



## First Nations leaders discuss financing models for ownership stake in Trans Mountain

Justin Giovannetti

January 18, 2019

Leaders representing dozens of First Nations gathered outside Calgary this week to discuss buying an ownership stake in the Trans Mountain pipeline, a significant undertaking that will eventually require billions of dollars if the project's contentious expansion proceeds.

A number of First Nations have been enthusiastic participants in energy projects over the past decade, purchasing oil and gas infrastructure in Alberta, part of an electrical transmission company in Ontario and proposing new pipelines in B.C. According to financial experts, a number of financing options exist if Trans Mountain becomes a target of First Nations ownership.

Trans Mountain, a Korean War-era pipeline that links Edmonton to the Vancouver area, was purchased by the federal government in May for \$4.5-billion after the pipeline's owner indicated it was ready to step away from a planned expansion owing to ongoing legal challenges.

Indigenous and environmental groups in B.C. have gone to court to halt the expansion project, which would nearly triple the capacity of the existing line. It would boost Alberta's capacity to export crude through Vancouver Harbour by 600,000 barrels daily

at a time when the sector is dealing with overburdened pipelines that have driven down the price international buyers pay for Canadian oil. The expansion, also known as TMX, could add more than \$9-billion to the pipeline's cost and Ottawa has indicated it would like to sell Trans Mountain once necessary approvals are secured.

Delbert Wapass, a former chief of Saskatchewan's Thunderchild First Nation, told many of the 130 bands that are part of the Indian Resource Council (IRC) that they should invest in the project as a means of taking control of their destinies. The IRC, which convened the meeting outside Calgary, represents First Nations who own oil and gas assets and has been receptive to purchasing a stake in Trans Mountain.

"This pipeline is upon us now. I believe we are at a tipping point where we, as Indigenous people, have an incredible opportunity to create a new way of looking at this TMX pipeline. I believe it is time we have a louder voice, a collective voice, in this pipeline's impact," Mr. Wapass told the assembled chiefs on Wednesday. "Ownership means empowerment, opportunity and shared responsibility."

Indigenous ownership of Trans Mountain would come at a time of increasing division among First Nations

groups across Western Canada over the future of a number of large-scale energy projects. While the idea of purchasing the pipeline is still in its infancy and none of the chiefs gathered in the Tsuu T'ina Nation outside Calgary came forward with specific concepts to finance a deal, a number of existing projects backed by First Nations shows what models could be followed.

Depending on how many Indigenous groups are involved, one project that could influence a future purchase of the Trans Mountain pipeline is a 2017 deal where Alberta's Mikisew Cree and the Fort McKay First Nation purchased 49 per cent of an oil sands storage facility for \$503-million.

The purchase of nearly half of the Suncor-owned tank farm was the largest business investment in Canadian history by a First Nation, according to Fort McKay Chief Jim Boucher. The transaction was only the latest for the community, which has embraced the energy industry and has a nearly zero-per-cent unemployment rate.

According to Richard Betsalel, a managing director for Toronto-based advisory firm Crosbie & Company, the Suncor tank farm deal was done completely in the capital markets and financed through a high-yield bond issued to more than a dozen investors. The First Nation investment was helped by the inking of a 25-year service agreement with Suncor and its partners that gave investors confidence in the project.

"It all depends on the economics. If you expect cash flow to be greater than debt service you can make it work," Mr. Betsalel said. "You hope there will be excess cash flow that will then go to the First Nations partners, who will then put that money into their communities for economic development and other projects."

Crosbie & Co. was involved in another project that involved First Nations in the energy sector. The firm

helped negotiate the purchase of more than 14.4 million shares of Hydro One by First Nations when former Ontario Premier Kathleen Wynne's government spun off most of the electrical transmission company.

That deal saw 129 First Nations, nearly all of Ontario's recognized Indigenous groups, buy shares at below-market cost. It was financed by the provincial government, which used its credit rating to secure cheap, 25-year fixed-term financing for the purchase. The First Nations, who now own 2.4 per cent of Hydro One, will one day be able to use cash from their ownership stake once their dividends have helped pay off their initial investment.

In another project in 2012, a group of First Nations secured financing from banks to purchase a stake in an electrical transmission project in Ontario. The government guaranteed a part of the equity to help the investment group secure cheaper financing from a commercial bank.

According to Mr. Betsalel, a successful Indigenous bid to purchase part or all of Trans Mountain, a project that might eventually cost upward of \$13-billion, would require financing from capital markets, banks and the government. Oil and gas companies, infrastructure players or institutional investors such as the Canada Pension Plan could all be part of a deal to purchase the project from Ottawa.

Groups of First Nations have previously looked at investing in a number of pipelines, including the now defunct Mackenzie Gas Project that would have moved natural gas from Canada's north, and the proposed Eagle Spirit pipeline that would link the oil sands with the area around Prince Rupert, B.C. Enbridge had also offered equity to First Nations near the route of the now cancelled Northern Gateway pipeline