DRAFT POLICY FRAMEWORK

FIRST NATIONS CLIMATE INITIATIVE

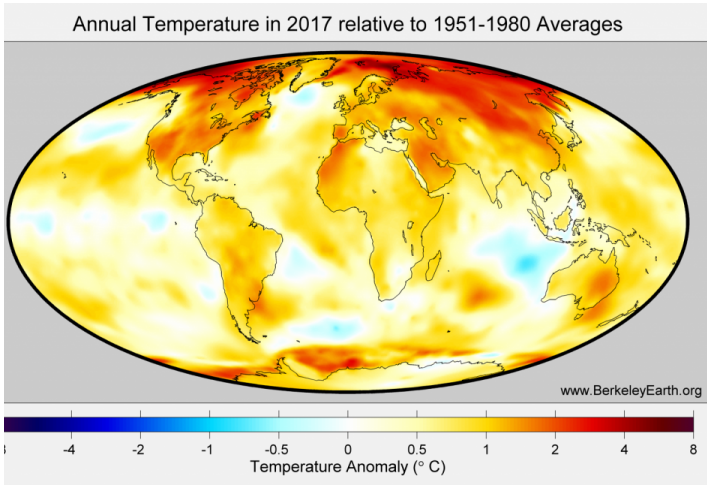
Haisla Nation, Lax Kw'alaams Band, Nisga'a Nation and Metlakatla First Nation

June 2020

First Nations Climate Initiative Draft Policy Framework for Discussion

Introduction

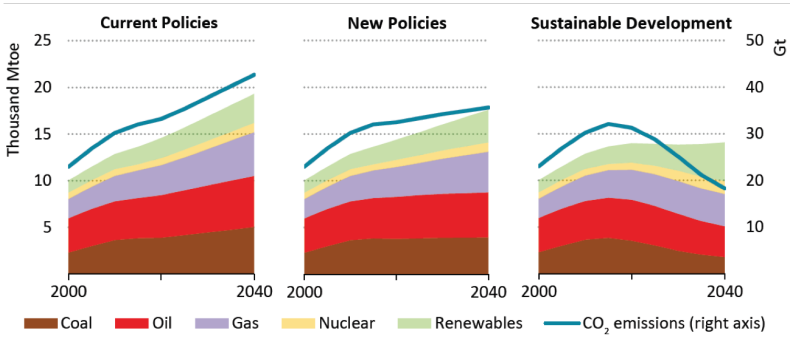
The Haisla Nation, Lax Kw'alaams Band, Nisga'a Nation and Metlakatla First Nation (FNCI Nations) are calling upon the Provincial, Federal and other First Nations Governments as well as the private sector and civil society organizations to join them in bold new action to mitigate climate change, alleviate poverty, and set the path to a low carbon economy in British Columbia. The FNCI Nations believe that coordinated policy development and public and private sector investment are needed now to build electrical generation and transmission infrastructure in northern BC, to restore damaged ecosystems to be carbon sinks, and to support net zero natural gas export projects on the North Coast. These investments will help the Canadian economy recover from the impact of the COVID-19 crisis in the near term, while setting the stage for long-term low carbon developments including LNG-derived hydrogen fuel. With First Nations leadership and partnerships, these policy changes and investments will also help BC and Canada meet their commitments to reconciliation and ensure First Nations economies are the cornerstones of a low carbon future.



After six months of engagement with experts from the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), major project developers, policy analysts, think tanks and ENGOs, the FNCI collaboration process has developed the Draft Policy Framework. The Policy Framework demonstrates how to make the production and export of natural gas into a decisive and economically robust transition step in the creation of a globally competitive low carbon economy while making a meaningful contribution to the implementation of international strategies that achieve the goal of the Paris Agreement – to limit global warming to 1.5 to 2 degrees Celsius. With the comprehensive approach outlined in the Policy Framework, development of BC's natural gas sector can be the single largest contribution from Canada to reducing GHG emissions globally. Additionally, British Columbia can produce LNG that has a net zero or even positive impact on BC and Canadian climate objectives. This net-zero LNG

can be exported to places like China, South Korea, and Japan where it will displace more GHG intensive fuels including coal fired generation – the greatest contributor to global warming. This cleaner form of energy will result in reductions in GHG emissions worldwide that dwarf our domestic targets while lowering local air pollution.

The FNCI Nations recognize and support the provincial CleanBC Plan and the Pan Canadian Framework and offer the Policy Framework to work alongside and enhance these policies to increase their effectiveness. They are also reaching out to other First Nations, the Province of Alberta and non-governmental stakeholders, inviting them to participate together with BC and Canada in a western Canadian strategy to mitigate climate change, alleviate First Nations poverty and create a vibrant low carbon economy.



The IEA's World Energy Outlook 2017 and the sustainable development scenario illustrates that global GHGs are reduced by half - renewables increase and are not displaced by fossil fuels which decline to 60% of global energy consumption.

The Policy Framework and an emerging Investment Plan that follow are aimed at achieving FNCI's vision. The Policy Framework's proposals are expected to continue to evolve with increased involvement of governments, other First Nations, and non-government actors. The FNCI welcomes further conversation and discussion: see www.fncionline.com or contact us at: info@fncionline.com.

Draft Policy Framework

Policy Element	**FNCI Development Scenario Components**	**Preliminary Policy Options to facilitate Net Zero LNG and other natural gas product development in BC**
Net Zero LNG Strategic Direction	Additional LNG production in Kitimat, Skeena, Nass, Prince Rupert areas GHG and electrification estimates based on 51.5 Mta total produced by new facilities near Kitimat and between the Skeena and the Nass near Prince Rupert. The scenario is scalable and 51.5 Mta was used for analytical purposes.	HIGH LEVEL POLICY GOALS • FNCI First Nations to provide leadership on achieving the policies and objectives set out in this framework document in a manner that is consistent with BC and Canada's commitments on climate change, First Nations poverty alleviation, and natural gas infrastructure development and ownership that will benefit their communities, British Columbia and Canada. • Establish cost competitive LNG and other natural gas products in the international marketplace. • Public and Private sector investment in renewable energy generation and transmission infrastructure and nature-based solutions to reduce GHG emissions from new and existing developments.

		• All new LNG and other gas product development projects achieve net zero within this new policy framework on the basis of approved plans and within time frames that align with limiting global warming to 1.5-2.0 C. • Promote technological innovation along the LNG supply chain that can be exported to the rest of the world to burn cleaner gas and reduce emissions. • Establish protocols for domestic offsets and enable these offsets to count against carbon tax liabilities and the net zero objectives provided that proponents have an approved plan to achieve net zero as soon as possible while maintaining project viability. • Promote Net Zero LNG and other natural gas product development as a transition step that finances construction of the infrastructure that will electrify the low carbon economy of the future while supporting First Nations economic self-determination and restoration of traditional territories. • Proactively position First Nations who are interested in taking an equity position in project infrastructure, including through loan guarantees and direct grants from Canada, British Columbia and Alberta.
Electrification - Transmission	Upgraded and new Transmission infrastructure to Kitimat and Skeena/Nass/Prince Rupert	• Substantial Federal and Provincial investment in building transmission infrastructure to meet near and long-term electrification needs for the FNCI scenario. This requires a shift away from demand driven to a more proactive approach that supports new low carbon industrial development E.g. expand the Canada BC MOU on green power development to publicly finance upgrades of transmission infrastructure to Kitimat and the Skeena/Nass area (could be a combination of HVDC and HVAC transmission lines). • Work with FNCI and other coastal First Nations to support First Nations-led Independent Power Project developments that could have purchase agreements with LNG producers and associated pipelines, possibly as an option to supplying through BC Hydro grid. • Enable proponents to purchase electricity directly from Independent Power Producers. (Allow IPPs to

		transmit power through the BC Hydro transmission system to enable electrification of infrastructure for LNG and other gas product export. In addition, or alternatively, establish an LNG electricity price to incentivize and increase competitiveness of electrified LNG production and stimulate renewable IPP sector).
Electrification - Generation	20000 GWh new renewable resources are needed to electrify this amount of LNG production – Offshore and onshore and upstream Wind, Geothermal, Hydro, Storage Hydro are all available for development.	• Provide financial support and policy incentives that gives preference to First Nations-led development of offshore, onshore and upstream wind, geothermal, hydro, and Biofuel electricity generation projects linked to a new standing offer program to provide cost competitive electricity to LNG and other natural gas product development initiatives.
Carbon Capture and Storage	Remove Co2 from natural gas and store in saline aquifers in sedimentary basins where natural gas originates or using ultramafic deposits associated with mining activities	• Develop an offset protocol that enables trading of reductions in Co2 emissions from CCS projects. • Federal and provincial investments in research and design in anticipation of negative emission requirements in the future.
Nature Based Projects and ecosystem restoration	Ecosystem rehab and nature-based projects across the north to absorb carbon from the atmosphere and contribute to the restoration of First Nations territories	• Further develop offset protocols and related regulations that facilitate trading of reductions in Co2 emissions from nature-based projects – e.g. forest, wetland, and marine ecosystem protocols and supporting policies. • Provide provincial and federal support for First Nations development of forest ecosystem and other offsets across the north with priority given to those Nations who have agreed to allow the natural gas pipelines to traverse their territories to the coast. • Provide provincial and federal investment in forest ecosystem restoration in Treaty 8 in order to eliminate the legacy of disturbance from past oil and gas development with a priority placed on the conservation zones identified by those Nations whose communities overlap the Montney Play (Blueberry River FN, Doig River FN, Halfway River FN, Prophet River FN).
Methane	Emissions reductions above 45%	• Import Alberta methane protocol to enable trading of carbon credits for reductions in Methane emissions above regulatory requirements which are currently 45%.

Competitiveness		• Provide LNG and other gas product infrastructure proponents with carbon tax protection for the period of time that it takes them to achieve net zero provided they have approved plans for doing so. • Provide Provincial Sales Tax relief for LNG and other gas product proponents that are committed to producing net zero gas products on the basis of approved plans. Explore the potential to replace PST with a value-added tax. • Public sector investment in renewable energy transmission and generation infrastructure and nature-based solutions to reduce GHG emissions from new and existing developments. • Enable Net Zero gas product proponents to write of 100% of their capital investments in the first year of operations. • Time frame for proponents to achieve net zero is determined within approved plans to support BC GHG targets. • Regulatory efficiency and certainty. Provide resources for FNCI to expand the coalition of First Nations and stakeholder groups that support net zero development of LNG and other gas products as climate change and poverty alleviation strategies. This would include an information campaign to increase public awareness of the near and long-term benefits of this strategy. Recognize that the current policy framework's restrictions are forcing LNG development into other jurisdictions that produce much more intensive GHGs – the most recent example of this is a proposed facility in Alaska. The perverse implication of this, is by limiting LNG production in BC, we are increasing the GHGs of LNG globally.
First Nations Equity Option	Proactively enable First Nations investment in equity positions in all the new infrastructure	• Provide loan guarantees and direct loans (where First Nations are interested) to support equity positions in electricity transmission, generation, pipeline, and LNG facility infrastructure.
Environmental Assessment		• Environmental Assessment (EA) could be led or co-led by FNCI First Nations as per the Declaration on the Rights of Indigenous Peoples Act (DRIPA), BC EA Act and Nisga'a Final Agreement.

		• Ensure EAs for terminals and generation are coordinated with electricity and/or natural gas transmission infrastructure EAs. • Initiate transmission infrastructure EA processes now so permitting is in place in a timely manner. • Undertake a government-funded regional assessment of an FNCI scenario or similar for more integrated and expedited project-specific approvals. • EAs to be well scoped to facilitate a rigorous and predictable process.
Global Greenhouse (GHG) Emissions	Up to 250 million tons of net GHG reduction per year globally if net zero LNG produced in this scenario displaces thermal coal.	• Initiate a Pilot Project with a willing customer in Asia to secure commitments to displace GHG intensive fuels like thermal coal with net zero LNG and other gas products from BC. • Identify options in addition to outright purchase of Internationally Transferred Mitigation Outcomes (ITMOs) to incentivize exchange of GHG emission reduction credits (ITMOs). E.g.: • Chinese government agencies like CASH are interested in investing in gas development projects in western Canada (B.C. and Alberta). They may be able to facilitate ITMO transactions. • ITMO exchange could be part of broader trade agreements Canada is negotiating.
Building the Low Carbon Economy	Construction of renewable electricity infrastructure that will become the energy source for a low carbon economy in the north including the Port of Prince Rupert	• Natural gas is a feedstock/source of hydrogen for hydrogen fuel which can be utilized domestically and exported once the market matures. • Carbon is captured and utilized for various products or stored. • Northern transportation systems, including the Port of Prince Rupert become instrumental to the low carbon economy with First Nations as major equity stakeholders. • Reset the development paradigm - BC Northern First Nations lead industrial economies and plans into a low carbon future where global climate targets are achieved through the policies identified above. This is reconciliation in action.

Developing a First Nations Climate Initiative Investment Plan

As Canada looks to stimulate the economy in the aftermath of COVID-19, and slogans like "build back better" permeate the dialogue, the pandemic has created a new opportunity that will likely be unprecedented in our lifetimes. FNCI believes any future public or private investment must contribute to ending First Nations poverty, stopping climate warming, and designing a low carbon economy in British Columbia.

To achieve the FNCI vision and support implementation of the Policy Framework, investments will be needed in:

- Transmission Infrastructure
    - Invest in the electricity transmission system to ensure NW BC has a robust, reliable supply of renewable low GHG electricity building from the BC Hydro transmission backbone in Prince George.
    - Consider parallel development of an HVDC transmission line alongside the new pipeline to Prince Rupert to supplement electricity supply in a timely manner. Partner with the private sector to develop this part of the transmission system.
- First Nations Renewable Generation Facilities
    - Invest in renewables in NW BC to provide flexibility to ensure reliable, low cost, low carbon supply for natural gas terminals and pipelines.
- Ecosystem Restoration
    - Invest in First Nations-led nature-based projects that restore the legacy disturbance footprint in Treaty No 8 territory and across the north to absorb CO_2 from the atmosphere and create immediate contracting and employment opportunities while addressing an important reconciliation issue.
- Loan Guarantees
    - Support First Nations investment in immediate and long-term development plans that support implementation of the FNCI Policy Framework.

These key elements will be further developed in a forthcoming investment proposal FNCI will collaboratively develop with all parties that are prepared to engage. Become part of building a better future: **www.FNCIonline.com**.