



1. Introduction

While Indigenous groups are now consulted on energy and natural resource projects, there are historical, systemic, and legal barriers that have impeded their participation in and benefit from economic opportunities, particularly in the natural resources sector.

As part of the federal government's commitment to economic reconciliation, the government announced in Budget 2024 that it will provide up to \$5 billion in Indigenous loan guarantees to unlock access to the capital needed for Indigenous groups to make major economic investments.

This commitment is a direct response to Indigenous groups' calls for the government to address such barriers, specifically, the gap in access to affordable capital. Furthermore, this commitment is aligned with the Government of Canada's broader objectives of economic reconciliation, fostering Indigenous economic development, and supporting self-determination.

Assets are typically required as collateral for secured loans; however, the legacy of colonialism has made it difficult for Indigenous groups to access financing from financial institutions. For example, as specified by the Indian Act, 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. Indigenous groups continue to face structural impediments that restrict their access to capital—to enable Indigenous investment in major projects, these challenges must be addressed.

Loan guarantees work by providing a guarantee that the debt will be repaid by the guarantor (the federal government) should the borrower (Indigenous groups) be unable to repay. Loan guarantees will enable Indigenous groups to overcome historic barriers and to become meaningful equity partners and owners of natural resource and energy projects. Equity ownership in major projects will provide significant financial benefit and advance economic participation for participating Indigenous groups.

By offering loan guarantees, the federal government will facilitate Indigenous groups obtaining more favourable borrowing rates, promoting increased Indigenous ownership of wealth-generating assets in the natural resource and energy sector, and delivering higher cash flow from their equity investments.

Delivery and Timeline

The federal government will deliver Indigenous loan guarantees through a newly formed, wholly owned subsidiary of the Canada Development Investment Corporation ("CDEV"). This subsidiary will operate as the Canada Indigenous Loan Guarantee Corporation ("the Corporation").

CDEV is a federal Crown corporation that manages critical financial transactions for the Government of Canada and reports to the Minister of Finance. CDEV has extensive expertise in structuring large, complex financial transactions, as well as advising the Government of Canada on commercial projects involving Indigenous groups.

The federal government is working to announce the first Indigenous loan guarantees in the near term.

2. Program Elements

The Canada Indigenous Loan Guarantee Corporation will deliver Indigenous loan guarantees and will be responsible for administrative and operational activities, including:

- Engagement with loan guarantee applicants;
- Investment analysis and due diligence activities;
- Negotiating draft loan guarantee agreements;
- Making recommendations to the Minister of Finance on loan guarantee issuance;



- Negotiating final agreements and issuing loan guarantees; and,
- Administering the portfolio of loan guarantees.

In consultation with the Corporation, Natural Resources Canada (“NRCan”) will provide support during the first two years by assessing section 35 eligibility and delivering capacity funding for investment analysis and due diligence.

Loan Guarantees to Help Secure Loans from Lenders

A loan guarantee, like a co-signor on a loan, is used to enhance credit applications and lower the cost of borrowing. The Canada Indigenous Loan Guarantee Corporation will issue loan guarantees to support Indigenous groups’ acquisition of an equity stake in a commercially viable project in the natural resources and energy sectors.

Loan guarantees of \$20 million to up to \$1 billion will be available.

Before applying for a loan guarantee, an Indigenous group must identify their source(s) of financing, such as from a financial institution, third-party investor, or bond issuance, or combination thereof. Once financing is identified, and if the application is successful, the Government of Canada will, through the Canada Indigenous Loan Guarantee Corporation, guarantee equity loans for an Indigenous group, a company owned by an Indigenous government, or a consortium thereof. This means the Government of Canada will assume the debt obligation if the borrower defaults, generally after the lender has exhausted other debt recovery methods. The loan guarantee thereby lowers the cost of capital for Indigenous groups on their equity investment. The Canada Indigenous Loan Guarantee Corporation will only provide equity loan guarantees and does not have the authority to provide loans, grants, guarantees on non-equity loans, or any other type of financial support.

In addition to loan guarantees, Indigenous groups may also require significant project financing to fund the non-equity (debt) portion of the investment. In typical private market transactions, the equity component is often a relatively small proportion of the overall acquisition price. Accordingly, Indigenous applicants seeking to purchase an equity stake in a project may require significant additional financing, over and above the guaranteed equity loan.

Supporting Rigorous Investment Analysis and Due Diligence

Investment analysis and due diligence (IADD) funding provides the resources Indigenous groups require to determine whether investment proposals make financial sense for them. NRCan will have funding available to support eligible Indigenous applicants in conducting the analysis required before proceeding with a commercial transaction and loan guarantee.

This funding will help Indigenous groups obtain the advisory services needed to complete necessary investment analysis and due diligence activities, such as legal, financial, commercial, and engineering technical analysis, and deal structuring and negotiations, among others. IADD funding represents a direct investment aimed at reducing financial barriers by supporting the capacity of Indigenous groups to engage substantively in the program. IADD funding will not be used to support application development or project feasibility studies and similar early-stage project research.

IADD funding eligibility will be determined and may be allocated during the initial review of applications for loan guarantees submitted by Indigenous groups. Furthermore, should the Canada Indigenous Loan Guarantee Corporation’s substantive due diligence reveal gaps in the analysis conducted to date by Indigenous groups, IADD funding could be provided to resolve analysis gaps, subject to the prioritization and availability of funds.

Section 35 Eligibility

To be eligible for an Indigenous loan guarantee, applicants must be rights holders under section 35 of the Constitution Act, 1982, and projects must impact section 35 rights. Wholly owned subsidiaries of section 35 rights holders are eligible.

During the Canada Indigenous Loan Guarantee Corporation’s first two years, NRCan will facilitate assessments of applicants’ section 35 eligibility. After two years, the responsibility for section 35 eligibility assessments may be assumed by the Corporation.



3. Strategic Objectives

The strategic objectives of the Canada Indigenous Loan Guarantee Corporation are to:

- **Advance Canada's Indigenous economic reconciliation and self-determination objectives** by supporting Indigenous groups to share in the benefits of natural resource and energy projects through meaningful equity participation;
- **Unlock access to affordable capital for Indigenous groups** by providing loan guarantees that reduce borrowing costs for Indigenous groups investing in energy and natural resource projects that generate long-term economic benefits;
- **Support Indigenous economic reconciliation** by creating economic prosperity now and in the future;
- **Facilitate Indigenous partnerships with private sector industry** across a range of projects within the energy and natural resource sectors;
- **Deliver better projects guided by Indigenous leadership and knowledge** in the project ownership and governance structure; and
- **Build Indigenous business and commercial dealmaking capacity** by encouraging their pursuit of more commercial transactions to grow Indigenous economies and benefit Indigenous people.

Additionally, the program will **support financially sound investments** by providing Indigenous groups with funding for investment analysis and due diligence activities on potential projects. Access to this funding will initially be available through Natural Resources Canada. After two years, responsibility for this funding may be assumed by the Corporation.

4. Loan Guarantee Application Process

Indigenous groups are invited to submit applications on a continuous, rolling basis for loan guarantees between \$20 million and \$1 billion. Applications will be reviewed as they are received and are not subject to a particular timeframe constraint. Projects that are more advanced in their development and have demonstrated cash flow potential will be prioritized.

The federal government expects the Canada Indigenous Loan Guarantee Corporation to operate at the speed of business, aligning with the overall transaction timing and the needs of Indigenous groups, project proponents, and lenders.

Initial Eligibility Assessment

Applications will go through an initial eligibility assessment to ensure alignment with the program's eligibility criteria, as detailed in Section 6. The Corporation will seek to proactively engage with potential applicants to identify and address any issues with applications, as appropriate, including by reviewing due diligence, financing structure, risk allocation, and draft terms before commercial agreements are finalized.

Applicants should be aware that being eligible and meeting strategic objectives and criteria does not guarantee that an application will be successful. The Corporation will be operating within a pre-determined fiscal profile, as well as prioritizing applications, where necessary. To ensure transparency, the Corporation will keep applicants updated on the status of their application throughout the process.

Applicant Engagement and Project Prioritization

The Corporation will engage with applicants and other stakeholders to ensure that rigorous standards for commercial and financial viability are met, and that the investment proposal aligns with the loan guarantee program's strategic objectives. This early engagement could take place over several months or longer, depending on the project and the potential applicant.

To facilitate the prioritization and approval of projects, eligible applications may be subject to tailored reviews to establish an accurate and detailed understanding of the proposed investment, including details about the underlying project, risk and return, and key commercial terms.



For prioritized applications, the Corporation will conduct due diligence, investment appraisal and, as required, negotiation of draft terms. Work undertaken by Indigenous groups, lenders, and proponents will be considered in the review and assessment of any perceived gaps or risks.

Support for Investment Analysis and Due Diligence

Lenders and proponents are expected to assume most of the due diligence costs, but some limited funding may be provided through NRCan's IADD funding envelope. The Corporation may request Indigenous groups to undertake further diligence and may perform further diligence directly.

Application Approval and Loan Guarantee Issuance

Following investment appraisal, the Corporation will make a recommendation to the Minister of Finance, who, in consultation with the Minister of Energy and Natural Resources, will make decisions on individual loan guarantees. Issuance of a loan guarantee is discretionary, and the nature and extent of each loan guarantee will be decided by the Minister of Finance, who holds approval authority. Once approval is obtained, the Corporation will negotiate definitive documents with Indigenous groups, and their partners, to issue a loan guarantee.

Ongoing Post-Issuance Support

The Corporation will administer the portfolio of loan guarantees and monitor compliance with the key commercial and financial terms, on an ongoing basis, to ensure Indigenous groups benefit from their investments.

5. Operating Principles

The Canada Indigenous Loan Guarantee Corporation will operate under the following principles:

- **Indigenous Governance:** A diverse board of directors and executive team with robust Indigenous representation.
- **Geographic Diversity:** Seek project applications from all regions to promote access to loan guarantees by Indigenous groups from across the country.
- **Efficiency and Timeliness:** Operate at the speed of business, aligning with the needs and transaction timeframes of Indigenous groups, project proponents, and lenders.
- **Early Engagement:** Seek opportunities to engage early with potential applicants to positively influence the quality of applications related to due diligence, financing structure, risk allocation and terms, before commercial agreements are finalized.
- **Robust Due Diligence:** Assess the diligence conducted by applicants and lenders and identify any gaps or risks. Where necessary, the Corporation will engage its own professional advisors to assist in the review and request that the applicant undertake additional diligence to support its application.
- **Independent Analysis:** Conduct independent investment analysis to recommend loan guarantees suitable for approval by the Minister of Finance.
- **Program Stacking:** Facilitate stacking of federal-provincial loan guarantees up to 100 per cent of an equity stake acquisition, and harmonize commercial terms and documents with provincial loan guarantee programs to the extent possible and practical. Federal loan guarantee stacking with other federal sources, such as federal grants, federally guaranteed loans, and loans from federal Crown corporations, will be available up to 75 per cent of project costs.
- **Portfolio Monitoring:** Monitor the portfolio of loan guarantees, ensure contractual and reporting compliance, as well as review and assess requests for amendment, consent, and waivers. In a case of default, the Corporation will work with lenders, using a range of approaches, to recover investments before calling on the loan guarantees.



- **Transparency and Accountability:** The Corporation will, subject to the approval of the government, establish robust reporting metrics, including on application intake, loan guarantee issuance and performance, consistency with relevant federal policies, and the Corporation's performance evaluation against its mandate. Performance reports will be submitted to the government to table in Parliament. The reports will meet the highest standards of disclosure for Crown corporations, ensuring transparency and accountability to Canadians.
- **Cost Recovery:** Issuance and ongoing monitoring fees will be paid by borrowers to fund ongoing operational requirements, in a manner consistent with existing provincial programs. The Corporation will not seek to make a profit over the life of the program; cumulative fees received in excess of operating costs could, over time, be utilized to enhance the program.

6. Eligibility Criteria

The Canada Indigenous Loan Guarantee Corporation will accept applications that meet the following criteria:

- **Applicants:** Only Indigenous groups with recognized section 35 rights, or their wholly owned subsidiaries, are eligible to apply. Applications must include a clear statement of support from the group's leadership, such as a band council resolution or other formal decision document used by Métis, Inuit, or self-governing Indigenous groups.
- **Section 35 Rights:** Applicants must have rights recognized and affirmed under section 35 of the Constitution Act, 1982. Screening is exclusively for the purpose of determining loan guarantee eligibility and is not intended to be a rights-determination process.
- **Geographic Relevance:** Projects must impact section 35 rights of the applicant. In cases where the applicant is a consortium of section 35 rights holders, a minimum of 25 per cent of the value of the investment must be contributed by Indigenous groups that meet this geographic impact criterion.
- **Sectoral Scope:** Ensure diverse economic opportunities by being sector agnostic across natural resources and energy projects, including, but not limited to, investment in projects in electricity generation and transmission, carbon management, low carbon fuel production, pipeline infrastructure, oil and gas production, minerals and mining, and forestry.
- **Guarantee Thresholds:** A minimum of \$20 million to a maximum of \$1 billion. Thresholds will be periodically reviewed and adjusted to reflect sector-specific dynamics. The minimum threshold may also be periodically reviewed and adjusted to manage application volumes.
- **Financial Separation of Investments:** Applicants must confirm that investments will be made into financially ring-fenced assets or operations, which will be subject to confirmatory diligence. For sub-sectors, particularly mining and forestry, there may be a requirement to restructure the assets or operations into separate legal entities to facilitate independent financial reporting and cash flow management.

In addition, the Canada Indigenous Loan Guarantee Corporation will prioritize applications based on the following considerations:

- **Advanced Project Stage:** Investments in projects that are more advanced in their development and funding will be prioritized. As part of prioritizing projects with the greatest potential for economic reconciliation, applicants awaiting regulatory and permitting approvals for their project are encouraged to apply once approvals have been secured.
- **Demonstrated Cash Flow:** Investments must demonstrate an ability to generate stable cash flow, sufficient to repay the acquisition loans on a non-guaranteed basis in order to further economic reconciliation objectives. Projects should be able to demonstrate predictable and stable cash flow with instruments such as power purchase agreements, delivery contracts, and offtake agreements.