



NEEF Management Committee Decisions for the Allocation of Uncommitted NEEF Funds – Amendment to 2012 Decisions

1.0 Background

The NEEF was established as part of the BC/Alcan 1997 Agreement between the province of BC and Rio Tinto (formerly Alcan). The NEEF is a draw-down fund that is available on a matching dollar basis. As per that agreement, the use of the NEEF is decided by the NEEF Management Committee and the decisions are legally binding on the parties. For clarity, the parties to the 1997 agreement cannot unilaterally change the decisions of the NEEF.

After a lengthy public consultation process, the NEEF Management Committee released the September 2012 report, which outlined four objectives and 10 Decisions for the use of the NEEF fund.

With respect to funds available for a water release facility at Kenney Dam, NEEF MC identified milestones for this potential project, and if these milestones were not met, NEEF MC decided that those funds would become available for establishing a 'Legacy Fund', on a matching dollar basis. The Legacy Fund option would be available for a period of five years.

Milestones related to decisions to invest NEEF on a water release facility at Kenney Dam identified in the NEEF MC 2012 report were not met. As such, as of January 1, 2014 those funds became available to establish a legacy fund. No party has come forward to establish a Legacy Fund in that five year period and the option expires on December 31, 2018.

Currently, an amount of \$42,895,944 remains unallocated.¹

¹ The remaining \$3,466,832 previously available but uncommitted under the 2012 Decisions is combined with the unallocated amount of \$39,429,112 bringing the total funding available under the 2019 Decisions to \$42,895,944.

2.0 Purpose

The purpose of this NEEF MC report is to provide the Parties of the 1997 agreement updated Decisions for allocating the remaining funds. Updates are required because timing milestones for use of funds identified in 2012 were not met.

3.0 History

As part of an Agreement between the Province of British Columbia and Alcan (BC/Alcan 1997 Agreement), Alcan agreed to establish and to contribute, on a matching dollar basis, up to \$50,000,000 to the Nechako Environmental Enhancement Fund (NEEF).

In accordance with Schedule 4 of the BC/Alcan 1997 Agreement, in 1997 the Province of British Columbia and (Rio Tinto) Alcan ("the Parties") established a Nechako Environmental Enhancement Fund Management Committee (NEEF MC) to review, assess and report on options that may be available for the downstream enhancement of the Nechako watershed area. As detailed in Schedule 4, any decisions of the NEEF MC are binding on the Parties.

For the purpose of identification and examination of options for the use of the fund, between 1999 and 2001, the NEEF MC undertook an extensive process of consultation and completed a number of technical studies. At the conclusion of their consultations and studies, the NEEF MC decided that a Cold Water Release Facility (CWRF) be constructed at Kenney Dam to enable downstream enhancement of the Nechako Watershed (Nechako Environmental Enhancement Fund Management Committee Report of June 2001).

At the request of the Parties, the NEEF MC engaged in a second consultation process in 2011 regarding the use of the fund. In total, the NEEF MC met more than twenty-four times in person and via conference calls. It convened four public meetings and eleven meetings with individual stakeholders. An additional four meetings were held with scientists and subject matter experts. In its September 2012 report, the NEEF MC made 10 decisions for use of the funds, and identified milestones related to funds for a water release facility at Kenney Dam and a Legacy Fund.

Amendment to 2012 Decisions

Since 1997, a total of \$4,849,754 of the Fund has been dispersed. At this time, the total remaining Rio Tinto obligation is \$45,065,093.²

An additional \$2,256,553 has been committed to various projects but not yet dispersed. A further \$3,466,832 currently available but not yet committed under the 2012 Decisions. Milestones related to funding availability for a spillway at Kenney Dam and establishing a Legacy Fund have not been met. As of December 31, 2018, \$39,429,112 is unallocated and new decisions for the use of these funds are required. The remaining \$3,466,832 previously available but uncommitted under the 2012 Decisions will be combined with the \$39,429,112 bringing the total funding available under the 2019 Decisions to \$42,895,944.

4.0 NEEF Objectives

In 2012 the NEEF MC decided that since the 1997 Agreement is primarily concerned with water, the intent of the NEEF should be on environmental enhancement related to water. As such, four objectives for the NEEF were identified, all of which are consistent with the considerations articulated by the original NEEF MC in 2001. The four objectives are:

1. Options that are related to changes in flow in the Cheslatta River and Nechako River. This includes changes related to Skins Lake Spillway discharges and changes in flow achieved through other enhancement initiatives;
2. Options that seek to rehabilitate fish habitat and fish populations in the Cheslatta River and Nechako River;
3. Options that promote education and stewardship of water in the Nechako and Cheslatta watersheds; and
4. Options related to improving how water flow regulation decisions are made in consideration of all environmental aspects.

5.0 Amended Decisions for Use of the Fund

The NEEF MC continues to support the four objectives identified for the fund and will assess all future project proposals against those objectives. As such, the NEEF MC believes the funds should be invested in ways that support on-going environmental enhancement, research and

² An amount of \$85,153 has been advanced to the NEEF Society account but not yet dispersed.

stewardship activities directly linked to the river environment. The NEEF MC continues to believe that a water release facility at Kenney Dam would benefit the downstream environment.

These new decisions are intended to facilitate access to funds for potential projects, including work toward a construction of a water release facility at Kenney Dam. NEEF MC will consider multi-year proposals to a maximum of four year duration. NEEF MC will consider multi-year proposals greater than 4 years in duration if both parties to the 1997 Agreement provide written support for the proposal. Given that there is a potential for a major project, such as construction of a water release facility at Kenny Dam, NEEF MC will also consider allocation of the majority of the remaining uncommitted funds to a single project, at the request of the parties.

**5.1 Decision 1 (new, not linked to 2012 report decisions)
Duration of funding availability**

NEEF MC recognizes that, in any given year, the total annual allocation in any category might not be expended. Any unspent funds can be used to extend the duration of funding availability rather than to increase the amount of funds available in a subsequent year. The annual allocations identified will be kept in place until the year 2050, or longer. This will encourage development of long-term sustainable initiatives.

**5.2 Decision 2 (expands 2012 Report Decision 4)
Cheslatta Watershed Restoration & Stewardship**

Expand the availability of funds from NEEF to \$200,000 per year until the year 2050, a total of \$7,400,000, in support of environmental restoration and stewardship of the Cheslatta Watershed.

Funds available under this decision can be applied to any physical works, studies, planning or other activities that can be shown to be directly linked to enhancing the downstream environment in the Cheslatta watershed.

**5.3 Decision 3 (expands and combines 2012 Report Decisions 5 and 6)
Nechako Watershed Restoration & Stewardship**

Expand the availability of funds from NEEF to \$850,000 per year until the year 2050, a total of \$27,000,000, in support of environmental restoration and stewardship of the Nechako Watershed.

All aspects of environmental enhancement, conservation and stewardship activities can be considered under this single funding envelope. As such, NEEF dollars will be available for sturgeon recovery, as well as other activities directed at other species or general environmental health.

5.4 Decision 4 (Expands 2012 Report Decision 7)

Post-Secondary Research

Expand the availability of funds for post-secondary research from NEEF to \$200,000 per year from 2019 to 2050, a total of \$6,400,000.

It is not possible to imagine what specific environmental issues will arise over the course of time, in particular in the context of climate change. The ability to identify, assess the impacts of and respond to changes is important for managing our future. This decision expands the scope of potential research to include any research that meets the objectives of the fund.

5.5 Decision 5 (new, not linked to 2012 report Decisions)

Administration of the NEEF

The NEEF Society was founded in 2015 to facilitate the administration of contracts with project proponents. This provides the financial and management controls required for responsible management of the fund. A total of \$1,895,944 will be allocated for the continued administration of the fund. This represents a total of 4.4% of the total remaining fund value.

6.0 Summary

The purpose of this report is to provide the Parties to the BC/Alcan 1997 Agreement with NEEF Management Committee's Decisions for allocating the remaining funds.

With the above Decisions, NEEF MC intends to provide an inclusive funding strategy, from 2019 to 2050, that builds on past successes and enables NEEF MC and the parties to the agreement to respond to Nechako water stewardship-related challenges into the future.


Amendment to 2012 Decisions

Note that funds currently allocated under Decision 2 (Cheslatta), Decision 3 (Sturgeon) and Decision 4 (UNBC), were committed prior to the writing of this document. Those commitments will be respected.

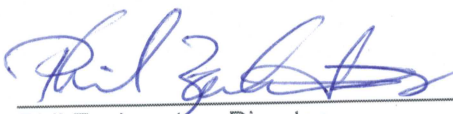
7.0 Fund Summary Table

| NEEF MC Amended Decisions | | |
|--|----------------------------------|---------------------------------|
| | Annual Funds Available 2019-2050 | Total Funds Available 2019-2050 |
| Decision 2: Cheslatta Watershed Restoration and Stewardship | \$231,250 | \$7,400,000 |
| Decision 3: Nechako Watershed Restoration and Stewardship | \$850,000 | \$27,200,000 |
| Decision 4: Post-Secondary Research | \$200,000 | \$6,400,000 |
| Decision 5: Administration of the NEEF | \$59,248 | \$1,895,944 |
| Sub Total | | \$42,895,944 |
| NEEF MC Expenses/commitments Prior 2019 | | |
| NEEF administration 2015-2018 | | \$278,000 |
| NEEF Expenditures (including NWC) prior to 2015 | | \$1,282,888 |
| Sturgeon Recovery | ‡ | \$4,010,000 |
| Cheslatta Watershed Restoration | | \$200,000 |
| Tributary Restoration | | \$333,218 |
| Integrated Watershed Research | ‡ | \$999,950 |
| Total expenditures to Date | | \$7,104,056 |
| ‡ These amounts include funds that are committed for 2019--2022 but not yet dispersed. | | |
| Total NEEF Commitment | | \$50,000,000 |

Dated as of February 1, 2020



 Shawn Rice, Chair



 Phil Zacharatos, Director



 Justus Benckhuysen, Director