducted for this paper testify to this.

Despite the obstacles that remain, and even some setbacks, the many agreements that have been reached and the results they have generated can only inspire confidence. Many First Nations have chosen the path of development and prosperity. And even if their socio-economic situation often remains difficult, many examples show how indigenous communities are succeeding in reconciling economic development and empowerment with respect for the land and the environment. There are reasons to be immensely proud and optimistic.

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129. Tristin Hopper, "What do First Nations really think about Trans Mountain?" *National Post*, April 19, 2018.

130. Claudia Cattaneo, "'Eco-colonialism': Rift grows between Indigenous leaders and green activists," *National Post*, January 4, 2018.

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**JOE BEVAN**, Chief Councillor of the Kitselas First Nation.



**STEPHEN BUFFALO**, member of the Samson Cree Nation and President and CEO of the Indian Resource Council.



**JEAN-PAUL (JP) GLADU**, member of the Sand Point First Nation and President and CEO of the Canadian Council for Aboriginal Business.



**CALVIN HELIN**, member of the Tsimshian First Nation, writer, and businessman.



**ELLIS ROSS**, councillor of the Haisla First Nation from 2003 to 2011, then Chief Councillor from 2011 to 2017. Currently MLA in British Columbia.



**DALE SWAMPY**, member of the Samson Cree Nation, Manager of the Aboriginal Equity Partners, and President of the National Coalition of Chiefs.





# ANNEX





**"There were so many jobs that anybody who wanted to work at the time was able to get work."**

PHOTO COURTESY OF ELLIS ROSS

## Interview with Ellis Ross

Mr. Ross was Councillor for the Haisla Nation from 2003 to 2011, and Chief Councillor from 2011 to 2017. He is currently a Member of the Legislative Assembly of British Columbia.

**MEI: How many members of your community are currently involved in resource development?**

**Ellis Ross:** Not many, because the activity we had around LNG development time is stalled. At the time, it was up and running, with all the groundwork, and there were so many jobs that anybody who wanted to work at the time was able to get work.

**MEI: What types of jobs were there for members of the community?**

**ER:** It was a lot of camp work, truck driving, labour for those who have welding tickets, people had tickets to be deck hands or to run a boat. It had such a dramatic effect on our people, because of the effect it had on other organizations that needed workers, including my own council. People that got accreditation

or diplomas, using the band council, moved on to better jobs. So in that case, we had to recruit more workers that would fill up these vacancies left by these workers that moved on.

**MEI: Since you started becoming involved in resource development, have companies that are not directly related to the resource industry been created? In other words, was there any entrepreneurial development?**

**ER:** No, it didn't happen. The band and the council developed joint venture partnerships with existing companies with the idea of going out to get contracts using their means. But there was no real development of companies in their own right, complete with capital and assets and buildings and things like that. It was all based on partnerships with existing companies.

**MEI: If Northern Gateway had not been cancelled, do you think that a few years of work could have led to entrepreneurship in your community?**

**ER:** It's hard to say, because we had a lot of time, we tried to encourage entrepreneurship, and we actually made sure there were resources available for those who wanted to start companies. There was no real appetite from the band members themselves. You have to remember for jobs that came along we were paying anywhere from \$75,000 to \$100,000 a year just in terms of labour.

**MEI: Then there was a huge opportunity cost to let go of these jobs and start something else.**

**ER:** Huge. It in fact affected our educational goals. It was hard to convince people to go to school and get a diploma when there was this kind of money to be made over four or five years.

**MEI: It's a nice problem to have.**

**ER:** It is a nice problem. When I was Chief Councillor, some of these people that hadn't graduated from high school were making anywhere from \$25,000 to \$35,000 more than I was, and I was Chief Councillor!

**MEI: It had a clear impact on incomes in your community.**

**ER:** Without a doubt. You could see it in ways that nobody ever thought of measuring before. You could see it in terms of the fundraising dinners that we used to have for families in need, where in the past if you collected \$1,000 for a person in need that was a big deal, but when everybody was working, it was not uncommon to see fundraising of \$4,000 to \$5,000 at a time. There was a lot of money.

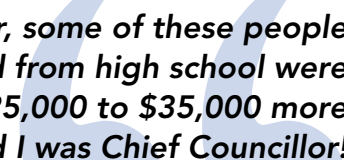
**MEI: Do you see a big difference in your community between the past and the present?**

**ER:** Definitely. A 180-degree turnaround. Look at our community, the last ten years have given us an opening to development and working with the government. We got a brand new

breakwater, we got brand new docks, new public road building, a new fire hall, a new

administration building. People for the first time in their lives are getting mortgages that can be applied on-reserve. We help out elders, we have a program that we fund. We have a bereavement program, we have a youth program, we have a community beautification program. We have a sport fund.

This is all funded using our own money. This does not come from the government. This is helping people who never had the opportunity to get help before. It is such an amazing feeling when you make a decision at the council table that really affects your membership and you did not have to ask permission from any-



***When I was Chief Councillor, some of these people that hadn't graduated from high school were making anywhere from \$25,000 to \$35,000 more than I was, and I was Chief Councillor!***

body, you did not have to ask the government, the funders, you did not have to sign a funny agreement. It was such a glorious time.

I even had a person that is probably 15 years older than I am, mid-sixties. It never occurred to me that even older people were full of optimism. I went to their door once and knocked because I was running for re-election. They came out and hugged me. They said, "You gave us hope. For the first time in our lives we have hope." They drive buses and they were working in the camps and when these shut down, they moved on to more opportunities because they knew they were confident now.

**MEI: So things have changed for the better?**

**ER:** Big time. We were completely different then. We had no use for Indian Affairs. We got no use for treaty negotiations. We are well on our way to becoming independent without signing a treaty. I believe that the definition of independence is the day that you get to address your issues on your own terms. Do not beg for anything.



The community that we are in now is full of optimism and hope. It is not about what we can't do, it's about what we can do. It is a totally different community from the one I grew up in.



# ABOUT THE AUTHOR



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Germain Belzile has been teaching economics for over 30 years, first at UQAM, then HEC Montréal. He holds a master's degree in economics from UQAM, where he also studied at the PhD level. He is a co-author of the most used economics textbooks in French-speaking universities in Canada (*Principes de microéconomie* & *Principes de macroéconomie*). The author of numerous articles, he is a regular participant in debates, interviews and conferences on globalization, economics and liberalism.



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