

# First Nations Clean Energy Business Fund

## Guidelines for Funding

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*July 2020*

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# Background

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The [\*Clean Energy Act \(CEA\)\*](#) which received Royal Assent on June 3, 2010, enables the creation of a First Nation Clean Energy Business Fund (FNCEBF). The fund has an initial appropriation of \$5M, and in Budget 2014; an additional \$1 million was allocated to the FNCEBF. Over time the fund is expected to receive additional revenue from new power projects based on a percentage of land and water rentals.

The Ministry of Indigenous Relations and Reconciliation (MIRR) is responsible for administering the fund; however, it will be utilising expertise from across the provincial government to assess applications to the fund.

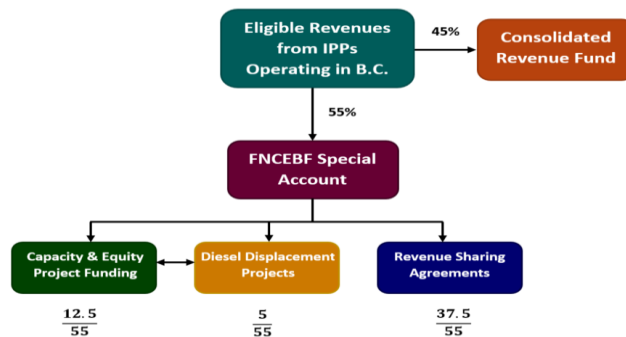
# Objective

The FNCEBF aims to promote increased Indigenous community participation in the clean energy sector within their asserted traditional territories and treaty areas through agreements between the BC Government and the eligible applicant to:

- a) Provide capacity development funding to support applicants to undertake activities such as feasibility studies or to engage with proponents of clean energy projects (Capacity Funding);
- b) Provide equity funding to qualifying applicants to help acquire equity positions in clean energy projects, or assist in the undertaking of their own community clean energy project for supply, or assist in the implementation of energy efficiency/demand-side management projects within a community (Equity Funding); and
- c) Share in the revenues from clean energy projects based on new, net, incremental revenues to government derived from water rentals, land rents and eventually wind participation rents (Revenue Sharing).

Presently, the FNCEBF account receives 55% of annual provincial rentals from eligible power projects. By regulation under the *Clean Energy Act*:

- a) The equivalent of 12.5% remains in the fund to support capacity and equity applicants;
- b) 5% of the total revenue is allocated to support the diesel displacement program under the fund for the purpose of displacing diesel power generation in remote, off-grid First Nation Communities in BC; and,
- c) 37.5% of the total revenue supports Revenue Sharing Agreements with First Nations who have territory overlapping the IPP.



# Application Process

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## *Applicant Eligibility*

Fund eligibility criteria restricts applicants to Indigenous communities in British Columbia falling into one of the following categories:

- a) a First Nation “band” as defined by the *Indian Act* (Canada); or
- b) a First Nation governing body, representing exclusively one or more First Nations.

In addition, the proposed project must be located in B.C.

## *Funding Categories*

There are specific funding requirements for each of the different funding categories. Applicants should determine which category of funding they are applying to and then address the requirements under that category in their application.

Applications will be reviewed and decisions made based on the strength of their application and the viability relative to other applications.

### *Capacity Funding*

#### **Overview:**

- The maximum total Capacity Funding is \$50,000 per applicant regardless of the number of potential Projects in the applicant’s traditional territory;
- Funding will be provided to enable an applicant to:
  - Develop a Community Energy Plans (see the Community Energy Plan template). The maximum eligible funding for a Community Energy Plan is \$30,000.
  - Engage with project proponents to undertake the financial analysis of potential projects prior to taking

- an equity position in an independent power project within their traditional territory.
- Complete feasibility or pre-feasibility studies of potential projects within a First Nation's traditional territory.
- Complete the permitting process required, by the First Nation, to develop a renewable energy project within their traditional territory.
- Complete various business plans related to the development of:
  - a renewable energy project (supply); or
  - a renewable energy company, that would be wholly band-owned, and that would support or install energy efficiency and demand-side management projects.
- Funding may also be applied to fund community member training. Examples of the training that might be supported include; but, are not limited to:
  - Solar installation;
  - Insulation;
  - Draft proofing;
  - Ventilation; and
  - Passive house training.

If a community is looking to fund a community member an outline of proposed projects should be included with the application.

**To qualify for Capacity Funding:**

- A Band Council Resolution, Tribal Council Resolution, or Directors' Resolution approving the project will be required; and
- The funding request must be for Eligible Costs (as defined in the Application);

Once the funding has been approved, payment will typically occur within thirty business days of signing a Contribution Agreement. Interim payments may also be provided throughout the project as interim deliverables are received and approved by the B.C., and there will be a holdback for final payment capacity funding of up to 25%.

\*Capacity projects submitted by communities which are remote, off-grid, and reliant on diesel power generation may be eligible for additional funding through the diesel displacement program. Please reach out to the FNCEBF contact for further information on eligibility and funding.

## *Equity Funding*

### **Overview:**

- The maximum total Equity Funding is \$500,000 per applicant regardless of the number of potential Projects in the applicant's traditional territory.
- Provincial equity contributions are intended to be on a "last in" basis (i.e., a commitment letter will be provided to the applicant committing to the transfer of funds only after a project has been built and is ready for commercial operation.)<sup>1</sup> However, once an application has been accepted for a Equity Funding, consideration will be given to providing some portion of these funds prior to commercial operation provided key project tasks can be documented.

Key Project Tasks may include but are not limited to:

- Final Design
- Permitting
- Business Plan
- Financing
- Interconnection Agreement signed
- Major Equipment Ordered
- Commenced Construction
- Begin Commissioning

Provincial equity contributions to implement energy efficiency projects; demand side management projects, or small-scale heat electrical production, may be applied for up to a maximum amount of \$150,000 for any one project.

Projects may include but are not limited to:

- Implementing high efficiency heating technologies (i.e. for space and water heating, boiler replacements and heat recovery systems for offices/recreation centres).
- Onsite Generation (DSM) – installation of small-scale solar or other energy technologies that will provide load displacement in the community (i.e. rooftop solar, net-metered projects).

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<sup>1</sup> "Last in" requirement may not be applicable for Demand Side Management projects.

**To qualify for Equity Funding:**

- The applicant must demonstrate due diligence that a project is financially viable and that the Project developer has sufficient resources and experience to bring the Project to commercial operation;
- The applicant should provide a business plan and any other supporting material demonstrating the viability of the project. Specifically, the applicant should provide a detailed feasibility study document that examines all clean energy options and clearly identifies the proposed one as the best opportunity;
- The applicant's organisations must declare all sources of funding for the proposed clean energy project, inclusive of federal, provincial, or other government sources known at the time when the Application is submitted;
- A Band Council Resolution or Tribal Council Resolution approving the project will be required;
- If grid connected, a Project must have an Energy Purchase Agreement (EPA) in place with BC Hydro or demonstrate written support from a utility;
- Preference to be given to applicants that can leverage matching equity funding from other funding sources.

*\*Equity projects submitted by communities which are remote, off-grid, and reliant on diesel power generation may be eligible for additional funding through the diesel displacement program. Please reach out to the FNCEBF contact for further information on eligibility and funding.*



## ***Instructions and Information***

1. As an applicant for capacity or equity funding, you need to ensure all steps in the application process are completed, which includes filling out the *Application Worksheet* for each category of funding for which you wish to apply.
2. Include any relevant supporting documents as attachments to the application.

Supporting documents may include but are not limited to:

- Detailed financial analysis
  - Material/Contractor quotes
  - Relevant feasibility or planning work already completed
  - Letters of support from Neighbouring communities or municipalities
  - Total project budget (if requested FNCEBF funding is for part of larger project)
  - Letter of Intent or proof of communication with BC Hydro if pursuing an Electricity Purchase Agreement
  - Permitting or license (water/land tenure) documents
3. Applications must be submitted prior to the last day of the month of each intake period (listed below) to be considered for funding for that specified period.
    - January\*
    - May\*

\*Please develop your budget and timeframe to reflect that if your application is approved, it is likely that you will not receive your initial payment to begin the project for approximately 120 days after the intake deadline date.

4. Submit signed applications to Sarah Barnes, Senior Fiscal Advisor at [sarah.barnes@gov.bc.ca](mailto:sarah.barnes@gov.bc.ca)
5. Applicants will be notified within 90 business days of each intake's deadline.
6. Applicants who are selected to receive Capacity Funding will be required to sign a contribution agreement to receive funding. A MIRR representative will contact the applicant to explain the terms and conditions in the contribution agreement. The contribution agreement must include:

- i. a schedule of actual expenditures of the Capacity Funding;  
and
- ii. the delivery of a Final Report. In most cases, approved FNCEBF Capacity initiatives will fund the creation of a tangible product, such as a business plan or any other comparable document. This document will be the Final Report.<sup>2</sup>

To comply with the Terms and Conditions of the contribution agreement, the deliverable must be submitted.

Applicants who are selected to receive Equity Funding will be contacted by a MIRR representative and the applicant will be provided with further information and direction to finalise: 1) funding arrangements by the provincial government, and 2) responsibilities of the applicant.

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<sup>2</sup> When data or information is proprietary, the Parties may agree to confidentiality regarding the use of that information.

## **Revenue Sharing**

### **Overview:**

Revenue sharing with applicants will be based on provincial resource rents (land and water rentals), prescribed under the [First Nation Clean Energy Business Fund Regulation](#), that result from clean energy projects that receive land or water authorizations after the enactment of the *Clean Energy Act* (June 3, 2010). The term of the revenue sharing will last only so long as the project is operating and generating the prescribed revenues to the provincial government.

### **Revenue Sharing will be based on the following:**

- 55% of new incremental water and land rentals (as set out in above overview), for any one project will be deposited into the FNCEBF for sharing with applicants. A total of 68.18% of those deposited funds will in turn be directly shared with the applicants whose territory may be impacted by a clean energy project.
- Projects in overlapping territories will have associated provincial water and/or land rentals from a particular project shared between the overlapping applicants.

### **To qualify for Revenue Sharing under the FNCEBF:**

When projects are identified as eligible for revenue-sharing MIRR staff will contact those First Nations whose asserted territories overlap the project to discuss the possibility of a revenue sharing agreement.

## ***Contact Information***

### **First Nations Clean Energy Business Fund Applications**

**Attention: Sarah Barnes, Senior Fiscal Advisor**

Ministry of Indigenous Relations and Reconciliation

Toll-free information line:

Direct line: 778-698 - 7301

By email: [Sarah.Barnes@gov.bc.ca](mailto:Sarah.Barnes@gov.bc.ca)

By mail: PO Box 9100, Stn Prov Gov't, Victoria, BC V8W 9B1