RESEARCH PAPER

ESG+ I – The Opportunity for Indigenous Financing

At Beutel Goodman, our partnerships with Indigenous communities are a core element of our business. In this piece, Beutel Goodman's Fixed Income team examines the important role Indigenous Peoples have played in shaping ESG in Canada, especially when it comes to developing large infrastructure projects in the energy sector. We also explore the significant opportunities for Indigenous financing.

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(as at May 31, 2025)

Land Acknowledgement

Beutel Goodman acknowledges that our work is being developed on the lands of First Nation, Métis and Inuit communities across Canada, whose enduring relationship with the earth, water and air has spanned tens of thousands of years. We recognize the inherent rights and contributions of Indigenous Peoples in protecting and sustaining these lands and waters to date, and for generations to come. We recognize and respect the significance of both treaty and unceded lands, and we honour the diverse knowledge, cultures, governance structures and histories of Indigenous Peoples across Canada.

The Role of Indigenous in ESG

As part of our ESG integration process, we identify risks and opportunities that could have a material impact on the companies in our portfolios. On the social side, stakeholder engagement with Indigenous communities is a significant element that we monitor. Risks to companies that fail to develop positive relationships with Indigenous Peoples include reputational damage, regulatory intervention, litigation, project delays, cost increases and shutdowns that could all lead to financial loss. On the opportunities side, projects that have Indigenous involvement likely have a faster track and less obstacles in the regulatory approval process. In recent years, large-scale energy projects in Canada have been delayed or cancelled due in part to a failure to conduct adequate consultation with Indigenous communities, per the examples below.

TMX Expansion Project

In 2013, Kinder Morgan Inc. applied to the National Energy Board (now the Canada Energy Regulator) to expand the Trans Mountain Pipeline in a project called the Trans Mountain Expansion Project (TMX). Kinder Morgan had not consulted the First Nations along the pipeline route and faced significant opposition, which ultimately made the project inviable. The company eventually sold the pipeline to the Canadian federal government at a lower sale price than what the company had previously valued the pipeline and the expansion at. After the sale, the Canadian Federal Court of Appeal ruled that the government had failed to consider the concerns of the several First Nations challenging the project, and that the National Energy Board had not considered the impact of increased tanker traffic due to the project.

Enbridge and Northern Gateway

In the mid-2000s, Enbridge Inc. had proposed the Northern Gateway pipeline project to deliver bitumen from the oil sands area in Alberta to Kitimat, British Columbia for export to international markets. While the project had support from the majority of the Indigenous communities along the route, there was strong opposition from the coastal First Nations whose main concerns related to the effects of a potential marine oil spill. The Canadian government and the regulator had approved the project; however, the Canadian Federal Court of Appeal quashed the approval on the basis of inadequate consultation with the affected Indigenous communities. The court remitted the decision to approve the pipeline to the new federal cabinet (a Liberal government having been elected in October 2015) for redetermination. The new government banned tanker traffic along a stretch of the British Columbia (BC) coast that included Kitimat. Enbridge, which had incurred total costs of $656 million on the project, subsequently withdrew the pipeline proposal. Enbridge also suffered reputational damage in BC. Building a relationship of trust with Indigenous Peoples often takes time and that trust is not given easily, so when that relationship is broken, it will likely leave a company at a disadvantage for a lengthy period of time.

Not only is it good practice to consult with Indigenous Peoples on projects, but it is also enshrined in law. The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) was adopted by the United Nations in 2007 and fully endorsed by Canada in 2016. It was subsequently codified into Canadian law with Bill C-15 on June 21, 2021. UNDRIP is a comprehensive international instrument that outlines the collective and individual rights of Indigenous Peoples. UNDRIP also plays a crucial role in promoting the economic empowerment of Indigenous people, recognizing their right to participate in decision-making processes that affect their economic development, land and resources. Article 32 of UNDRIP requires the state to consult with Indigenous communities in good faith before implementing legislation that may affect them. This includes obtaining Indigenous Peoples' free, prior and informed consent (FPIC), which recognizes the rights of Indigenous Peoples to meaningfully participate in decisions that affect them, their communities and territories, including decisions related to mineral exploration and extraction.[1]

The Truth and Reconciliation Commission's Call to Action #92, which was published in 2015, encourages Canadian companies to adopt UNDRIP 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.[2]

When we are engaging with companies on Indigenous matters, our focus is primarily on whether companies have received FPIC for any of their projects, as that is where the risk mainly lies. However, it is prudent to dive deeper into a company's commitment to its Indigenous stakeholders, including asking the following questions:

- Does the company have a formal Indigenous policy?[3]
- Does the company have an Indigenous Reconciliation Action Plan (IRAP)?[4]
- How much business procurement is there with Indigenous businesses and is that audited?
- What is the Indigenous representation in the workforce and on the board of directors?
- Does the company perform cultural awareness training?
- Is the company pursuing Partnership Accreditation in Indigenous Relations (PAIR) certification?[5]

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[1]United Nations General Assembly, "United Nations Declaration on the Rights of Indigenous Peoples," resolution adopted by the General Assembly on 13 September 2007, A/RES/61/295, (accessed June 30, 2023), https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html.
[2]Government of Canada, "Learn how the Government of Canada is Responding to Call to Action 92," (August 2021): https://www.rcaanc-cirnac.gc.ca/eng/1524506030545/1557513309443
[3]Policies typically recognize the legal and constitutional rights possessed by Indigenous Peoples and commit the company to advancing reconciliation through responsible development, and increasing Indigenous representation in its workforce, management and supply chain.
[4]IRAPs outline specific, time-bound steps that companies plan to take to meaningfully advance reconciliation, guide decision-making and build relationships with Indigenous communities.
[5]The PAIR certification program recognizes corporate leadership in Indigenous relations. The program is overseen by the Canadian Council for Indigenous Business and certifies companies at the committed, bronze, silver and gold levels using independent and third-party verification of company reporting on Indigenous reconciliation.

We also perform controversy analysis and engage with the company based on our findings. For example, we have engaged with TC Energy Corp. on the Wet'suwet'en protest against the Coastal GasLink pipeline and with Canadian National Railway Co. on the resignation of its Indigenous Advisory Council.

Indigenous Economic Opportunity

In Canada, nearly every major development project will cross Indigenous lands, and this becomes even more pronounced as Canada searches for ways to strengthen east-west ties nationally. This could pave the way for a new pathway in Indigenous economic reconciliation, shifting from a colonial and dependency-based relationship to one of partnership that respects greater Indigenous self-governance and self-determination. Economic reconciliation aims to create meaningful partnerships and mutually beneficial opportunities based on a holistic, values-driven approach to attaining community economic prosperity.[6] One of the key tenets of economic reconciliation is working with Indigenous communities on a project and building trust with consultation throughout the process. Offering minimum equity participation of 25% in the project is the starting point, but economic reconciliation also means opportunities for Indigenous business procurement, as well as employment and training. Using a collaborative approach with Indigenous people supports the concept of "nothing about us without us", acknowledging the distinct nature and lived experience of First Nations, Inuit and Métis.[7]

The opportunity set is large, both to improve the infrastructure on reserves but also the potential for new development projects. The Assembly of First Nations estimates that the investment required to close the infrastructure gap is $349.2 billion.[8] This involves improved infrastructure for utilities, housing, education, transportation, recreation, healthcare, water and broadband connections. The First Nations Major Projects Coalition (FNMPC) has identified 470+ projects, with $520 billion to $550 billion in project value, often in industries with solid financials based on regulated prices or take-and-pay contracts.[9] FNMPC's internal assessment is that approximately $50 billion in Indigenous equity investment and ownership opportunities may require financing support.[10] First Nations generally do not have their own financial resources for such equity investment, so most of this amount will need to be financed through banks, private capital or the bond markets.

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[6]Sharon Rohan, "Advancing Reconciliation in Canada," Reconciliation & Responsible Investment Initiative, (2022): https://rrii.org/wp-content/uploads/2022/11/RRII-Advancing-Reconciliation-Guide.pdf
[7]https://www.sac-isc.gc.ca/eng/1686156327382/1686156354952.
[8]Assembly of First Nations and Indigenous Services Canada, "Closing the Infrastructure Gap by 2030: A Collaborative and Comprehensive Cost Report for Budget 2023," (March 2023): https://afn.bynder.com/m/367574a3a5cb5abe/original/1-AFN-Closing-the-Infrastructure-Gap-by-2030-National-Cost-Estimate-English-report-1.pdf
[9] First Nations Major Projects Coalition (FNMPC), "Advance Major Projects with Full Indigenous Participation to Grow Canada's Economy," FNMPC, (July 18, 2023): https://fnmpc.ca/advance-major-projects-with-full-indigenousparticipation-to-grow-canadas-economy/
[10] Shaun Fantauzzo, Niilo Edwards and Mark Podlasly, "Government Loan Guarantees for First Nation Equity Participation: A Primer, First Nations Major Projects Coalition, (2024): https://fnmpc.ca/wp-content/uploads/FNMPC_Loan_Guarantee_Primer_01172023_v3.pdf

Indigenous Peoples either partially or wholly own approximately 165 energy and related infrastructure projects across Canada. Approximately 29% of the equity partnerships have been announced in the last two years.[11] A sample of some of the current projects is provided below in Exhibit 1.

Exhibit 1: First Nations Partnerships. This table provides a summary of some of the infrastructure projects in Canada that are partially or wholly owned by Indigenous Peoples.

Project	Sector	Corporate Sponsor	Indigenous Involvement
Alberta Powerline	Electric Transmission	ATCO Electric	40% - 7 Indigenous Communities
Athabasca Midstream	Oil Sands Pipelines	Enbridge	11.57% - 23 First Nation and Metis Communities
Cascade Power Project	Power Generation	Kineticor	6 First Nations (% undisclosed)
Cedar LNG	LNG Facility	Pembina	51% - Haisla First Nation
Chatham to Lakeshore Transmission Line	Electric Transmission	Hydro One	50% - 5 First Nations
Coastal GasLink Pipeline	Natural Gas Pipeline	TC Energy	10% - 16 First Nations Communities
East Tank Farm	Crude Oil Tanks	Suncor	49% -2 First Nations Communities
Halkirk 2 Wind	Power Generation	Capital Power	25% - 4 First Nations Communities
Henvey Inlet First Nation Wind Energy Centre	Power Generation	Pattern Energy	50% - Henvey Inlet First Nation
Ksi Lismis LNG	LNG Facility	Western LNG / Rockies LNG	Majority - Nisga'a Nation
Lower Mattagami	Power Generation	Ontario Power Generation	25% - Moose Cree First Nation
Nanticoke Solar	Power Generation	Ontario Power Generation	20% - 2 First Nations Communities
Nova Scotia Energy Storage	Power Generation	Nova Scotia Power	13 Mi'kmaw Communities (% Undisclosed)
Oneida Storage	Power Generation	Northland Power	~30% - 2 First Nations Communities
Wataynikaneyap Power	Electric Transmission	Fortis	51% - 24 First Nations Communities

Source: Company Reports

[11] Fasken, "Indigenous Legal Matters Bulletin," (April 24, 2025): https://www.fasken.com/en/knowledge/2025/04/update-on-trends-in-indigenous-equity-investments-in-canada

We expect that Indigenous ownership of these kinds of projects will continue to grow. Companies such as Hydro One, Hydro-Quebec, BC Hydro and Ontario Power Generation have stated that they will offer a minimum of 25% equity ownership to Indigenous communities affected by any new development projects they pursue. The Canadian federal government has publicly stated that it plans to sell a portion of the Trans Mountain Pipeline to Indigenous communities along the pipeline route before pursuing the full sale of the investment. The Pathways Alliance, which is pursuing decarbonization efforts for the oil sands producers, plans to offer Indigenous equity participation in any of the projects (Carbon, Capture and Storage; CO2 pipelines; CO2 storage) that they ultimately execute on. In May 2025, Enbridge announced an agreement to sell a 12.5% interest in the Westcoast natural gas pipeline system for $715 million to the Stonlasec8 Indigenous Alliance LP, a group of 36 First Nations in BC.[12]

We highlight the Cedar LNG project in Exhibit 2 below as a positive example of a partnership between an Indigenous community and a corporate to advance an energy transition project.

Exhibit 2: Case Study on Cedar LNG. This graphic summarizes the Cedar LNG project in British Columbia, focusing on its successful partnership with the local Indigenous community.

Case Study – Cedar LNG

- Cedar LNG is a floating LNG project located in Kitimat, British Columbia.
- Partnership between the Haisla Nation (51%) and Pembina (49%).
- Project received positive FID in June 2024.
- Estimated project cost: $5.942 billion.
- 20-year take-or-pay offtake agreements with Pembina and ARC Resources.
- Connects to Coastal GasLink pipeline.
- December 2028 commercial operation date.
- Designed to be a low carbon LNG facility by connecting to BC's green grid.
- Aligned with Haisla values – promote environmental responsibility and sustainable development while minimizing impact on land and water.
- Potential loan guarantees from federal and provincial governments.
- Haisla equity portion to be funded in part with a loan from the First Nation Finance Authority.

Source: Cedarlng

Indigenous Finance

Indigenous communities are challenged by a lack of access to equity capital at a reasonable cost. Legal barriers in the Indian Act restrict available collateral on reserves. The federal government continues to hold the legal title to all First Nations' reserve lands for the use and benefit of each Nation; therefore, they cannot sell their lands or use them as collateral to access capital in the private sector. The poor socio-economic conditions experienced by First Nations, Métis and Inuit communities can undermine creditworthiness and make access to funding and capital more challenging. Of all the capital financing provided in Canada in 2013, First Nations and Inuit businesses accessed only 0.2%.[13]

[12] https://www.enbridge.com/media-center/news/details?id=123853&lang=en

[13] National Indigenous Economic Development Board, "Recommendations Report on Improving Access to Capital for Indigenous Peoples in Canada," (September 2017): https://www.niedb-cndea.ca/latest-news/recommendations-report-on-improving-access-to-capital-for-indigenous-peoples-in-canada/

The investment opportunities we discussed above need to be financed and there are several avenues available.

Federal and Provincial Loan Guarantees

Loan guarantees can help to reduce the barriers First Nations face, lowering borrowing costs, which can lead to higher returns. Loan guarantees can also serve to reduce lender perception of project and equity risk by associating the credit of the public sector with the repayment of the loan.

The Government of Canada announced as part of its 2024 budget that it will provide up to $5 billion in Indigenous loan guarantees to the natural resources and energy sectors. Newly elected Prime Minister Mark Carney later doubled the guarantee program to $10 billion and made it available to all sectors. Loan guarantees of $20 million to up to $1 billion will be available. To be eligible for an Indigenous loan guarantee, applicants must be rights holders under section 35 of the Constitution Act, 1982.

The Saskatchewan Indigenous Investment Finance Corporation (SIIFC) provides loan guarantees that are strategically aligned with the economic areas the province is focused on: valued-added agriculture, energy, green energy, and manufacturing. The entity provides up to $75 million in loan guarantees for eligible projects. Minimum loan guarantees are $5 million.

Ontario's Indigenous loan guarantee program was first introduced in 2009. The $1 billion program supported Indigenous participation in electricity infrastructure projects, including renewable energy infrastructure and transmission projects in Ontario. In 2025, the province tripled the size of the program to a maximum of $3 billion and expanded eligible projects to include energy, pipelines, mining and critical minerals. The program was also moved to be under the Building Ontario Fund.

The Alberta Indigenous Opportunities Corporation (AIOC) does a combination of direct lending and loan guarantees. It offers up to $1 billion in loan guarantees. It was originally set up to focus on energy projects, but its mandate has expanded to include natural resources, agriculture and telecommunications. Typically, its loan guarantees have a $20 million minimum and $250 million maximum. The AIOC also provides support to conduct due diligence, including legal, financial, modelling and structures for projects.

In its 2024 budget, the Province of British Columbia announced its intention to create a First Nations Equity Financing Framework. The government intends to offer equity financing tools, including up to $1 billion in loan guarantees and supportive measures for projects.

It is notable that other provinces with significant Indigenous populations do not have a loan guarantee program, specifically Manitoba and Quebec.

First Nation Finance Authority

The First Nations Finance Authority (FNFA) is a non-profit Indigenous-led corporation established through federal legislation. FNFA does not act as a Crown agent or benefit from a guarantee from the Government of Canada. FNFA raises long-term debt at preferred interest rates that mirror the financing mechanisms available to municipal, provincial and federal governments.

They then in turn provide cost-effective loans to member First Nations. To date, FNFA has issued $3.085 billion in the long-term debt markets and disbursed $3.41 billion in total loans (to April 2025). FNFA's focus is primarily lending to First Nations governments, not Indigenous businesses or entrepreneurs. FNFA's borrowing program is steadily growing as it is lending to larger-scale projects such as the Haisla participation in the Cedar LNG facility. Changes to the First Nations Fiscal Management Act include expanding membership to self-governing First Nations, as well as Métis and Inuit, which should lead to further growth of the borrowing program.

Canadian Infrastructure Bank

In March 2021, the Canada Infrastructure Bank (CIB) set a target to invest at least $1 billion in revenue-generating Indigenous infrastructure projects across five priority sectors of clean power, green infrastructure, public transit, broadband, trade and transportation. The use of proceeds from the loan must be for the purchase of an equity stake in a project where the CIB is already considering another investment.

Other Options

The other avenues to access capital for Indigenous Peoples include bank lending and private capital, especially with those that have an expertise in the sector such as Longhouse Capital Partners. As described in more detail below, the public debt markets are also an important source of capital.

There may also be a need for an Indigenous Development Bank built using a model similar to that of the World Bank entities. Such a bank could provide an array of financing options including loans, loan guarantees, equity investments and project bonding, and would have an understanding of the unique needs, values, and cultural contexts of Indigenous communities. The bank could then develop and offer financial products and services specifically designed to meet those needs.

These different avenues provide multiple options for First Nations, Métis and Inuit to access capital to finance the various investment opportunities available to them.

A Role for Fixed Income Investors

There has been growing interest in the bond market for Indigenous participation in projects as evidenced by the number of panels at industry conferences and webinars addressing the topic. Other than FNFA bonds, there is only one public Indigenous financing outstanding in the Canadian debt markets. In September 2022, Enbridge sold a 11.57% non-operating interest in seven oil sands pipelines in Alberta to 23 First Nations and Métis communities for $1.12 billion. In October 2022, the Athabasca Indigenous Midstream LP issued $865.246 million in amortizing bonds to finance the equity portion of the acquisition.

In July 2024, TC Energy announced the sale of a 5.34% equity interest in the NGTL and Foothills pipeline systems in Alberta to 72 Indigenous communities for $1 billion. There was a subsequent bond offering to fund the equity portion of the acquisition that ultimately did not close. While the deal was never completed, there was significant interest from bond investors. It should also be noted that the failure of the transaction was not attributable to the 72 First Nations and Métis involved in the deal.

Hydro One has a sustainable bond framework where the use of proceeds can be for green or social projects. One of the social uses of proceeds is for the socio-economic advancement of Indigenous Peoples. Hydro One plans to meet this with the procurement from small- and medium-size enterprises that are at least 51% controlled by Indigenous persons or are identified as Indigenous businesses by an Indigenous government. Hydro One has a goal of 5% of total sourceable spend on Indigenous businesses annually by 2026, which it exceeded in 2024. The company has issued $1.675 billion in sustainable bonds under the framework.

Further development of the Indigenous bond market may require a framework based on the International Capital Market Association (ICMA) sustainable finance principles. Indigenous financing could fit in ICMA's social bond guidelines where the use of proceeds is intended for new and existing projects with positive social outcomes. Many of the recommended uses of proceeds in the principle, such as affordable basic infrastructure, affordable housing, sustainable food systems, socioeconomic and empowerment, match what the use of proceeds could be for Indigenous financings. However, there are unique aspects to Indigenous financing, including FPIC and aligning with Indigenous values such as investing for seven generations[14] that may require a new and separate framework. An Indigenous framework could also help prevent incidents of "redwashing".[15]

In 2024, Cedar Leaf Capital, the first Indigenous-owned and -led investment dealer in Canada commenced operations. Part of the mission of Cedar Leaf is to foster greater Indigenous participation in the capital markets.

We hope that a robust Indigenous bond market develops in the years ahead and are eager to participate in that growth as it occurs.

[14]The Seventh Generation Principle is based on an ancient Haudenosaunee philosophy that the decisions we make today should result in a sustainable world seven generations into the future.
[15]Similar to "greenwashing" this is a generally corporate response to an urgent social and or legal issue that merely co-opts language and symbols but offers little transformative or meaningful change. Redwashing is an attempt to craft an appearance of reconciliation, or being generous — reconciliation in a purely superficial conceptualization. Robert Houle, "Redwashing Extraction: Indigenous Relations at Canada's Big Five Banks", Yellowhead Institute, (August 2022).