



INDIGENOUS
RESOURCE NETWORK
Building a sustainable future for indigenous communities

Submission

Bill S-243

STANDING COMMITTEE

Banking, Commerce and the Economy

Re: Bill S-243, An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts

Dear Sirs/Madames,

This submission outlines our concerns with restricting Indigenous Access to Capital for resource projects

1. Issues Facing Indigenous Access to Capital

Addressing the challenges that Indigenous communities face in accessing capital is crucial for fostering economic reconciliation and reducing disparities. Several factors contribute to the difficulties Indigenous communities encounter in this regard, and it's essential for Canadian lawmakers to understand these dynamics to design effective policies.

Historical Disadvantages:

Indigenous communities often have a long and difficult history of colonization, dispossession, and marginalization, which has led to economic disadvantages. This historical context has created a legacy of poverty, addiction, inter-generational trauma, and limited access to resources and capacity within many communities.

High Interest Rates:

Considering the previous items mentioned, Indigenous communities are considered much riskier for issues out of their control. Facing much higher interest rates from traditional financial institutions it is hard for Indigenous communities to pursue ownership that is economically feasible.

Limited Collateral:

Because of existing legislation such as the Indian Act Indigenous communities face challenges in providing conventional forms of collateral, such as property titles, which are often required by traditional lending institutions. This limitation can make it difficult for communities to secure loans and access investment capital.

Lack of Capacity:

Indigenous communities may be underrepresented in decision-making bodies and institutions that allocate capital. Encouraging diversity in these spaces and involving Indigenous representatives in the policymaking process can help address this issue. Additionally, many lack the capacity to negotiate these high value deals that often require lawyers, financial advisors, consultants, and investment bankers.

Environmental Stewardship:

Indigenous communities place a high value on environmental sustainability. Federal legislation should be crafted with an understanding of these concerns to ensure that economic development initiatives align with the environmental values of Indigenous communities. When an Indigenous community is the owner of a project, they have a seat at the table and can drive discussion around where to allocate resources, project planning, and provide meaningful input.

2. Providing Access to Capital

Indigenous access to capital has been a big push by groups like the Indigenous Resource Network (IRN). Our advocacy has focused on the implementation of a National Indigenous Guaranteed Loan Program to provide guaranteed loans to Indigenous communities. Such a program is expected in Canada's 2024 budget¹.

Why it matters?

Economic Reconciliation

- Ongoing own source revenue for economic independence
- Decision making power with having a seat at the table as owners

Faster Approvals

- Indigenous buy in at all stages of the projects to expedite approvals
- De-risking projects with Indigenous people as partners

An Inclusive Canada

- Prosperous and self-sufficient Indigenous communities
- New jobs and opportunities across Canada
- Solving the worldwide energy crisis with cleaner, reliable, and safe Canadian energy

The current financial landscape for Indigenous access to capital has led to:

- The lack of finance for medium-to-larger enterprises and major projects;
- The Indigenous intermediation gap arising from the absence of a large-scale Indigenous financial institution to invest growing financial wealth in Indigenous communities and help meet Indigenous capital financing needs; and
- The lack of access to housing finance for Indigenous communities for private homeownership and community-owned social housing.

3. The positive economic impact of Indigenous oil and gas

Investment in Indigenous-owned oil and gas projects goes beyond ownership and has real socio-economic impacts in Indigenous communities. Canada is a resource economy, and we should embrace responsible Indigenous-involved development that leads to a prosperous Canadian economy for all.

While it is a major part of Canada's economy for some, for Indigenous people it is an even bigger deal. The Fort McKay First Nation (located near Canada's oilsands) group of companies have \$200 million in annual salaries and wages for workers, and \$70 million

¹ 2023 Fall Economic Statement. Government of Canada. <https://www.budget.canada.ca/fes-eea/2023/report-rapport/FES-EEA-2023-en.pdf>

generated in tax revenues to the federal government². Most of these wages and taxes come directly or indirectly from the oil and gas industry.

Canada must support Indigenous ownership that fosters ample opportunities for both workers and industries to embrace green jobs and provide the world with reliable, sustainable energy. According to StatsCan the productivity of these workers matters significantly to Canada's economy with the top 23 of 25 sectors in Canada with \$200 or more in labour productivity per hour being in oil and gas. The oilsands contribute \$998/hour in labour productivity while the Canadian average is \$61.10³. This is essential not only to Canada's economy but many Indigenous communities who rely heavily on the oil and gas sector.

The Indigenous Resource Network feels that there are clear opportunities for Indigenous workers, businesses, and communities in the oil and gas sector. To work toward real reconciliation Canada must support Indigenous resource jobs and investment for those opportunities.

4. UNDRIP Contradictions

On June 21, 2021, the United Nations Declaration on the Rights of Indigenous Peoples Act received Royal Assent and immediately came into force. The legislation advances the implementation of the Declaration as a key step in moving toward reconciliation. Through Canada's UNDRIP Action Plan the government of Canada intends to apply UNDRIP to Canadian laws. Specifically, Action Plan Measure (APM) 34 states Canada will "work in consultation and cooperation with First Nation, Métis and Inuit communities, governments and organizations to (i) enhance the participation of Indigenous peoples in, and (ii) set the measures that could enable them to exercise federal regulatory authority in respect of, projects and matters that are currently regulated by the Canada Energy Regulator (CER)."

More specifically, APM 34 enhances Indigenous rights in ownership of CER regulated infrastructure and the access to capital required for purchasing major infrastructure projects.

"This work could lead to other federal departments, regulators, or institutions, similarly working in consultation and cooperation with First Nation, Métis and Inuit communities, governments and organizations, to:

- Enhance the participation of Indigenous peoples;

² Annual Report. Fort McKay Group of Companies. <https://www.fortmckay.com/app/uploads/2023/02/FMFN-Doing-Business-2023-1.pdf>

³ Statistics Canada, Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts.

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610048001>

- Set the measures that could enable them to exercise regulatory authority, in respect of federally regulated natural resource projects.”

It is our view that this action plan measure, as well as other measures, contradict bill S-243 and its undermining of Indigenous investment in oil and gas and the necessary steps for Indigenous ownership in resource projects.

IRN makes the following recommendations to the Senate Standing Committee on Banking, Commerce, and the Economy:

Fostering genuine opportunities for Indigenous access to capital and enhancing Indigenous ownership in resource projects is a vital role of the IRN. We feel that Bill S-243 goes against the values of reconciliation and the pursuit of Indigenous ownership in oil and gas. While there are good intentions behind this legislation, such that foster environmental sustainability, the IRN feels that Bill S-243 will have unintended consequences regarding Indigenous reconciliation. IRN advises the Committee to strongly consider voting against Bill S-243 to ensure a comprehensive and effective approach that aligns with the overarching goal of promoting sustainable economic development and reconciliation with Indigenous communities.

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