

# Recommendations on the forthcoming IPP policy

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**For:** Premier P.J. Akeeagok  
Minister responsible for Qulliq Energy Corporation, Craig Simailak

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## Background

The purpose of this Briefing Note is to provide recommendations on Qulliq Energy Corporation's (QEC's) Independent Power Producer (IPP) policy that we understand will be presented at the Fall Sitting of the Legislative Assembly of Nunavut.

The Pembina Institute continues to provide robust and fair IPP policy design critique and recommendations to increase the uptake of renewable energy in Nunavut. The Pembina Institute has provided four previous submissions since 2019 to the Government of Nunavut and QEC on the Commercial and Institutional Power Producer (CIPP) and IPP policies. We have recently received notice that a draft IPP policy is available, and we will be responding to the request for public feedback on the policy by October 21, 2022.

Meeting the future energy needs of Nunavut's growing population while also tackling climate change and the decarbonization of Nunavut's energy systems will require a well-designed IPP Policy. This draft IPP policy is an opportunity to apply lessons learned from the existing CIPP policy, where poor policy design and unattractive terms and conditions have resulted in a lack of uptake of Inuit-owned renewable energy projects. The forthcoming IPP policy must match the speed and scale needed for the low-carbon energy transition and reduce the barriers to market entry for Inuit organizations while also meeting QEC's mandate "to respond to a range of energy use and conservation issues within Nunavut, including alternative energy sources."<sup>1</sup> The IPP policy should reflect a process that is fair and transparent and results in Power Purchase Agreements (PPAs) being developed mutually between Inuit and QEC. The IPP policy should also reflect the intent of the Nunavut Partnership Committee by promoting meaningful collaboration to advance shared priorities including Inuit prosperity.

Delivery of the IPP policy in Nunavut has been slow, resulting in the delay of several renewable energy projects across the territory. The situation has created uncertainty for Inuit businesses, communities and developers who are ready to advance projects. This forthcoming policy must create clarity, certainty and prioritize Inuit-led projects.

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<sup>1</sup> Qulliq Energy Corporation, "President and Chief Executive Officer." <https://www.qec.nu.ca/president-and-chief-executive-officer>

## Recommendations for a well-designed IPP policy

QEC and the Government of Nunavut should include the following recommendations in the final IPP policy in order to ensure successful outcomes for all parties involved:

1. **Prioritize Inuit ownership in renewable energy projects** – Ensure that Inuit proponents and projects with committed federal funding are prioritized in the final policy. The Government of Nunavut’s 2016 *Nunavummi Nangminiqatunik Ikajuuti* policy<sup>2</sup> requires government entities to follow regulated procurement practices that prioritize Inuit ownership and Inuit employment. This is also aligned with Article 24 of the Nunavut Agreement.
2. **Improve PPA negotiation terms and best practices** – Inuit proponents should be allowed to meaningfully participate in negotiations. Negotiation guidelines for PPA rates and other terms and conditions with project proponents should be developed to facilitate this process. In addition, there should be open dialogue and transparency from QEC when discussing optimal terms and conditions of PPA contracts. This is aligned with the spirit of the Nunavut Agreement and the right to economic self-determination.
3. **Develop a community-specific PPA price** – Proponents should be compensated at a PPA rate specific to the variable diesel and energy costs in each community. There must be transparency from QEC on how they calculate these costs.
4. **Fair terms, conditions, and rates for Inuit proponents** – To facilitate a strong business case for proponents, QEC must offer PPA rates that approach, at a minimum, the “landed cost of fuel” and ideally PPA rates should also include avoided diesel operation, maintenance (O&M), and financing costs. PPA rates in the IPP policy should reflect a minimum 50% increase from the current rate of \$0.25 per kWh announced in the CIPP policy, and more analysis should be completed on what constitutes fair rates. A fairer PPA rate would reflect actual cost savings to QEC and the GN considering O&M and diesel subsidies.
5. **Commit to utility data transparency** – Technical assessments, allowable renewable penetration rates, diesel infrastructure replacement timing, grid stability studies, financial constraints of QEC and analysis details behind PPA rate calculations should be more transparent and made accessible to proponents and the general public. There is awareness of the external study that analyzed the CIPP rate (\$0.25/kWh) offered in the policy and the results of this study should be shared publicly.

If you have any questions regarding these recommendations, we would be happy to provide the Standing Committee with more information, policy examples, research and analysis backing our recommendations to show how a well-designed policy can advance Inuit-led renewable energy projects, creating jobs and economic opportunities for Inuit.

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<sup>2</sup> *Nunavummi Nangminiqatunik Ikajuuti (NNI Policy)* (2016).

<https://nni.gov.nu.ca/sites/nni.gov.nu.ca/files/English%20Policy%20for%20April%2001%202017.pdf>