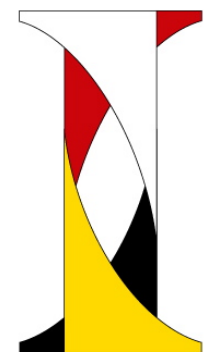


Access to capital for energy projects

The *First Nations Fiscal Management Act* (FMA) and the Role of the First Nations Financial Management Board (FMB)

Presented by the First Nations Financial Management Board
at the Second Yukon First Nations Energy Forum
Kwanlin Dun Cultural Centre, Whitehorse, Yukon
28 May 2015



- ☐ FMA
- ☐ FMB
- ☐ Energy Economics
- ☐ Working Together
- ☐ Self-governing

Overview



- The *First Nations Fiscal Management Act* (FMA)
- The Role of the First Nations Financial Management Board (FMB)
- An energy economics example: analysis of the natural gas value chain
- An example of First Nations working together in BC
- Self-governing Nations

<input checked="" type="checkbox"/>	FMA
<input type="checkbox"/>	FMB
<input type="checkbox"/>	Energy Economics
<input type="checkbox"/>	Working Together
<input type="checkbox"/>	Self-governing

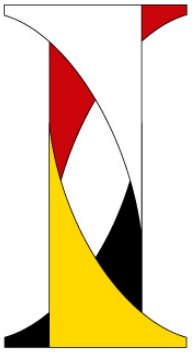


The FMA

- The *First Nations Fiscal Management Act* (FMA)
- Optional, First Nation led legislation
- Established three (3) institutions:
 - First Nations Finance Authority
 - First Nations Financial Management Board
 - First Nations Tax Commission
- Some objectives:
 - Access to capital
 - Strengthen First Nation financial management systems and financial performance
 - Strengthen First Nation taxation systems

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First Nations participating in the FMA (31 March 2015)



Black pins = FMA schedule

Red pins = FMA schedule & FMB certified

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The FMB

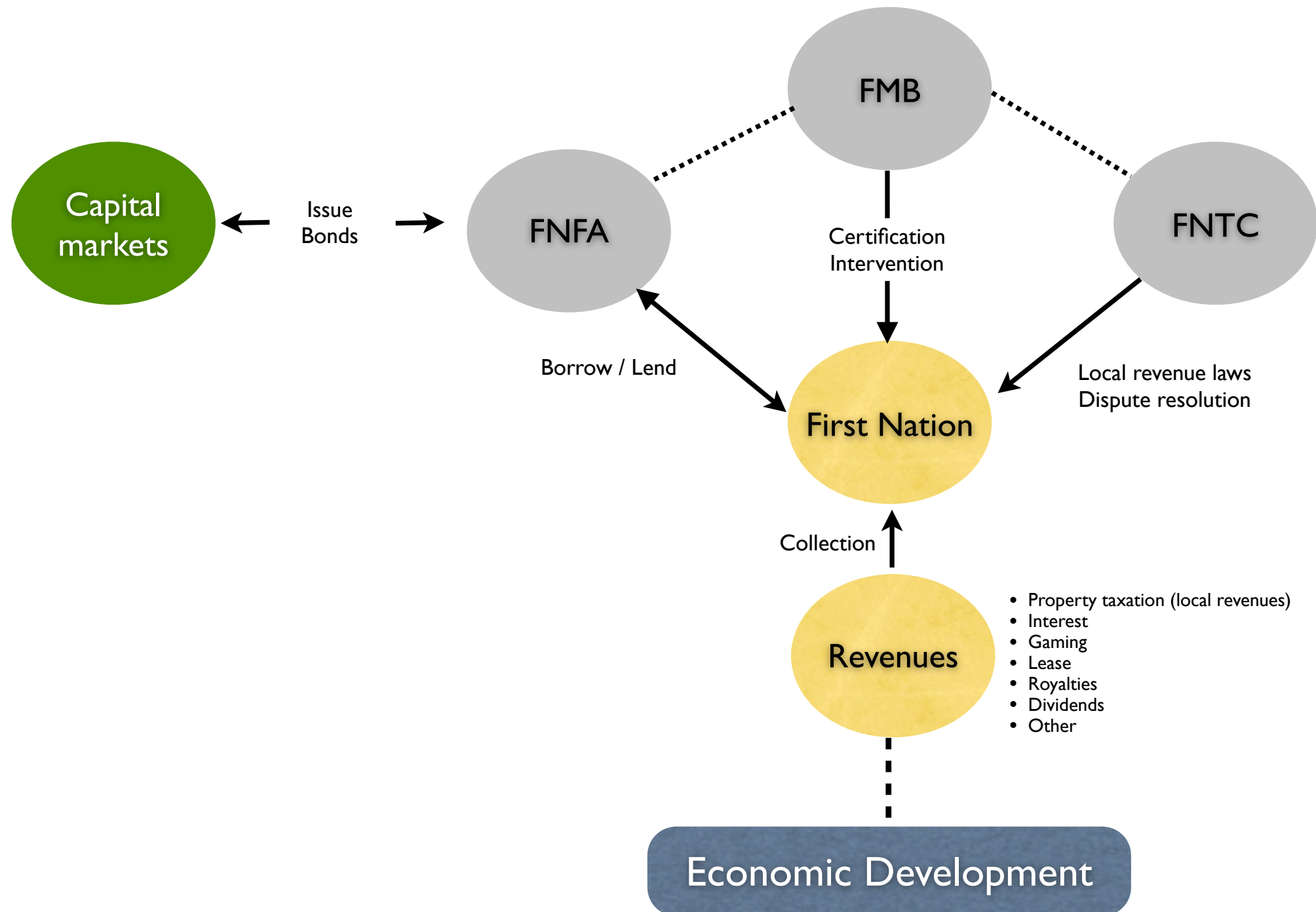


- The First Nations Financial Management Board
- A First Nation institution
 - Objective to support broader goals of the FMA - **access to capital**
- Core activities:
 - **Capacity development** - respond to First Nations
 - **Set standards**: Financial administration law, financial performance, and financial management systems
 - Upon request, **certify** that these standards have been met

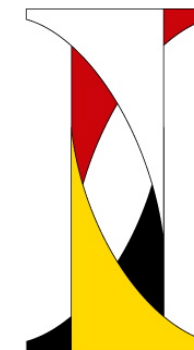
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FMB Role

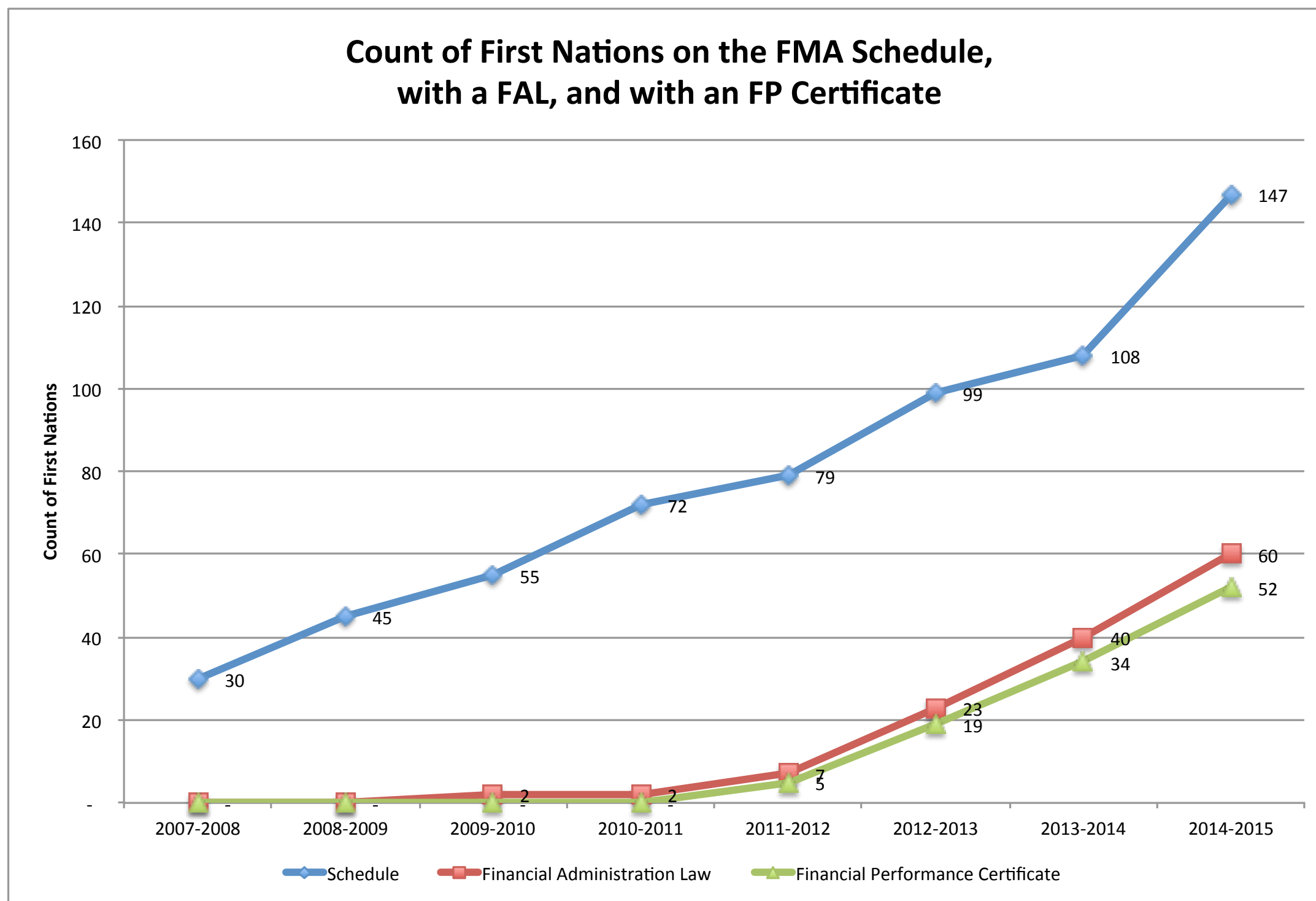


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Certified First Nations

(31 March 2015)



- ☒ FMA
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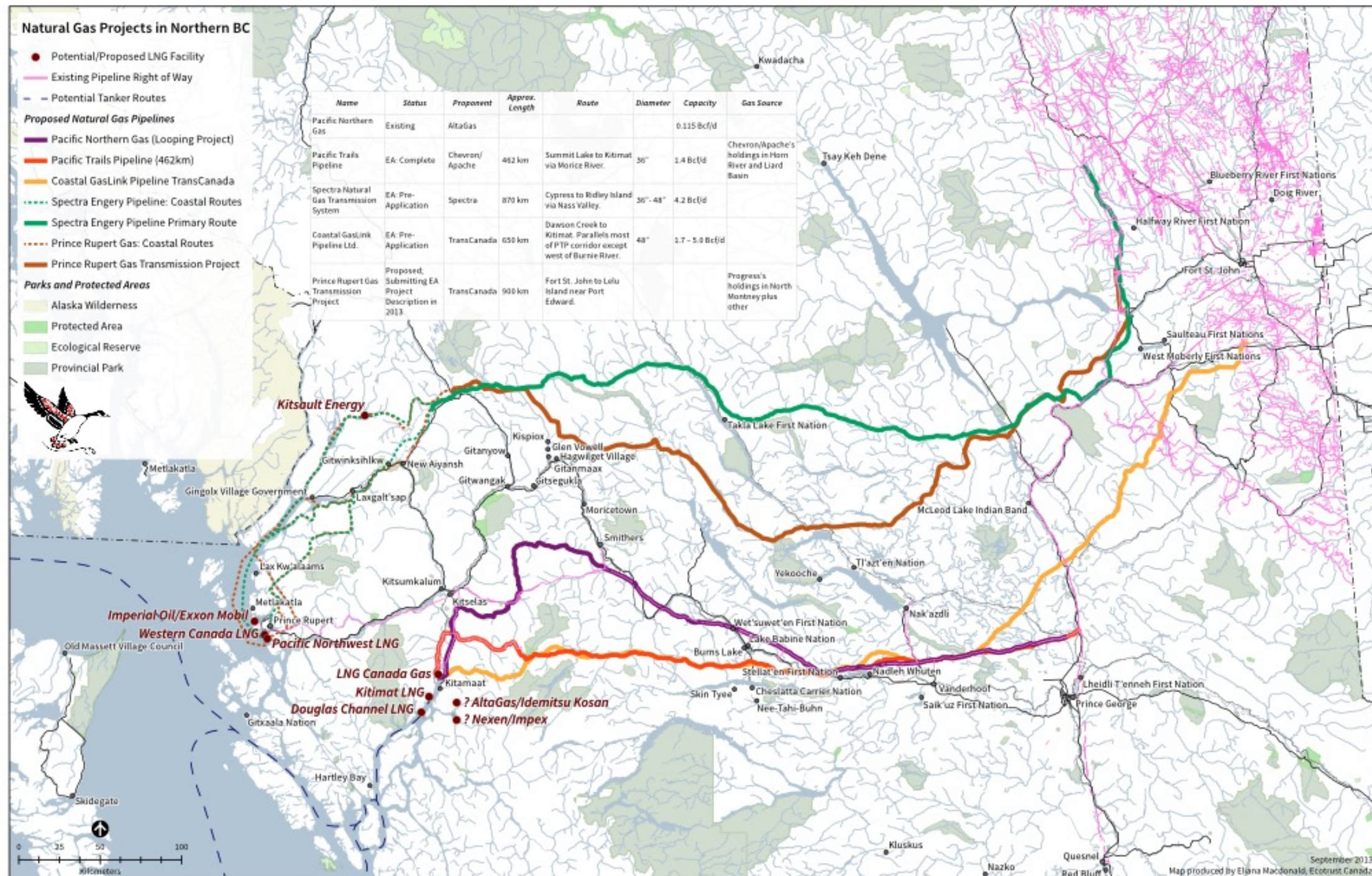
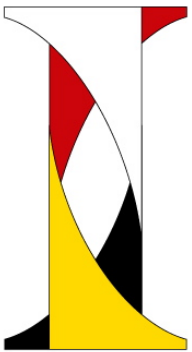
Energy Economics Example: Natural Gas



- First Nations approached FMB and asked for assistance
- First Nations needed cash to purchase equity / ownership of a proposed natural gas pipeline
- FMB responded by working with First Nations:
 - Economic analysis of value chain and energy infrastructure
 - Options for multiple First Nations to access cash to purchase energy infrastructure

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Energy Economics Example: Natural Gas



Source: Carrier Sekani Tribal Council

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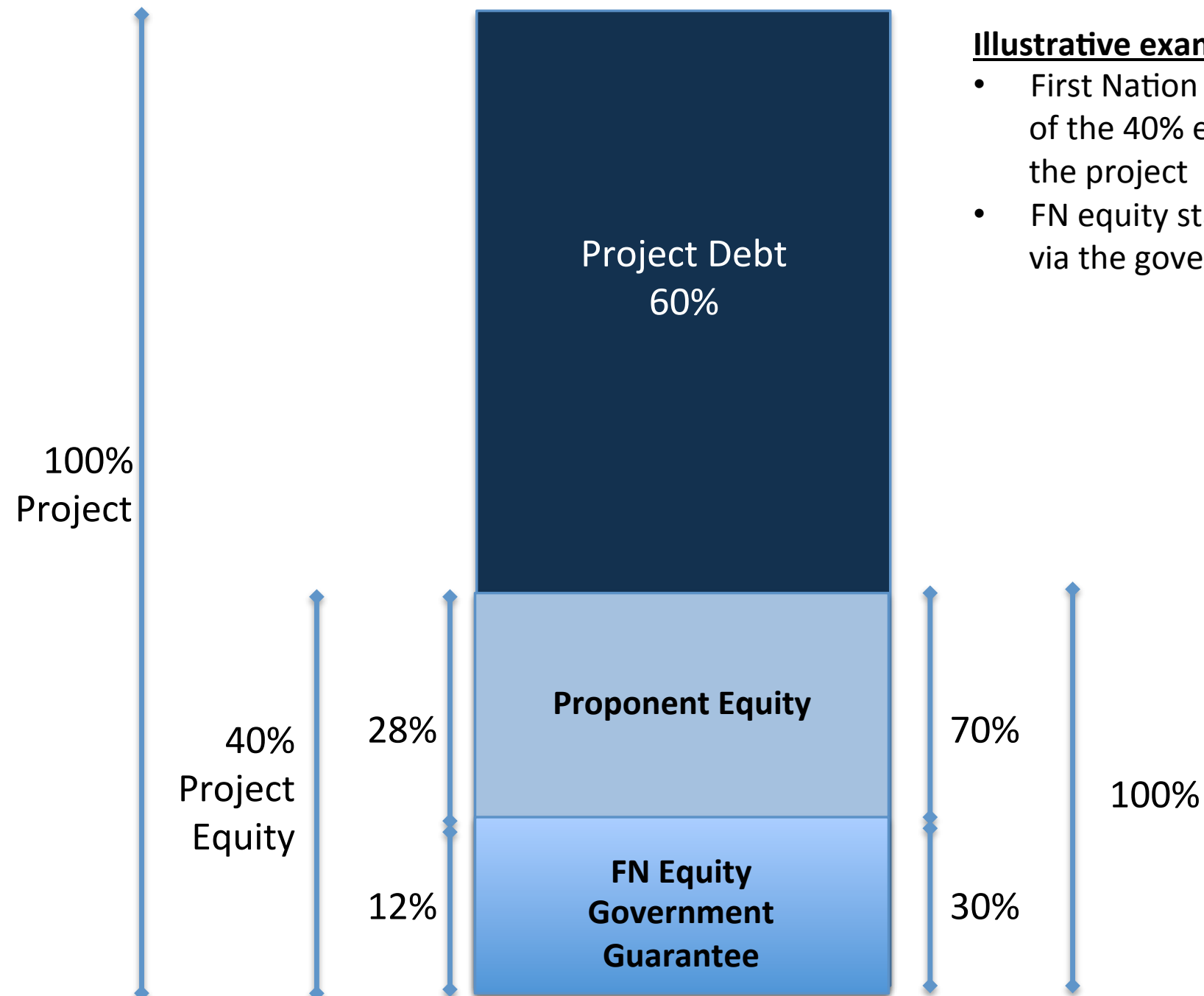
Energy Economics Example: Natural Gas



- Energy Company drills & produces gas and sends it to Gas Plant
- Gas Plant removes unwanted things from the gas.
- Pipeline company transports clean gas to LNG Terminal.
- LNG terminal chills gas and turns into a liquid at -160 degrees.
- LNG sold to Asian marketing company at outlet of LNG plant.
- LNG shipped and sold to Asian utility companies.

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Energy Economics Example: Natural Gas

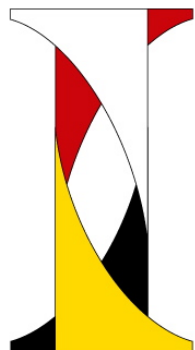


Illustrative example:

- First Nation equity stake is 30% of the 40% equity component of the project
- FN equity stake is 100% financed via the government guarantee

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Energy Economics Example: Natural Gas



What if First Nations owned 30% of the equity in a pipeline?

Exploration & Production	Gas Plant	Pipeline	LNG Terminal	Shipping	Regasification
Capital Cost		\$5,000		(\$ millions)	
FN Equity		\$750 to \$1,000			
Profit		\$750 to \$1,000			

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Energy Economics Example: Natural Gas



What if First Nations owned 30% of the equity in a gas plant, pipeline and LNG terminal?

Exploration & Production	Gas Plant	Pipeline	LNG Terminal	Shipping	Regasification
Capital Cost	\$3,000	\$5,000	\$15,000		
FN Equity	\$410	Up to \$600	\$1840		
Profit	\$400	Up to \$600	\$2,000		

(\$ millions)



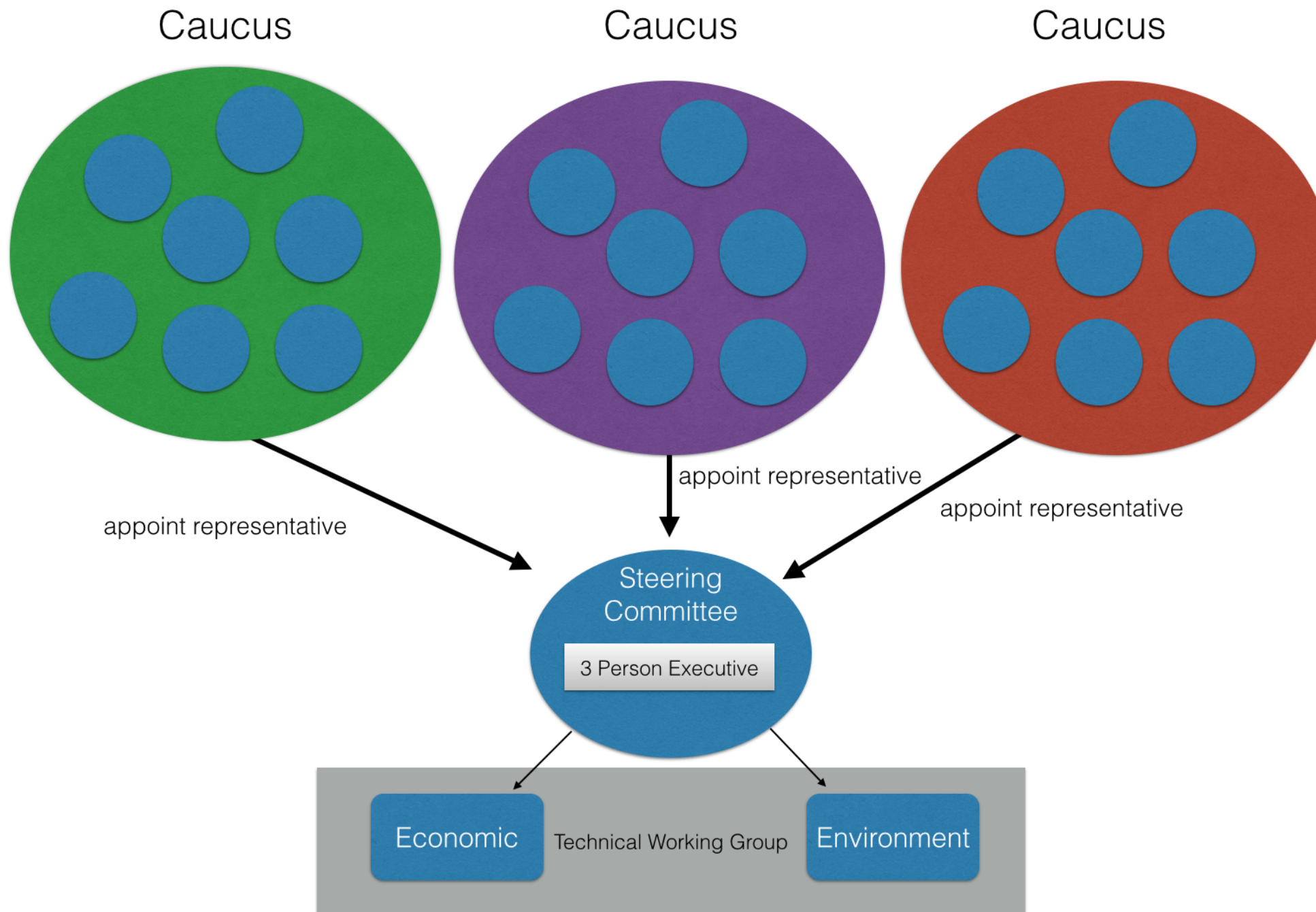
Working Together



- Proposed projects are large and cross territories of multiple First Nations
- How will communities work together?
- How will communities make decisions together?
- How will communities share benefits together?
- Memorandum of Understanding and Terms of Reference developed by First Nation leaders

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Working Together



Caucus

- Appoint members to steering committee
- Review strategic issues
- Provide input to steering committee members on strategic common issues

Steering Committee

- Identify and discuss strategic common issues
- Provide guidance to technical work
- Develop 'term sheet to acquire equity'

Executive

- Discussions with Government
 - ➡ Cumulative environmental impacts;
 - ➡ Loan guarantee to acquire equity

Technical

- Conduct technical work as instructed by steering committee
 - ➡ Environmental study
 - ➡ Financial modelling



Self-governing



- In the FMA, First Nations are currently defined as *Indian Act bands*
- Some issues for self-governing First Nations:
 - Paramountcy of laws
 - Pledging revenues to repay proceeds of debenture
- Support of Yukon First Nations to resolve these issues and develop solutions

First Nations Financial Management Board

www.fnfmb.com

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