

2018 Economic Report Series

**TOWARD A SHARED FUTURE:
CANADA'S INDIGENOUS PEOPLES AND
THE OIL AND NATURAL GAS INDUSTRY**



CANADA'S OIL & NATURAL GAS PRODUCERS



Canada's upstream oil and natural gas industry

has a long history of interact

Since its early initiatives, the industry has made great strides toward learning, developing relationships based on trust and respect, and sharing benefits from resource development.

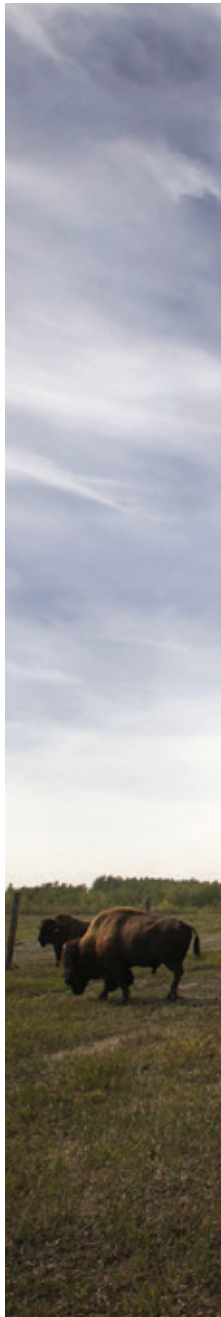
Canada has tremendous oil and natural gas resources that are responsibly produced. There's a clear and growing global demand for our energy products. But the Canadian upstream oil and natural gas industry is currently facing a variety of infrastructure, fiscal, and policy-related challenges that are having a negative effect on investment. The direct and indirect impacts of reduced investment are causing a demonstrable ripple effect across the country's economy, including a negative impact on Indigenous communities.

The oil and natural gas industry acknowledges the importance of Indigenous reconciliation in Canada, and considers natural resource development to be linked to the broader Canadian reconciliation process. Strong and responsible development contributes to overall reconciliation and Indigenous self-determination by supporting

the growth of sustainable Indigenous communities. Industry believes this is the strongest contribution and best path forward, and will ultimately help build a better Canada.

The industry clearly has a role in building respectful and mutually beneficial relationships with Indigenous peoples. In this report, the Canadian Association of Petroleum Producers (CAPP) refers to this role as 'economic reconciliation'. CAPP defines economic reconciliation, within the spirit of broader reconciliation, as identifying and finding feasible ways to share economic opportunities arising from resource development, while continuing to learn, improve and grow strong relationships based on trust and respect. CAPP expects its definition will evolve as governments, industry and Indigenous peoples continue to have important conversations on what the future of energy development in Canada can become from economic, social, and environmental perspectives.

Shared economic opportunities are only part of industry's engagement with Indigenous peoples: environmental stewardship is also of primary importance. Responsible environmental development forms an equally large part of dialogue and engagement. This report focuses on shared economic opportunities but CAPP acknowledges the high value placed on environmental stewardship by industry and Indigenous peoples, and the strong role traditional Indigenous knowledge can play to inform environmental management.



Industry Growth Drives Opportunity

**PAYMENTS TO
INDIGENOUS GOVERNMENTS**
Jun. 1-Dec. 31, 2017

**\$55
million**

**INDIGENOUS
JOBS**
2016

**11.9
thousand**

**INVESTMENT IN
INDIGENOUS COMMUNITIES**
2015-2016

**\$48.6
million**

tion with Indigenous peoples.

Consultation, engagement and participation come in many shapes and sizes – there is no formula, no ‘one size fits all,’ and not all players are capable of all forms of engagement. Proponents of large, long-term projects generally commit significant financial, human and other resources toward working with Indigenous communities, but for smaller companies or short-term projects the same level of engagement and resources may not be feasible or required. Consultation, engagement and participation are scalable, based on a wide range of factors such as project size and scope, prior or ongoing commitments that may be in place, community needs, and so on.

Successful engagement at any scale stems from clear expectations on the part of companies and communities, including an understanding of needs, scope, risks, schedule and goals. In short, there is a need for balance when it comes to engagement between the industry and Indigenous peoples, and the extent of engagement must be fit-for-purpose.

Indigenous peoples are often portrayed as uniformly opposed to resource development. A more accurate portrayal would depict different perspectives, including many who seek to build prosperous community futures by participating in the industry. The energy sector, governments and Indigenous peoples are finding new ways to work together, to grow energy development in a sustainable and mutually beneficial manner. Reconciliation actions include a constitutional duty to consult; procurement; equity partnerships; consultation capacity funding; agreements; community investment; and training, skills development and employment. Other elements involve environmental stewardship and social responsibility.

Opportunities for learning and improvement continue to arise. The industry is open to meaningful dialogue, and developing respectful relationships. While gaps remain, this is an opportunity for both government and industry to enable inclusive growth and provide strong employment opportunities by building on existing government and industry programs.

However, challenges remain for industry to meaningfully engage with Indigenous communities, notably:

- There needs to be a better understanding of industry’s role in reconciliation, in order to collaboratively advance the interests of Indigenous communities.
- Current fiscal, economic and policy barriers negatively affect investment. Without fiscal and regulatory certainty, CAPP believes investment will continue to decline, with significant negative implications for the industry and for the economic future of many Indigenous communities.
- Indigenous communities have expectations of the potential returns from business opportunities. Industry is willing to engage with Indigenous communities and groups to share the benefits of resource development. However the need for all parties to have a clear, realistic understanding of potential opportunities – and risks – is vital.
- Companies working with Indigenous communities have found a significant impediment involves reconciliation issues that are broader than any specific project or proponent. Addressing these broad concerns to achieve the full extent of long-term reconciliation rests with the Government of Canada.

Strong and responsible development contributes to overall reconciliation and Indigenous self-determination by supporting the growth of sustainable Indigenous economies.



Successful engagement at any scale stems from clear expectations on the part of companies and communities, including an understanding of needs, scope, risks, schedule and goals.



THEREFORE CAPP RECOMMENDS that the Government of Canada take the following actions:

- Focus on initiatives that will produce positive, tangible results for Indigenous communities by resolving long-standing reconciliation issues.
- Recognize the advantages the oil and natural gas industry provides in support of Indigenous self-determination and reconciliation through economic opportunities. A competitive industry results in positive benefits to Indigenous communities.
 - + Involve the resource sector in public policy dialogue in relation to Indigenous policy.
 - + Establish consultation processes that create durable decisions on linear and complex projects.
 - + Establish clear guidelines on consultation goals and objectives, and appropriate boundaries on scope and timelines for consultation.
 - + Recognize that fiscal and regulatory barriers that result in decreased competitiveness and investment harm not only the oil and natural gas industry, but can also negatively affect Indigenous communities.
- Explore opportunities to enhance Indigenous economic participation, such as procurement.
- Accelerate the growth of Indigenous entrepreneurship and partnerships, identifying and using the best practices being applied in private sector relationships, and supporting the creation of mentorship programs.
- Develop greater collaboration with Indigenous peoples and industry on education and skills development training.



A NEW WAY OF DOING BUSINESS

Canada has tremendous oil and natural gas resources that are being responsibly produced. There's a clear and growing global demand for our energy products and our industry should be flourishing. Instead, Canada's upstream oil and natural gas industry is currently facing a variety of infrastructure, fiscal, and policy-related challenges.

In particular, these challenges are having a negative effect on investment in the sector. The direct and indirect impacts of reduced investment are causing a demonstrable ripple effect across the country's economy, including negative impacts on Indigenous communities.

The Canadian Association of Petroleum Producers (CAPP) is issuing a series of economic reports that highlight specific challenges confronting the upstream industry, and offer solutions-based recommendations.

In this report, CAPP examines the evolving relationship between the upstream industry and Indigenous peoples, provides examples of industry initiatives that have had positive and sustainable effects on Indigenous communities, and makes recommendations for the Government of Canada to consider for moving the industry, and all of Canada, forward on the path toward reconciliation.

1.1 Reconciliation and Canada's Upstream Industry

In 2007 the General Assembly of the United Nations adopted the United Nations Declaration on The Rights of Indigenous Peoples (UNDRIP). In 2015, the governments of Alberta and Canada committed to implement UNDRIP, and more recently, the Government of British Columbia made a similar commitment. These commitments present an opportunity to transform the relationship between Indigenous peoples and all Canadians. CAPP endorses UNDRIP as a framework for reconciliation in Canada and we support the implementation of UNDRIP's principles in a manner consistent with the Canadian Constitution and law.

CAPP member companies acknowledge the importance of reconciliation in Canada and view natural resource development as linked to the broader Canadian reconciliation process. Within that process, the industry acknowledges that resource development activities can impact Indigenous communities.

1.1.1 Economic Reconciliation

The industry clearly has a role in building respectful and mutually beneficial relationships with Indigenous peoples. In this report, we refer to this role as 'economic reconciliation.'

The term 'economic reconciliation' is becoming widely used in Canada, but the meaning has become increasingly blurred. For the oil and natural gas industry, CAPP defines economic reconciliation, within the spirit of broader reconciliation, as identifying and finding feasible ways together to share economic opportunities arising from resource development, while continuing to learn, improve and grow strong relationships based on trust and respect. CAPP expects its definition will evolve as governments, industry and Indigenous peoples continue to have important conversations on what the future of energy development in Canada can become from economic, social, and environmental perspectives.



1.2 Evolving Relationships

There is a distinct trend within Canada's oil and natural gas industry to work more closely with Indigenous communities; to grow energy development in a sustainable and mutually beneficial manner. Where it's feasible, companies have been working with communities, looking for ways to build positive relationships that help create opportunities for communities and companies. Building on efforts within the oil sands industry, new ways of doing business have been and continue to be developed, and are being adapted elsewhere throughout Canada's oil and natural gas industry.

In its final report issued in 2015, the Truth and Reconciliation Commission of Canada pointed toward a future of reconciliation for all Canadians and issued 94 Calls to Action. Specifically, Call to Action 92: Business and Reconciliation, has given guidance to Canada's oil and natural gas sector, and encouraged CAPP to produce a discussion paper on how the principles of UNDRIP can form a framework for engagement and interaction between Indigenous peoples and the oil and natural gas industry.¹ View CAPP's discussion paper at capp.ca/undrip.

Long before the Commission's report was issued, the upstream oil and natural gas sector worked to improve relations with Indigenous peoples and communities, recognizing that Canada's natural resources belong to all Canadians, and all Canadians deserve to benefit from resource development. The industry has decades of work and leadership in this regard, with demonstrable, positive, mutually beneficial results.

The growing trend toward deeper engagement, and the experience of individual Indigenous communities that have engaged in economic partnerships and other programs in collaboration with industry, prove that the economic participation of Indigenous peoples in resource development is desirable. These opportunities help Indigenous communities to build pathways into prosperity, and are tangible, positive steps toward overall reconciliation. How industry does business continues to evolve as we recognize sustainable Indigenous economic futures are critical to building a stronger industry and a stronger Canada.

Of course, opportunities for learning and improvement continue to arise. The oil and natural gas industry is open to meaningful dialogue, and developing respectful relationships and partnerships that lead to mutual benefits and a strong shared future for both industry and Indigenous communities. Companies are working to find their own path forward with the communities in whose traditional territory they operate. At times conflict still exists, but the foundation for understanding has been laid.

For the oil and natural gas industry, CAPP defines economic reconciliation, within the spirit of broader reconciliation, as identifying and finding feasible ways to share economic opportunities arising from resource development, while continuing to learn, improve and grow strong relationships based on trust and respect.

Truth and Reconciliation Commission of Canada Call to Action 92

We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

- i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- ii. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
- iii. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal-Crown relations. This will require skills-based training in intercultural competency, conflict resolution, human rights, and anti-racism.

1.3 Consultation: Continuously Improving

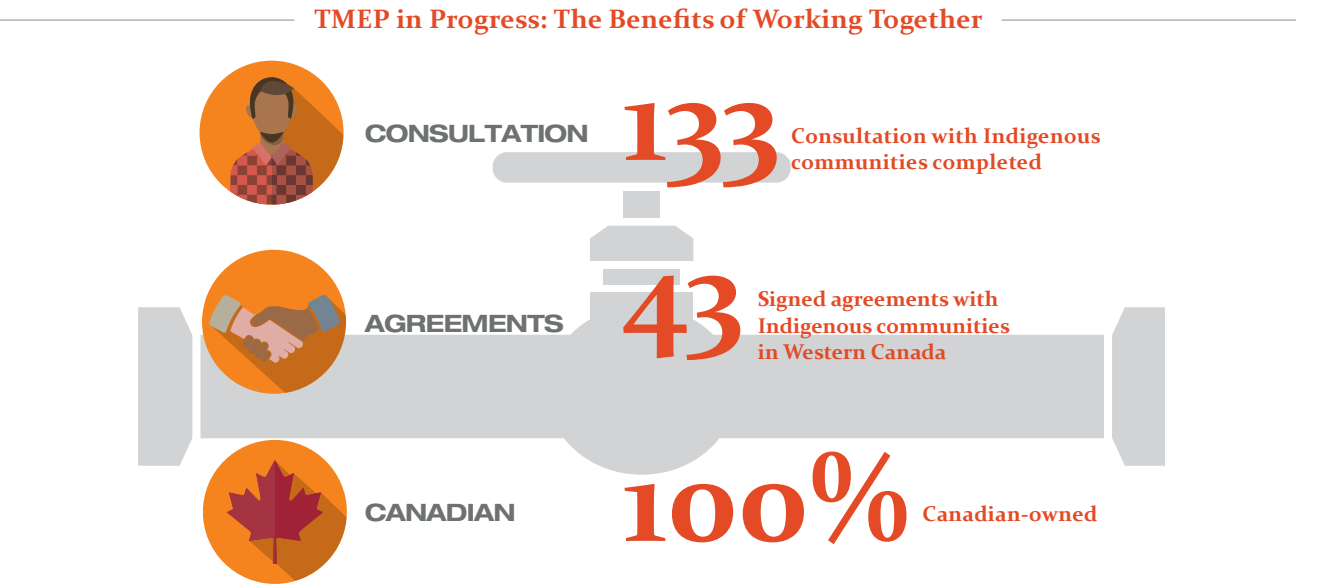
Indigenous peoples are often portrayed as uniformly opposed to resource development. A more accurate portrayal would depict different perspectives, including many who seek to build prosperous community futures by participating in the industry² in a variety of ways. This diversity of perspectives has slowly been revealed over time.

The trend toward consultation began as early as 1974 with the Mackenzie Valley Pipeline proposal, when Canada began the process of negotiating modern treaties with Indigenous organizations in the Northwest Territories along the pipelines' rights-of-way.³

The pace of change accelerated in 2004 with the Supreme Court of Canada decision on Haida Nation vs. British Columbia, which determined the Crown has a duty to consult with Indigenous peoples when making decisions that could impact their constitutionally protected rights. The Court ruled that government could delegate procedural aspects of duty to consult to project proponents, and now industry conducts the majority of project consultations.

A diversity of opinions within Indigenous communities regarding resource development became evident with Enbridge's Northern Gateway Pipeline project. Even before it was federally approved in 2014, the proposal was the source of debate for some First Nations along its proposed route between Alberta and B.C. and led to a number of protests and legal action by some First Nations. By contrast, the Alberta Equity Partners (AEP) – representing 31 Indigenous communities – secured \$2 billion in long-term economic, business and education opportunities with Northern Gateway. The AEP had a 33-per-cent ownership in the pipeline.⁴

Northern Gateway's federal approval was rescinded by the Government of Canada in 2016, without consulting any of those First Nations that had equity in the project and resulting in significant lost economic opportunities for those communities.





The Trans Mountain Expansion Pipeline (TMEP) is in a similar situation today. The protest movement against TMEP has largely been led by special-interest groups alleging to speak on behalf of First Nations, calling for the project to be quashed. After years of regulatory uncertainty and continued opposition by these groups, TMEP proponent Kinder Morgan stopped work on the project in April 2018, and the Government of Canada acquired the pipeline in May. A federal regulatory review determined Kinder Morgan conducted appropriate consultations with 133 Indigenous communities and groups (Kinder Morgan signed agreements with 43 Indigenous groups in Western Canada, of which 33 are located in B.C.)⁵ However, in August 2018 the Federal Court of Appeal halted the project and directed the federal government to re-initiate consultation with 117 Indigenous groups impacted by the project, tailoring consultation to these groups. As of November 2018, this consultation is ongoing.

According to recent work by Indigenous relations expert Ken Coates, Canada Research Chair in Regional Innovation at the Johnson-Shoyama Graduate School of Public Policy, University of Saskatchewan, companies are actively engaged with Indigenous communities and seek to ensure meaningful, two-way consultations.⁶ Industry also regularly provides funding to communities so they have adequate capacity to participate in meaningful consultations, which could include professional advisors and staff to enable meaningful dialogue.

Change is being driven by an increasing focus on economic opportunities, and Indigenous consultation has become an important precursor to resource development. Between 2015 and 2016, oil sands operators provided \$40.79 million for consultation capacity funding to Indigenous communities.⁷ According to Coates, in addition to negotiations, consultation, and socio-cultural activities, companies indicated commercial business relations or procurement opportunities are critical to successful relationships, and company relationships with Indigenous communities have remained the same or are improving.

Consultation in Action: Northeast B.C.

The Montney play in northeastern B.C. (NEBC) is a rich source of natural gas and natural gas liquids. Production from the Montney is expected to supply liquefied natural gas (LNG) facilities on Canada's West Coast.

A growing number of companies working in NEBC are no longer treating relationships with Indigenous communities as merely transactional, but rather engaging in a multi-dimensional approach that incorporates community challenges such as early childhood development, health care and traditional values. For example, several companies work with organizations such as Impact Society and the annual Walk in Balance: Reconciliation and Healing conference.

Impact Society works with numerous Indigenous communities in NEBC to deliver programs, many of which incorporate recommendations of the Truth and Reconciliation Commission, and UNDRIP principles.

The annual Walk in Balance: Reconciliation and Healing conference in Fort St. John, B.C. is co-hosted by the Northeast Aboriginal Business Centre and the Nenan Dane zaa Deh Zona Family Services. The focus of the conference is reconciliation and healing by promoting the development of healthy Indigenous communities. The conference helps provide tools and processes to create positive change in individuals' lives. Companies and Indigenous communities are making a greater effort to walk together in the spirit of respect and empathy. The promotion of healthy communities by companies creates an environment where individuals are in the mindset to better realize the benefits of education and training opportunities.

TOWARD MUTUALLY BENEFICIAL DEVELOPMENT

CAPP member companies engage Indigenous communities in various ways including community investment, employment and business opportunities. CAPP believes these tools help facilitate mutually beneficial opportunities, and regards this approach as one of the industry's strongest contributions to the broader reconciliation process.



2.1 First Steps in the Oil Sands

Located in northeastern Alberta, the oil sands industry represents substantial energy production in Canada, with output reaching an average rate of 2.8 million barrels per day in the first half of 2018.

Although operators have improved dialogue with the region's First Nations and Métis communities, when commercial oil sands mining first began in the 1960s the impact of large projects on Indigenous communities was not considered as it is today. However, Indigenous communities and companies have been increasingly open to building better relationships and realizing mutual benefits.

For example, the Fort McKay First Nation (Fort McKay), located north of Fort McMurray, Alta. in the Regional Municipality of Wood Buffalo (RMWB) – at the heart of oil sands mining operations – was an already-prosperous community with a strong traditional economy based on fur trapping. When oil sands mining started, Fort McKay members feared their way of life and traditional lands would be destroyed. Initially, Fort McKay resisted development. However, in the 1980s, actions by special-interest groups resulted in a ban on Canadian fur exports to many countries and the Fort McKay economy collapsed. The community realized oil sands development was an opportunity to build a new economy.

Fort McKay sought ways to work with industry and the provincial government to address the community's concerns and find a new source of revenue, and founded the Fort McKay Group of Companies (FMGOC) in 1986. Between 2011 and 2016, the FMGOC generated more than \$2.3 billion in revenue, which has supported the community in becoming self-determining and a strong, active participant in the oil sands industry and in the Canadian federation – as full partners and on their own terms.

Suncor Energy's East Tank Farm is a strategic infrastructure project currently under construction. Once completed, it will include bitumen storage, blending and cooling facilities, and connectivity to third-party pipelines. Recently, Fort McKay acquired a 34.3 per cent equity interest in the project for \$350 million. As well, the Mikisew Cree First Nation (MCFN), also located in the RMWB, acquired a 14.7 per cent stake in the project for about \$150 million. These investments - the largest of their kind to date in Canada - will provide both communities with stable, predictable, long-term funding to further enable their growth.

Industry Growth Drives Opportunity



JOBS
2016

11,900

6% of individuals working
in Canada's oil and natural gas
industry identified as Indigenous.



**PAYMENTS
TO INDIGENOUS
GOVERNMENTS**
Jun. 1-Dec. 31, 2017

\$55 million

in payments (from conventional
oil and natural gas activity) made to
Indigenous governments in Canada.



PROCUREMENT
2015-2016

\$3.3 billion

spent by oil sands companies on
procurement from Indigenous-
owned companies.



**COMMUNITY
INVESTMENT**
2015-2016

\$48.6 million

in Indigenous community investment
provided by oil sands producers.



APPRENTICES
2015

6%

of apprentices in Canada were
Indigenous people working in
industry-related trades.

The oil sands industry also benefits from its relationship with Indigenous communities and sees value going forward. Between 2013 and 2016, oil sands operators procured goods and services valued at a total of \$7.3 billion (an average of about \$1.8 billion per year) from Indigenous businesses. Furthermore, industry engagement with Indigenous businesses is becoming more prevalent. Despite the economic downturn that began in 2014, the proportion of activity with Indigenous businesses as a proportion of total capital expenditures has grown by 2.5 per cent.⁸

Business practices and Indigenous relationships developed in the oil sands are being adapted to other parts of the Canadian upstream industry. Different types of resource development bring unique challenges and opportunities, and the need for balance in engagement and expectations. The oil sands have economies of scale and life cycles measured in decades, enabling opportunities and also presenting challenges. Other types of oil and natural gas developments in other regions of the country present their own unique dynamics.

Indigenous communities and companies face challenges adopting oil sands practices to their unique circumstances, including: different community experiences and capacities; projects that present significantly shorter life cycles; and much tighter economies of scale. Nevertheless, practices that started in the oil sands have been adapted to other regions.

2.2 The Benefits of Working with Indigenous Communities

As engagement between Indigenous communities and the oil and natural gas industry deepens there is a growing recognition of the value that Indigenous businesses hold as suppliers of goods and services. The oil and natural gas industry benefits from working with Indigenous businesses that are located close to operations, offer competitive prices and understand industry's challenges. This is a growing source of mutual benefit for companies and Indigenous communities. In some cases these business relationships have developed to become partnerships with co-owned projects.

Indigenous people are among the youngest and fastest-growing demographics in Canada and offer value to industry as a local and stable workforce. As many Indigenous communities are located close to industry operations, there is great value and benefit in employing community members. For companies, the benefits of employing local people in their operations include reduced transportation costs, local knowledge, and reduced social impacts that can arise from a temporary workforce and remote work camps.

As well, working with communities on traditional land-use studies educates companies about the landscape values that are important to Indigenous communities, and helps to inform the understanding of local ecosystems. This can include seasonal variations and ecological processes such as the location of calving grounds, nesting sites and harvesting sites, or how species react to changes in the landscape resulting from development. These deeper understandings of the land, and incorporating Indigenous knowledge in project planning, has helped to improve industry's overall environmental performance and meet or exceed regulatory standards.

There are many deep connections between the land and Indigenous culture, meaning that learning more about Indigenous connections to the land inevitably leads to learning more about the culture, including practices and ceremonies performed at certain times of the year. These understandings help companies operate in a manner that avoids impacts on those practices and ceremonies. In addition, close and open relationships allow companies to better understand how field operations can impact the social fabric in local communities, which in turn improves industry's social performance.

These relationships not only benefit operating companies, but also build a stronger industry and a stronger Canada. As a result, the oil and natural gas industry has both benefitted from working with Indigenous communities, and grown stronger.

2.3 Industry Growth Drives Opportunity

The oil and natural gas sector is a major economic driver and important local employer for many Indigenous communities. Growth in the upstream sector offers significant partnership opportunities with Indigenous communities.

- Indigenous peoples represent six per cent of the oil and natural gas industry's labour force, compared to a total of four per cent in all industries.
- Participation of Indigenous people in the trades accounts for about six per cent of apprentices in Canada.⁹
- Internship programs have been created to bridge Indigenous youth interested in working toward a career in the oil and natural gas industry. Recruitment strategies have been structured to include special efforts to reach out and attract a full range of qualified and diverse individuals – including those who might not have been reached through traditional methods and those who might not have previously considered a career in the energy sector.¹⁰
- Total funding for Indigenous consultation capacity from oil sands producers for 2015-16 was \$40.79 million. In addition, preliminary analysis of reports under Natural Resources Canada's *Extractive Sector Transparency Measures Act* (ESTMA) indicates that oil and natural gas companies reported an estimated \$55 million from conventional oil and natural gas in reportable payments to Indigenous governments in Canada for the period from June 1 to December 31, 2017.

Industry recognizes that resource development may also create unintended social and economic impacts. Efforts by governments and industry are underway to address these issues, and there are opportunities to mitigate these impacts and ensure the sector's growth benefits Indigenous communities.

Engagement opportunities with Indigenous communities exist, which can build on the industry's past contributions to these communities and are consistent with the Government of Canada's reconciliation agenda. While gaps remain, this is an opportunity for both government and industry to enable inclusive growth and provide strong employment opportunities by building on existing government and industry programs.

2.4 Procurement

Over the past few years, procurement – the purchasing of goods and services – has become a priority for companies, Indigenous communities, and a focus for organizations such as the Canadian Council for Aboriginal Business (CCAB).

Historically, Indigenous businesses have been under-represented in the oil and natural gas industry. With one of the fastest growing demographics in Canada,¹¹ Indigenous peoples can generate wealth for their communities by leveraging their own knowledge, experience, and assets.

Likewise, industry views the procurement of goods and services from Indigenous businesses as good business which also contributes to economic reconciliation. As Canada’s energy sector has grown, so has the number of Indigenous companies providing services, from road maintenance to site services and beyond. Between 2015 and 2016, oil sands operators spent about \$3.3 billion on procurement alone, and worked with 399 Indigenous companies in 65 Alberta communities.¹² For comparison, between 1997 and 2014, the Government of Canada procured an average annual spend of \$290 million from Indigenous businesses.¹³ (CAPP notes that these figures for federal procurement represent all sectors of the economy, not just oil and natural gas.)

Industry recognizes the importance of ensuring Indigenous businesses are considered for, and awarded, contract opportunities, so communities can grow their capacity and business knowledge to be competitive on their own terms. Procuring goods and services locally helps achieve that goal by providing income and keeping talent in the community.

Procurement presents a significant opportunity for mutual benefit with Indigenous communities regardless of project scale. Small or short-term projects may have less funding than large, long life cycle projects but can still find opportunities for engagement, procurement and participation that help meet the needs of companies and communities.



Indigenous Suppliers in Alberta on the Rise 2013 - 2016

COMMUNITIES
2015-16 65

+11
Since 2013



COMPANIES
2015-16 399

+72
Since 2013



Nicole Bourque-Bouchier
CEO, Bouchier Group

Nicole Bourque-Bouchier has been the CEO of Bouchier Group since 2003. In 2018 she was the recipient of the Indspire Award for business and commerce. In 2015 she was named one of KPMG's and Scotiabank's Top 100 Most Powerful Women in Canada, recognized by Alberta Venture magazine as one of Alberta's 50 most influential people, and received the 2015 Alberta Women Entrepreneurs Award.

The Little Company That Could

**A perspective from Nicole Bourque-Bouchier,
CEO, Bouchier Group**

When the Bouchier Group first began working in the oil sands in 1998, the business was nothing more than one man and a couple of pieces of used equipment. Since then, we've grown to become one of Western Canada's largest Indigenous-owned companies.

As an Aboriginal business, we've had to prove that we can do the job as well – and even better – than our competitors. Industry gave us an opportunity to compete but it has been our skill, experience, and expertise in civil and site services that has made us successful.

Bouchier Group has been a part of the oil sands' evolution over the past 20 years as a partner within industry. We've provided civil and site services for companies like Syncrude Canada, Suncor Energy, Canadian Natural Resources, Shell Canada, and Imperial Oil.

If industry wants to be successful in its relationships with Indigenous peoples, one of the most important things to remember is to always be a good neighbour. And to do so, industry has to get to know its neighbours on all levels by learning about our Aboriginal roots and by giving back to the communities in which we live and work.

We've weathered two major economic downturns by not only intuiting the needs of industry but having good business sense. Our margins have shrunk compared to where we once were but our growth remains steady. We've re-invested in ourselves to adjust to the times without losing our integrity or sacrificing our beliefs.

Bouchier Group is the little company that could. We've built our business and our success on the foundation of having good people. We are surrounded by a team of Indigenous and non-Indigenous people that believe in our vision to honour the traditional way of life, share our culture, and are committed to being more than colleagues, but a family.

2.5 Equity Partnerships

Indigenous communities are playing an ever-larger role in determining the success of some oil and natural gas projects by acquiring equity in major energy projects. Unlike procurement, equity participation gives an Indigenous community an ownership stake in a project, in addition to a risk position.

As previously noted, in 2016 Fort McKay and the MCFN collectively acquired a 49-per-cent stake in the East Tank Farm with Suncor. Other examples include:

- The Aboriginal Pipeline Group (APG) was formed in the early 2000s to represent the interests of Inuvialuit, Sahtu, and Gwich'in First Nations in the N.W.T. in the Mackenzie Valley pipeline project.
- Several First Nations in B.C. acquired equity in Enbridge's Northern Gateway pipeline before federal approval for the project was rescinded. First Nations, through the AEP – which represented 31 communities – secured \$2 billion in long-term economic, business, and education opportunities and had 33-per-cent ownership in the pipeline.¹⁴

Recently, there has been anecdotal discussion about the potential for Indigenous equity in the federal government-owned TMEP. To date, no equity partnerships have been publicly announced.

Of course, equity partnerships are not the best solution in every instance, and there can be significant financial risks that Indigenous communities must fully understand. The work of the First Nations Financial Management Board (FNFMB) has been instrumental in this area by providing assistance and support to help build good governance and financial management practices among First Nations across Canada.



2.6 Consultation Capacity Funding

Consultation involves dialogues with Indigenous communities regarding the potential impacts and benefits of development on rights and traditional land uses. An important aspect to industry developing long-term relationships with Indigenous communities is ensuring Indigenous participation in the consultation process, which can be supported through consultation capacity funding (CCF).¹⁵ There is no standardized measure for CCF because several factors are taken into consideration, such as the size of a project proposed and its potential impacts.

In the oil sands between 2015 and 2016, CAPP producers spent more than \$40 million on CCF.¹⁶ The funding is negotiated and used for a variety of aspects in the consultation process, including funding for land use and traditional knowledge studies, technical reviews of project proposals, site visits, agreement implementation, training and knowledge sharing, operational funding, and providing professional support in the form of lawyers and consultants.

Consultation is critical in the engagement between industry and Indigenous peoples. Industry's intention is to effectively engage communities and to support meaningful participation.

LNG Canada and the Haisla First Nation

In October 2018, LNG Canada – a joint venture among Shell Canada, PETRONAS, PetroChina, Mitsubishi Corporation, and Korea Gas – announced a positive final investment decision to construct a two-train LNG processing plant and export facility at Kitimat, B.C. The plant will be built in the traditional territory of the Haisla Nation, which has an agreement with LNG Canada.

Haisla Nation Chief Councillor Crystal Smith said in an interview, “It’s the first project in the Haisla’s history where we’ve been true partners.”¹⁸

2.7 Agreements

Every community, company, and project is different – thus every industry-Indigenous agreement is different. Companies and communities work to ensure they understand one another’s needs and priorities and the agreement they reach is suited to the unique circumstances.

Agreements help define the relationship between energy development project proponents and communities, and provide long-term certainty. Historically, agreements can include almost anything from short-term business contracts to long-term agreements, which typically cover the life of a project, take a wider view and can address community concerns such as the consultation process, mitigation of impacts, procurement, employment, dispute resolution, and funding to implement the agreement.

Much like the relationship between industry and Indigenous communities has evolved, so has the way agreements are negotiated. This has been a learning process for all, including individuals, companies, communities and governments. Agreements have evolved beyond cash payments, employment and business opportunities to include funding for engagement activities, supporting traditional knowledge and land use studies, site visits for community members, and hiring local people to implement community / company partnerships.

Notably, LNG Canada has concluded agreements with all the Indigenous communities affected by its proposed LNG processing and export terminal project.¹⁷

Companies and communities work to ensure they understand one another’s needs and priorities and the agreement they reach is suited to the unique circumstances.



Jamie Saulnier
President / CEO
Running Deer Resources

Jamie Saulnier has been CEO of Running Deer since founding the company in 2013, but has been working on the Indigenous program since 2006. Running Deer develops customized engagement strategies to address the concerns of Indigenous communities, industry and government as they seek to work together.

Working Warriors: A National Skills Inventory of Indigenous Workers

A perspective from Jamie Saulnier, President / CEO, Running Deer Resources

The Canadian oil and natural gas industry offers opportunity for Indigenous communities. That can only occur when trust is established and positive relationships are formed between communities and industry through consultation, engagement, and understanding.

For more than 10 years I've worked with Indigenous communities to create a bridge between Indigenous peoples and industry to ensure both sides benefit equally when opportunities present themselves. Our guiding principles at Running Deer Resources include being innovative; remaining committed to improving Indigenous engagement; fostering trust and demonstrating commitment in all that we do; demonstrating pride while improving our company and ourselves; and, sharing success with the communities we operate in.

Having worked in Canada's oil and mining industries, I understand the importance of having a skilled labour force and recognize the incredible resource Aboriginal people provide. Running Deer's Working Warriors program has created a national skills inventory of Indigenous workers by occupation, business, education, or age and gender demographics. And it continues to grow as Running Deer grows.

In late 2017, Running Deer was awarded a contract by Enbridge to act as an engagement tool between contractors and Indigenous stakeholders on its Line 3 pipeline replacement program. This year, we were awarded another contract by LNG Canada to pilot Working Warriors on the project's early works.

The oil and natural gas sector has the potential to play a significant role in making positive changes to the lives of Indigenous peoples and in communities. With development comes opportunity for employment and business. There isn't another sector today that can provide those same opportunities for so many.

If industry wants to have a successful working relationship with Indigenous peoples, it needs to engage face-to-face, not in a boardroom. Don't wait for a project to build a relationship but seize the opportunity to establish trust before it happens. Know the history of the people, the challenges they have faced, and what they hope to achieve for the future.

Together we can clear a new path for the generations to come.

Coastal Gaslink Pipeline¹⁹

TransCanada Corporation's 670-kilometre Coastal GasLink pipeline is planned to carry natural gas from the Montney region in northeastern B.C. to supply LNG Canada's planned processing and export facility near Kitimat on the West Coast. Pipeline construction is set to begin in 2019, with a planned in-service date in 2023.

In September 2018, TransCanada announced it has signed community and project agreements with 100 per cent of elected Indigenous communities along the pipeline route. The signing of agreements with all 20 Indigenous groups along the route demonstrates strong Indigenous support for the proposed natural gas pipeline.

TransCanada notes that contracting and employment opportunities, along with long-term benefit programs, were designed specifically for each community along the route, providing sustainable sources of revenue over the life of the project.

Coastal Gaslink by the numbers

- 2,000 to 2,500 jobs to be created during construction
- \$20 million per year generated in tax benefits to B.C. communities
- 441,000 hours of environmental field studies conducted
- \$6.2 billion estimated capital investment
- \$620 million awarded to Indigenous businesses and contractors for construction activities

2.8 Community Investment

Investing in a community is an important aspect of industry's relationship with communities. Through community investment, companies can support social and cultural priorities, or help to meet infrastructure needs. Community investment can come in many forms: sponsoring local sports teams, funding cultural events, or building facilities.

Between 2015 and 2016, oil sands producers provided \$48.6 million in community investment.²⁰ Funding went toward community activities, in-kind investments and contributions to community infrastructure.



Between 2015 and 2016, oil sands producers provided \$48.6 million in community investment.



Paul Myers
President and CEO,
Canbriam Energy Inc.

Paul Myers is a 30-year veteran of the oil and natural gas industry with experience in North America, Europe, and West Africa. His primary focus has been in the Gulf of Mexico and the Western Canadian Sedimentary Basin.

Aligning Business and Community Needs for Positive Outcomes

A perspective from Paul Myers, President and CEO, Canbriam Energy Inc.

Industry has been a driver of many educational and training initiatives in northeastern B.C. Identifying opportunities for education and training is part of ensuring long-term, sustainable development. Canbriam Energy, with other Industry partners operating in the Montney region, has taken part in Indigenous operator training initiatives, joint venture partnership job training, as well as providing scholarship opportunities at Northern Lights College in Dawson Creek, Fort St. John and Chetwynd, B.C. Competency training initiatives ensure that the Indigenous communities develop the skills to compete and participate economically in development projects.

In addition to training and employment opportunities, Canbriam proactively strives to create environmental and cultural alignment within the communities where we work, through continued transparency and open dialogue. This is just good business practice and part of the Canadian responsible development brand.

Developing a local skilled workforce, creating alignment of interests both culturally and economically, reducing transient labour needs and participating in active partnership with local communities is part of running any quality business and is standard practice for Canbriam. This type of active partnership creates win-win outcomes for both the company and the communities in which we operate.

2.9 Training, Skills Development and Employment

Effective training and skills development can lead to employment and self-determination for individuals, and potentially for a community. However, there can be barriers within Indigenous communities when it comes to formal education or the ability to provide local education for youth. In some instances, young people must leave their remote communities, or travel long distances to attend school or obtain technical training. Such separation can deter young people from seeking education, or can create a cultural barrier between young people who leave the community and other community members.

Understanding the significance of training, mentoring and employment, many companies offer scholarships or apprenticeship programs to Indigenous youth in an effort to encourage training and development. Opportunities for training and employment can also be found through the procurement process. Included in many of the oil sands' project proposals are initiatives for engagement and employment, recognizing the importance of industry's relationship with local Indigenous communities.



The Northeast Alberta Apprenticeship Initiative (NEAAI) – a partnership between industry, First Nations, post-secondary institutions and the Alberta and federal governments – is an example of a successful program addressing Alberta's skilled labour needs. Co-ordinated by the Tribal Chiefs Employment and Training Services Association, NEAAI provides a blended distance-learning and support system based on trades' apprenticeships for both Indigenous and non-Indigenous workers.

Individual companies have also created education programs aimed at Indigenous youth, such as Suncor's support for youth leadership, arts and culture programs, Syncrude's support for career fairs targeted to Indigenous youth, and many others.

According to data and analysis by Petroleum Labour Market Information (PetroLMI, a division of Energy Safety Canada), in 2016 about six per cent – approximately 11,900 individuals – in the Canadian oil and natural gas industry's workforce identified as Indigenous, more than two percentage points above the Canadian workforce average. Of this overall total, Indigenous workers comprised four per cent of all workers in the pipeline sector, five per cent in exploration and production, and seven per cent in oil and natural gas services.²¹

According to a recent report by the Montreal Economic Institute (MEI), the average wage for First Nations members working in oil and natural gas extraction in 2016 was nearly \$150,000, and more than \$200,000 for those working on natural gas pipelines. Between 2016 and 2017, the MEI reported natural gas was produced on 51 reserves belonging to 39 First Nations, and oil was extracted from 35 reserves belonging to 25 First Nations.²²

It's also noteworthy that CAPP has identified the opportunity for mentorship programs as a strategic priority. CAPP is exploring the potential for developing or partnering in the development of such programs within the oil and natural gas industry.



Clayton Blood
General Manager, Kainaiwa Resources

Kainaiwa Resources is an active member of the Indian Resource Council and a vocal participant in the Joint Technical Committee assisting the Government of Canada in drafting new and relevant regulations governing oil and natural gas development on First Nations lands across Canada.

Owning Our Future

A perspective from Clayton Blood, General Manager, Kainaiwa Resources

For the past 75 years, the Blood Tribe of southern Alberta has played a key role in the success of Canada's oil and natural gas sector. Located on Canada's largest land base for a First Nation, our terrain and geology is unique and diverse, and very attractive to the petroleum industry.

For a long time we watched as development grew all around us. Federal legislation and restrictions limited the Blood Tribe's active involvement in how our land was used or what it was used for. After years of pressuring the Government of Canada for change, the Blood Tribe was able to create Kainaiwa Resources, become self-determining, and participate in Canada on our own terms.

Kainaiwa Resources has negotiated partnerships with companies we know and trust to ensure great participation in the industry, rather than just being passive royalty collectors. We've done our due diligence to ensure the best returns on our investment with minimal liability.

Our relationship with industry has been respectful and beneficial for both the Blood Tribe and our corporate partners. The only time we encounter tension is when the federal government has tried to control development without the Tribe's input. This often results in delays or inconsistent interpretation of policies.

Many successful partnerships are created when First Nations and industry meet directly, without government involvement. This has led to industry increasing its presence and becoming interactive corporate citizens in the community. And like most of the producing First Nations in Canada, the Blood Tribe shares the same concerns with industry about getting our product to global markets.

There are mixed messages in the media about First Nations' relationships with industry. Some private-interest groups have tried to use other First Nations to advance their own agendas, with little regard to the lost benefits to those communities, using the sensational headlines to create controversy.

We are the stewards of our land and our First Nation. We will be the architects of our own future, especially one that includes energy development.

NEXT STEPS

Industry will continue to strengthen relationships with Indigenous peoples by focusing on measures such as procurement of goods and services, equity partnerships, CCF, agreements, community investment, training and skills development, mentoring and employment. As noted above, environmental stewardship is also an important aspect of dialogue and engagement.

3.1 Challenges for Industry

The oil and natural gas industry continues to engage Indigenous communities to find opportunities for shared benefits, but challenges remain that hinder industry from moving forward and advancing economic relationships with Indigenous communities, including:

- There needs to be a better understanding of industry's role in reconciliation, in order to collaboratively advance the interests of Indigenous communities.
- Current fiscal, economic and policy barriers that negatively affect industry competitiveness and investment. Without fiscal and regulatory certainty, CAPP believes investment will continue to decline, with significant negative implications for the industry and for the economic future of many Indigenous communities.
- Indigenous communities have expectations of the potential returns from business opportunities. Industry is willing to engage with Indigenous communities and groups to share the benefits of resource development. However the need for all parties to have a clear, realistic understanding of potential opportunities – and risks – is vital.
- Companies working with Indigenous communities have found a significant impediment involves reconciliation issues that are broader than any specific project or proponent.²³ Addressing these broad concerns to achieve the full extent of long-term reconciliation rests with the Government of Canada.

3.2 Recommendations

As an advocacy organization for the oil and natural gas industry, CAPP recognizes that the work of economic reconciliation and Indigenous engagement continues to evolve. CAPP member companies acknowledge that while much good work and positive outcomes have been achieved, more needs to be done.

The industry seeks fiscal and regulatory certainty. Previous and upcoming reports in CAPP's economic report series address specific matters currently affecting industry's competitiveness. CAPP urges provincial and federal governments to take action on the recommendations presented in our previous reports to improve the industry's competitiveness and investment environment.

However, CAPP believes steps can be taken to facilitate improvements in the evolving relationship between the upstream industry and Indigenous peoples. Therefore, CAPP addresses the following recommendations to the Government of Canada.



CAPP RECOMMENDS that the Government of Canada take the following actions:

- **Focus on initiatives that will produce positive, tangible results for Indigenous communities by resolving long-standing reconciliation issues.**
- **Recognize the advantages the oil and natural gas industry provides in support of Indigenous self-determination and reconciliation through economic opportunities. A competitive industry results in positive benefits to Indigenous communities.**
 - + Involve the resource sector in public policy dialogue in relation to Indigenous policy.
 - + Establish consultation processes that create durable decisions on linear and complex projects.
 - + Establish clear guidelines on consultation goals and objectives, and appropriate boundaries on scope and timelines for consultation.
 - + Recognize that fiscal and regulatory barriers that result in decreased competitiveness and investment harm not only the oil and natural gas industry, but can also negatively affect Indigenous communities.
- **Explore opportunities to enhance Indigenous economic participation, such as procurement.**
- **Accelerate the growth of Indigenous entrepreneurships and partnerships, identifying and using the best practices being applied in private sector relationships, and supporting the creation of mentorship programs.**
- **Develop greater collaboration with Indigenous peoples and industry on education and skills development training.**



CONCLUSION

Oil and natural gas companies are increasingly considering Indigenous relationships in conjunction with the life cycle of resource development, which is similar to how Indigenous communities themselves look to the future – long-term planning encompassing several generations. The future of resource development that involves Indigenous peoples must be grounded in respect, cultural awareness, and a spirit of co-operation and open communication.

To ensure a long, responsible future of oil and natural gas development in Canada, industry supports the objectives of what we have termed economic reconciliation. The industry takes pride in accomplishments to date, acknowledges that we are on a learning curve, understands there are many opportunities for improvement – and there is more work ahead.

The industry takes pride in accomplishments to date, acknowledges that we are on a learning curve, understands there are many opportunities for improvement – and there is more work ahead.

While CAPP acknowledges resource extraction industries, including oil and natural gas, have an important role in contributing to the economic, environmental and social sustainability of Indigenous peoples in Canada, government has the primary responsibility. It is important for government to fulfill its duty in reconciliation. The upstream oil and natural gas industry can play a role by engaging meaningfully with Indigenous peoples concerning resource development projects and the associated economic benefits. Further, industry encourages and supports Indigenous leaders' advocacy efforts to raise issues of concern with governments, to move toward tangible outcomes.

Oil and natural gas companies surveyed by PetroLMI²⁴ indicated they are highly motivated to work with Indigenous communities and businesses to improve environmental performance, meet regulatory processes or requirements, ensure commercial efficiency, and to develop commercial relationships. In contrast to some media reports, companies did not find there was strong Indigenous opposition to the concept of resource development.

A comment from Paul Myers of Canbriam Energy offers an insightful conclusion to this report: "Industry leaders are making great strides by engaging early, engaging often, becoming culturally aware, building capacity, helping to build healthier communities and promoting training and education. Leaders are emphasizing to their employees that Industry cannot develop in a sustainable way if Indigenous communities are not at the table as partners helping guide the development. At the end of the day, what's important to an Indigenous community is important to the company."



A photograph of three Indigenous women standing outdoors at an industrial site, likely an oil or natural gas facility. They are all wearing blue work suits with reflective yellow stripes. The woman on the left and the woman on the right are wearing red hard hats, while the woman in the center is wearing a yellow hard hat. They are all smiling and engaged in conversation. The background shows industrial structures and a clear blue sky. A large, stylized blue geometric shape is overlaid on the left side of the image.

The energy sector is committed to engaging and working with Indigenous peoples on important issues such as advancing our understanding of industry's role in reconciliation.

APPENDIX 1 – ENDNOTES

¹ CAPP, *Discussion Paper on Implementing the United Nations Declaration on the Rights of Indigenous Peoples in Canada*, 2016, <https://www.capp.ca/media/issues-and-submissions/undrip-submission>

² Buffalo, Stephen. *Financial Post*, *We are First Nations that support pipelines, when pipelines support First Nations*, *Financial Post*, 2018. <https://business.financialpost.com/opinion/we-are-first-nations-that-support-pipelines-when-pipelines-support-first-nations>

³ https://indigenousfoundations.arts.ubc.ca/berger_inquiry/

⁴ <https://www.newswire.ca/news-releases/aboriginal-equity-partners-respond-to-canadian-government-announcement-on-northern-gateway-pipeline-603659096.html>

⁵ <https://www.transmountain.com/news/2018/43-aboriginal-groups-have-signed-agreements-in-support-of-the-trans-mountain-expansion-project>

⁶ Coates, Ken. *Telling Our Story*, unpublished.

⁷ CAPP, *Indigenous Supply Chain*, 2017

⁸ CAPP, *Indigenous Supply Chain*, 2017

⁹ Statistics Canada. [Table 37-10-0123-01 Demographic characteristics of apprentices, Canada](#)

¹⁰ Statistics Canada, “*Aboriginal peoples in Canada: Key results from the 2016 Census*,” <http://www.statcan.gc.ca/daily-quotidien/171025/dq171025a-eng.htm>

¹¹ Coates, Ken. *Telling Our Story*, unpublished.

¹² CAPP, *Indigenous Supply Chain*, 2017

¹³ Crown-Indigenous Relations and Northern Affairs Canada, Economic and Business Opportunities Branch; and Public Services and Procurement Canada, Office of Small and Medium Enterprises.

APPENDIX 1 – ENDNOTES

¹⁴ <https://www.newswire.ca/news-releases/aboriginal-equity-partners-respond-to-canadian-government-announcement-on-northern-gateway-pipeline-603659096.html>

¹⁵ Coates, Ken. *Telling Our Story*, unpublished.

¹⁶ CAPP, *Indigenous Supply Chain*, 2017

¹⁷ <https://www.lngcanada.ca/media/>

¹⁸ <https://www.theglobeandmail.com/canada/british-columbia/article-kitimat-bc-residents-brace-for-boom-after-lng-canadas-go-ahead/>

¹⁹ <https://www.transcanada.com/en/announcements/2018-09-13coastal-gaslink-signs-agreements-with-100-per-cent-of-b.c.-elected-indigenous-bands-along-the-pipeline-route/>

And

<https://www.transcanada.com/en/announcements/2018-10-02transcanada-to-construct-coastal-gaslink-pipeline-project/>

²⁰ CAPP, *Indigenous Supply Chain*, 2017.

²¹ PetrolMI, *Labour Force Demographics in All Industries vs. Oil and Gas and by Subsectors in Canada (2006 and 2016)*.

²² Montreal Economic Institute, *The First Entrepreneurs, Natural Resource Development and First Nations*, 2018.
https://www.iedm.org/sites/default/files/web/pub_files/cahier0318_en.pdf

²³ Coates, Ken, *Telling Our Story*, unpublished.

²⁴ PetrolMI, *Labour Force Demographics in All Industries vs. Oil and Gas and by Subsectors in Canada (2006 and 2016)*.

The Canadian Association of Petroleum Producers

(CAPP) represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 80 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues from crude oil and natural gas production of about \$101 billion a year. CAPP's mission, on behalf of the Canadian upstream crude oil and natural gas industry, is to advocate for and enable economic competitiveness and safe, environmentally and socially responsible performance.

