Types of Project "Equity Ownership"

Yellowhead Institute

This infographic accompanies the Yellowhead Institute Special Report, *Buried Burdens: The True Costs of Liquified Natural Gas (LNG) Ownership.*

Read the full report at yellowheadinstitute.org

Globally, the Canadian oil and gas industry has led the creation and development of Indigenous equity ownership agreements. While Indigenous Peoples with varying degrees of legal rights are included as part-owners in projects, models of equity ownership and their associated risks and benefits vary.

Unlike Impact Benefit Agreements (IBAs, increasingly called "Relationship" or "Partnership" Agreements), equity returns are not fixed payments. They are based on the project profits and are more vulnerable to financial risks before and after the project becomes operational, such as increased project costs, market shocks, and delayed construction timelines. This means that Indigenous equity owners rely on project profits and stable cash flow to repay their loans. Below are the types of equity ownership and their descriptions in the context of Indigenous participation in resource development.

TYPES OF OWNERSHIP	DESCRIPTION AND POTENTIAL IMPLICATIONS
Limited Partnership	The most common form of structure used for Indigenous equity participation involves two or more people, industry partners, or Indigenous Nations (in some cases, individual band councils) coming together with a view to profit from an element of a project or business. Each partner's liabilities are limited to the amount of money (or assets) that they invest in the project. A limited partnership can involve either a minority or majority equity stake.
Minority Equity	A Nation owns less than 50% of a project. This structure accounts for approximately 52% of Canadian energy projects as of 2023. This form of ownership can result in economic returns for the Nation. Being a minority shareholder can limit how much they can meaningfully participate in decision-making about projects in their territory (Kung et al., 2022).
Majority Equity	A Nation owns over 50% of a project (e.g. Haisla and Cedar LNG). This structure accounted for approximately 28% of Canadian energy projects in 2023. With a typical 80:20 capital structure (80% debt, 20% equity), a 50% equal ownership would mean a 10% equity stake.
Partial Financing	In exchange for equity in a project, a Nation provides financing capital on a fixed schedule at specific project phases over time (as opposed to a one-off sum). The Nation is exposed to more financial risk at each stage of the construction timeline, as more capital is invested until the project reaches completion.
Economic development corporation (EDC)	A Nation can establish an EDC as a separate for-profit business entity to engage in commercial opportunities on its behalf. As a business, an EDC may enter into partnerships and joint ventures, an increasingly popular option for Nations entering the renewable energy sector. Unlike other businesses, the community's members are the only shareholders, which means the EDC reports to the community and its board of directors.
No Financial Contribution	If a Nation was promised ownership without financial contributions, it is unlikely they would face direct financial penalties if the project failed. However, they would be unable to recoup any of their expenses prior to its failure. They would also be responsible for any costs related to environmental damage on their territories.