

*Rethinking Regulation to Decarbonize Canada*

# Decarbonizing Remote Indigenous Communities

Energy regulation and  
Indigenous-owned renewables  
in Nunavut



March  
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**PEMBINA**  
Institute

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| The logo for the Government of Canada, featuring the word "Canada" in a large, black, serif font. A small red Canadian flag is positioned above the letter "a".

# Contents

1. Introduction .....	1
1.1 Methodology.....	2
2. Background.....	3
2.1 Key players .....	3
3. Legislation, regulations and mandates .....	6
3.1 Relevant legislation and regulations.....	6
3.2 Mandates.....	7
4. Current conditions .....	9
5. Recommendations .....	14
5.1 Government actions.....	14
5.2 Regulator actions.....	17

## List of acronyms

Acronym	
BESS	Battery energy system storage
CCS	Climate Change Secretariat
CIPP	Commercial Institutional Power Production
EPA	Energy Purchase Agreement
GN	Government of Nunavut
IPP	Independent Power Producer
NLCA	Nunavut Land Claims Agreement
NNC	Nunavut Nukiksautiit Corporation
NTI	Nunavut Tunngavik Incorporated
PV	Photovoltaic
QEC	Qulliq Energy Corporation
URRC	Utility Rates Review Council

# 1. Introduction

This report focuses on Nunavut and is one of four detailed reports that provide a jurisdiction-based, comprehensive analysis of the current state of electricity legislation and regulation and explore potential pathways to enable Indigenous-owned renewable energy projects in remote communities. The other three reports cover British Columbia, the Northwest Territories and the Yukon, respectively.

A summary report, *Decarbonizing Remote Indigenous Communities: Regulatory reform in B.C. and the territories*, provides an overview of the analyses and recommendations contained in the detailed reports.

The summary and detailed reports can be found at <https://www.pembina.org/pub/decarbonizing-remote-indigenous-communities>.

Decarbonizing the energy systems of remote communities is a complex challenge, with intersecting regulatory, legislative and economic barriers. Analyzed in this report are the legislative and regulatory frameworks for implementing clean energy projects in Nunavut's remote and diesel-reliant communities. As part of this analysis, we provide an overview of key actors; examine the legislation, regulations and policy that govern energy development in remote communities; and highlight the current conditions in the territory that promote or impede clean energy projects. We then set out tailored recommendations for the territorial government and regulator to accelerate clean energy development in remote communities; advance inclusive decision-making; and foster Indigenous leadership and partnership in the clean energy transition.

## 1.1 Methodology

A thorough literature review was done of various sources, including legislation and regulations, research papers, policy papers, reports, and governmental documents. Additionally, a diverse range of people were interviewed, among them clean energy professionals and advocates, public servants, and representatives from energy regulators.

## 2. Background

Nunavut's electricity system consists of isolated diesel generators with no interconnections to neighbouring communities, provinces or territories. The territorially owned electric utility, Qulliq Energy Corporation (QEC), is responsible for providing energy to 15,000 electrical customers using 25 diesel power plants.<sup>1</sup> While there exist a handful of small renewable energy projects in the territory, these have had limited impact on reducing diesel use, and the territory remains over 99% reliant on diesel fuel for electricity.<sup>2</sup>

### 2.1 Key players

The following entities all play an important role in creating pathways to diesel reduction in remote communities through policy, legislation and regulations, mandates, and advocacy.

#### Government of Nunavut (GN)

The **minister responsible for the QEC**, the **minister of Environment**, and the **minister of Energy** are the government parties primarily responsible for administering energy policy in the territory. Ministers are given mandate letters that direct their priorities, as discussed in the next subsection.

The minister responsible for the QEC oversees the corporation's board of directors rather than a department in the GN. This is the main mechanism by which the government interacts with and directs the QEC.

The minister of Environment is responsible for overseeing the full range of activities by the **Department of Environment**. There is no department focused solely on energy policy and planning. The minister of Environment is currently also the minister of Energy, and therefore some of the minister's responsibilities are energy-related, including overseeing the QEC Board of Directors.

The Department of Environment is responsible for both climate change adaptation and mitigation.<sup>3</sup> The department's energy-related responsibilities are addressed through its Climate

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<sup>1</sup> Qulliq Energy Corporation, "Power in Nunavut." <https://www.qec.nu.ca/power-nunavut>

<sup>2</sup> Pembina Institute, *Diesel Reduction Progress in Remote Communities: Research summary* (2020), 6. <https://www.pembina.org/reports/diesel-reduction-progress-research-summary-pdf.pdf>

<sup>3</sup> P. J. Akeagok, Nunavut premier, mandate letter to Minister Daniel Qavvik, September 25, 2023. [https://www.premier.gov.nu.ca/sites/default/files/2023-10/Enviornment\\_English.pdf](https://www.premier.gov.nu.ca/sites/default/files/2023-10/Enviornment_English.pdf)



Change Secretariat, which develops policy, advises on regulatory changes, facilitates government engagement with other entities, and coordinates energy action across the territory.

## Inuit organizations

In 1993, the Nunavut Land Claims Agreement (NLCA) was signed by representatives of the governments of Canada and the Northwest Territories and by the Tunngavik Federation of Nunavut, now known as Nunavut Tunngavik Incorporated (NTI). The agreement ensured a comprehensive set of rights and benefits to the Inuit of Nunavut in exchange for relinquishing their Indigenous title to customary lands within the Nunavut Settlement Area. The NTI now represents the Inuit in Nunavut and plays a crucial role in overseeing the implementation of the commitments in the NLCA.<sup>4</sup> In other words, the NTI serves as a watchdog to ensure that both the federal and territorial governments are meeting their obligations. Regarding energy issues, the NTI coordinates Inuit responsibilities under the NLCA and influences energy-related decisions and policies in Nunavut.

Nunavut's three regions — Qikiqtaaluk, Kivalliq and Kitikmeot — each have Inuit-owned regional development corporations.<sup>5</sup> Subsidiaries of these corporations, including the Nunasi Corporation, Nunavut Nukiksautiit Corporation, Hiqiniq Energy Corporation, Qikiqtaaluk Business Development Corporation, and Nukik Corporation, are leading efforts to develop clean energy by advancing sustainable energy projects in their respective regions. Among these projects is one to develop a wind and battery system in Sanikiluaq<sup>6</sup> and another to do a study for a small grid with renewable generation in Iqaluit.<sup>7</sup>

## Regulator

The Utility Rates Review Council (URRC) is an arms-length regulatory council of the Nunavut government. The URRC does not operate like a traditional quasi-judicial decision-making energy regulator; it has no decision-making powers. The URRC's role is to provide advice to ministers regarding QEC activities, including rates and tariffs to be charged, as well as any other

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<sup>4</sup> Nunavut Tunngavik Incorporated, "About NTI." <https://www.tunngavik.com/about/>.

<sup>5</sup> Inuit Tapiriit Kanatami, "About Canadian Inuit." <https://www.itk.ca/about-canadian-inuit/>

<sup>6</sup> Government of Canada, "Sanikiluaq High Displacement Renewable Energy," September 28, 2023. <https://natural-resources.canada.ca/science-and-data/funding-partnerships/opportunities/current-investments/sanikiluaq-high-displacement-renewable-energy/23459>

<sup>7</sup> Government of Canada, "Iqaluit Inuit Owned Land Smart Micro Grid FEED Study," August 26, 2019. <https://natural-resources.canada.ca/science-and-data/funding-partnerships/opportunities/current-investments/iqaluit-inuit-owned-land-smart-micro-grid-feed-study/22341>



matters requested by the minister responsible for the URRC.<sup>8</sup> The QEC is not required to follow the URRC's advice.

## Utility

The Qulliq Energy Corporation (QEC), introduced above, is the publicly owned utility that is responsible for the generation and distribution of electricity across the territory.<sup>9</sup>

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<sup>8</sup> Utility Rates Review Council of Nunavut. *Annual Report: Utility Rates Review Council of Nunavut* (2023), 5. <https://assembly.nu.ca/sites/default/files/2024-03/2023%20URRC%20Annual%20Report%20December%207%202023%20ENG%20.pdf>

<sup>9</sup> Qulliq Energy Corporation, *Corporate plan 2022-2026* (2022). [https://www.qec.nu.ca/sites/default/files/qec\\_corporate\\_plan\\_2022-2026\\_eng.pdf](https://www.qec.nu.ca/sites/default/files/qec_corporate_plan_2022-2026_eng.pdf)

## 3. Legislation, regulations and mandates

### 3.1 Relevant legislation and regulations

The *Qulliq Energy Corporation Act* (QEC Act) establishes the QEC, to be guided by the minister responsible for the QEC, and sets out its mandate, discussed below.<sup>10</sup> The act also makes the QEC the exclusive supplier of retail power, under section 5.1.

The QEC Act was amended in 2018 to allow the corporation to address a broader spectrum of energy use and conservation concerns in Nunavut.<sup>11</sup> The amendment permits the QEC to plan and provide for Nunavut's long-term needs for affordable energy, taking into account Nunavut's desire to enhance energy self-reliance and to conserve energy and energy resources.<sup>12</sup> The amended act also enables the corporation to go beyond generation and transmission to purchasing power in anticipation of launching customer-focused renewable energy generation programs.<sup>13</sup>

In 2001, the *Utility Rates Review Council Act* (URRC Act) replaced the Public Utilities Act, which Nunavut inherited from the Northwest Territories when the territory was created in 1999. The URRC Act is a made-in-Nunavut solution for regulating utilities and sets out the functions of the URRC. Under the URRC Act, the council is an advisory body to the minister responsible for the QEC (and not a decision-making body).<sup>14</sup> The minister responsible for the QEC, along with the executive council, makes the final decisions on power rates and undertakes any other activities directed or authorized by order of the commissioner.<sup>15</sup>

The *Rules of Procedure and Practice and Rate Setting Guide* sets the URRC's mandate and requires the URRC to address any questions referred to it by the responsible minister about rates, tariffs and rate structures, thereby playing a crucial role in shaping the regulatory framework for energy pricing and policies in Nunavut.

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<sup>10</sup> Qulliq Energy Corporation, *Consolidation of Qulliq Energy Corporation Act*, 1988, c. N-2. [https://www.qec.nu.ca/sites/default/files/qulliq\\_energy\\_corporation\\_act\\_october\\_2010\\_eng.pdf](https://www.qec.nu.ca/sites/default/files/qulliq_energy_corporation_act_october_2010_eng.pdf)

<sup>11</sup> Government of Nunavut, *An Act to Amend the Qulliq Energy Corporation Act*, SNu 2018, c. 14. <https://www.canlii.org/en/nu/laws/astat/snu-2018-c-14/latest/snu-2018-c-14.html>

<sup>12</sup> Qulliq Energy Corporation, *2018-2019 Annual Report* (2019), 7. [https://www.qec.nu.ca/sites/default/files/qec\\_annual\\_report\\_2018-2019\\_eng.pdf](https://www.qec.nu.ca/sites/default/files/qec_annual_report_2018-2019_eng.pdf)

<sup>13</sup> *Corporate plan 2022-2026*.

<sup>14</sup> Utility Rates Review Council of Nunavut, "About the Council." <https://urrc.gov.nu.ca/en/index.aspx>

<sup>15</sup> "About the Council."

*Consolidation of Qulliq Energy Corporation Act*.

## 3.2 Mandates

The following mandates are grouped as either ministerial mandate letters or organizational mandates. Organizational mandates are set out in legislation and are therefore relatively inflexible; they only change via complex and public processes. Mandate letters are more temporary in nature, they are directed by a Ministry at the beginning of a new political mandate.

### Organizational mandates

The mandates of the utility and regulator are set out in legislation. Mandate letters are sent by the premier to the ministers establishing their responsibilities and priorities for action.

The QEC Act stipulates that the mandate of the QEC is “to generate, transform, transmit, distribute, deliver, sell and supply energy on a safe, economic, efficient and reliable basis.”<sup>16</sup> This is reaffirmed in the QEC’s corporate policy, which states that the QEC’s vision is to provide the communities of Nunavut with “safe, reliable, sustainable, and economical energy supply and service.”<sup>17</sup>

The URRC’s mandate is to advise the minister responsible for the QEC on rates and tariffs.<sup>18</sup> And the Rules of Procedure and Practice and Rate Setting Guide, pages 15 and 16, lists the URRC’s guiding principles:

- Total cost recovery: Rates and revenues should cover the total cost of providing utility services.
- Traditional regulatory approach: Utility financials should be evaluated using principles commonly applied in Canada to regulated utilities.
- Non-discrimination and conservation: Rates should be fair and just. They should also encourage responsible energy use.

### Ministerial mandate letters

Energy-related priorities for action in the most recent mandate letters, dated September 2023, include the following:

- For the minister of Environment: “Support community-based alternative energy projects; and support communities to identify risks and implement infrastructure resiliency.”<sup>19</sup>

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<sup>16</sup> *Consolidation of Qulliq Energy Corporation Act*, s. 5(1).

<sup>17</sup> *Corporate plan 2022-2026*, 3.

<sup>18</sup> *URRC Act*, s. 7.

<sup>19</sup> Mandate letter to Minister Daniel Qavvik, September 25, 2023.

- For the minister responsible for the QEC: “Build new power plants with sustainable infrastructure to address the changing Arctic climate in Kugluktuk, Cambridge Bay, Igloolik, and Gjoa Haven” and “research and implement PV [photovoltaic] and BESS [battery energy system storage] technology to incorporate intermittent renewable energy generation and energy storage system in conventional thermal generation.”<sup>20</sup>

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<sup>20</sup> P. J. Akeeagok, Nunavut premier, mandate letter to Minister Joelle Kaerner, September 25, 2023.  
[https://www.premier.gov.nu.ca/sites/default/files/2023-10/QEC\\_English.pdf](https://www.premier.gov.nu.ca/sites/default/files/2023-10/QEC_English.pdf)

## 4. Current conditions

The Government of Nunavut has not updated its energy strategy since 2007. The territory's energy policy landscape is significantly outdated, especially when compared to the evolving energy plans and strategies in the other territories and needs major revisions to effectively meet the interests and challenges of remote communities.

The lack of a dedicated department of energy (relying instead on the Department of Environment) highlights this need for new policy and direction.<sup>21</sup> And while the Climate Change Secretariat has some energy responsibilities, it does not have the authority to direct the QEC's actions; it can only advise. Also, energy is not the primary responsibility of this small secretariat of fewer than 10 people, which covers all aspects of climate change in the territory.

An out-of-date energy strategy and capacity constraints is limiting progress on diesel reduction in Nunavut, emphasizing the need for a more focused and well-resourced approach to managing Nunavut's energy challenges.

### Policy and decision-making

Nunavut's decision-making processes on utility actions and energy policy — along with the roles of the utility and regulator in those processes — differ significantly from other jurisdictions.

### Role of the utility

The Nunavut government has the power to develop and implement energy policy in the territory. However, in practice, the responsibility of energy policy development and planning has largely fallen to the utility. A case in point is the creation of the territory's Independent Power Producer Policy by the QEC.<sup>22</sup>

This additional responsibility for policy has led to conflicting priorities for the QEC between advancing clean energy policies and fulfilling its mandate. As acknowledged by the QEC, “the achievement of [renewable energy targets] will need to be reconciled with the Corporation's primary objective of delivering reliable and affordable energy in an Arctic setting.”<sup>23</sup> This struggle to align ambitious clean energy plans with the utility's mandate hampers progress.

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<sup>21</sup> Government of Nunavut, *Ikummatiit: The Government of Nunavut Energy Strategy* (2007). [http://www.energy.gov.nu.ca/pdf/Ikummatiit%20Energy%20strategy\\_sept%202007\\_eng.pdf](http://www.energy.gov.nu.ca/pdf/Ikummatiit%20Energy%20strategy_sept%202007_eng.pdf)

<sup>22</sup> Qulliq Energy Corporation, *Independent Power Producer Policy* (2023). [ipp\\_policy\\_final\\_19dec2023\\_eng.pdf](http://www.qec.ca/ipp_policy_final_19dec2023_eng.pdf)

<sup>23</sup> Standing Committee on Oversight of Government Operations and Public Accounts, *Report on the Review of the 2016-2017 Annual Report and 2017-2021 Corporate Plan of the Qulliq Energy Corporation* (2019), 7. <https://assembly.nu.ca/sites/default/files/OGOPA-Report-on-Review-of-2016-17-Annual-Report-of-QEC-June-2019-EN.pdf>

Moreover, having the QEC both set policy and sell electricity presents numerous challenges in terms of accountability and oversight.

These challenges are further complicated by existing legislation. One interviewee, for example, stated that the current QEC Act consolidates too much control over the energy landscape, hindering diversity and potentially impacting service quality and affordability.

Altogether, these challenges indicate a need to review the QEC Act and introduce a regulatory framework that promotes competition and energy diversity, and to examine the broad role of the utility in energy policy and planning.

### **Role of the regulator**

Regulators usually have decision-making powers over utilities. The URRRC, however, does not. It can only provide advice on rate setting and tariffs, which the QEC or government may accept or reject. For instance, in 2018 the QEC proposed a 7.6% rate increase phased-in over two years and harmonizing electricity rates across the territory in six years; the URRRC agreed with this proposal.<sup>24</sup> However, the cabinet ultimately decided not to implement the recommendation, opting instead to grant the QEC a 6.6% rate increase over a two-year period.<sup>25</sup>

The URRRC's lack of authority to make decisions undermines one of the primary principles of utility regulation — regulatory autonomy and independence, which limit political influence and ensure that the regulator's mandate is paramount in decision-making.<sup>26</sup> One interviewee noted that “it really depends on who the minister is [that determines] their attitude for accepting URRRC recommendations and cabinet also weighs in — the minister is not making decisions on their own.”

The limited avenues for Inuit organizations to participate in energy planning exacerbate the problem. As one interviewee noted, “when projects go to URRRC, they open for public comments — unless QEC takes a proactive approach, this is the only time when NTI has room for comment. [This is the] only time when Inuit organizations get involved.” This reactive approach,

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<sup>24</sup> Utility Rates Review Council of Nunavut, *Report to the Responsible Minister for the Qulliq Energy Corporation On: Qulliq Energy Corporation's 2018/19 General Rate Application* (2018).

<https://urrc.gov.nu.ca/pdf/letter%20and%20Report%20URRC%20GRA%20Report%202018-01%20March%2026%202018%20-%20ENGL.pdf>

<sup>25</sup> Nunatsiaq News, “Nunavut cabinet rejects uniform power rates, grants QEC 6.6% hike over two years,” June 2, 2018. [https://nunatsiaq.com/stories/article/65674nunavut\\_cabinet\\_rejects\\_uniform\\_power\\_rates\\_grants\\_qec\\_6-6\\_hike\\_over\\_t/](https://nunatsiaq.com/stories/article/65674nunavut_cabinet_rejects_uniform_power_rates_grants_qec_6-6_hike_over_t/)

<sup>26</sup> United Nations Industrial Development Organization, “Module 5: Structure, composition and role of an energy regulator,” in *Sustainable Energy Regulation and Policymaking Training Manual*. [https://www.unido.org/sites/default/files/2009-02/Module5\\_o.pdf](https://www.unido.org/sites/default/files/2009-02/Module5_o.pdf)

and the need for QEC to intervene, means that Indigenous voices are rarely heard at the right time which is early in the planning process.

In summary, Nunavut has an atypical division of roles and responsibilities on energy policy and decision-making compared with other jurisdictions. The lack of a cohesive energy policy framework and clearly defined roles between the GN, the URRRC, and the QEC contributes to an energy system with insufficient oversight and planning capacity that has resulted in slow progress on clean energy policies and plans. The fact that energy policy and planning responsibility is with the utility, in combination with the limited authority of the regulator (the UCCR) has resulted in an energy system without government-led policy and planning support, which lacks regulatory oversight, and places disproportionate power with the utility. Addressing this imbalance requires legislative changes to expand the URRRC's authority, ensuring regulatory independence, and mandating early, proactive engagement with NTI and Inuit organizations during project development to create a more inclusive and balanced decision-making process.

### Utility-defined pathways for diesel reduction

The QEC operates three programs to enable residents and entities outside of the QEC to implement renewable energy projects: the Net Metering Program, the Commercial Institutional Power Production (CIPP) Program, and the Independent Power Producer (IPP) Program.

The Net Metering Program allows residential customers and one municipal account per community to generate their own electricity from renewable energy systems smaller than 15 kW and integrate it into the corporation's grids.<sup>27</sup>

As a next step in the strategy to increase renewable energy generation in Nunavut, the QEC launched the CIPP Program in March 2021.<sup>28</sup> The CIPP Program enables existing commercial and institutional customers, such as government departments, hamlets and businesses, to generate electricity from renewable energy systems on their site and sell the energy to the QEC.<sup>29</sup>

The uptake for the CIPP Program has been slow and minimal, largely due to unfavorable policy terms. The policy does not currently include provisions to support Inuit-led projects or prioritize local job creation and employment opportunities. Additionally, a significant barrier is the

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<sup>27</sup> Qulliq Energy Corporation, *Frequently Asked Questions: Net Metering Program*.

[https://www.qec.nu.ca/sites/default/files/2024-02-23\\_qec\\_net\\_metering\\_frequently\\_asked\\_questions\\_en.pdf](https://www.qec.nu.ca/sites/default/files/2024-02-23_qec_net_metering_frequently_asked_questions_en.pdf)

<sup>28</sup> InterGroup Consultants. *Specialized Pricing Strategy for Renewable Energy Suppliers to QEC: Final Report* (2021).

<https://www.assembly.nu.ca/sites/default/files/2023-05/QEC%20Pricing%20Strategy%20Renewable%20Energy%20-%20Final%20Report2305843009215668480.pdf>

<sup>29</sup> Qulliq Energy Corporation,

[https://www.qec.nu.ca/sites/default/files/cipp\\_pricing\\_structure\\_application\\_050620\\_final\\_eng.pdf](https://www.qec.nu.ca/sites/default/files/cipp_pricing_structure_application_050620_final_eng.pdf)



financial disparity between what renewable energy generators receive versus what QEC charges for electricity.

Under the program, the QEC will buy renewable electricity for 25.22 cents per kilowatt-hour (the avoided cost of diesel)<sup>30</sup>; however, the QEC charges communities more than double that rate for the diesel electricity it generates.<sup>31</sup> For the QEC to purchase electricity at a discounted rate while selling electricity at a higher cost reduces the potential economic benefits to the communities, making it more difficult for communities to justify clean energy development and ownership. Furthermore, if the cost of diesel increases, the power purchase price will only be escalated for the current year at 50% of the total increase in the cost of diesel.<sup>32</sup>

The QEC's IPP Program is the sole avenue for renewable energy proponents to implement utility-scale projects that are not tied to an existing building (net metering) or business program (CIPP).

The IPP Program enables municipalities, Inuit organizations and Inuit-owned companies to develop local, renewable energy that best serves their long-term economic interests and improves the energy self-reliance of Nunavummiut. These entities must have and maintain a controlling interest (51% or greater) in IPP projects.<sup>33</sup> This is an important element of the IPP program, designed to support Indigenous-owned and local development. One interviewee commented that the IPP Program “opens a door” for private and independent investors, which is beneficial since the QEC lacks the capital to build and operate projects independently.

## Energy purchase agreements

Under the IPP Program, the QEC will purchase energy from IPPs under an energy purchase agreement (EPA)<sup>34</sup> at a guaranteed minimum price — which is equal to the avoided cost of diesel plus estimated variable cost savings from reduced operating costs of existing diesel infrastructure.<sup>35</sup> The cost of diesel is based on the price the QEC pays to the Petroleum Products

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<sup>30</sup> Qulliq Energy Corporation, *Application for Commercial and Institutional Power Producers Pricing Structure* (2020). [https://www.qec.nu.ca/sites/default/files/cipp\\_pricing\\_structure\\_application\\_050620\\_final\\_eng.pdf](https://www.qec.nu.ca/sites/default/files/cipp_pricing_structure_application_050620_final_eng.pdf)

<sup>31</sup> Pembina Institute, *Recommendations on Qulliq Energy Corporation's CIPP policy application: Pembina Institute submission* (2020). <https://www.pembina.org/reports/submission-qulliq-energy-corporation-cipp.pdf>

<sup>32</sup> *Application for Commercial and Institutional Power Producers Pricing Structure*.

<sup>33</sup> *Independent Power Producer Policy*, 1, 2.

<sup>34</sup> An EPA may be referred to as a power purchase agreement in other jurisdictions.

<sup>35</sup> For more information on IPP policy, see Emily He, *Power Purchase Agreements – Part I: An introductory guide for Indigenous clean energy project proponents in remote communities* (Pembina Institute, 2024). <https://www.pembina.org/pub/power-purchase-agreements>

Division of the GN.<sup>36</sup> The QEC's rate setting is meant to ensure that the cost of electricity for QEC customers does not increase because of the IPP Program.<sup>37</sup>

The rates offered under the CIPP and IPP Programs currently limit the potential revenue available for renewable energy generators. The QEC commissioned a study in 2021 that provided a compelling set of alternatives to boost these rates.<sup>38</sup> These alternatives included factoring in the avoided government subsidies for diesel, increasing EPA rates for Inuit-owned projects, and considering social and external benefits in addition to economic ones.<sup>39</sup> One key aspect the IPP policy overlooks is battery ownership, which contributes to prolonged negotiation timelines.

In 2023, the territory's first-ever EPA (under the IPP policy) was signed between the QEC and the Nunavut Nukkiqsautiit Corporation (NNC). The agreement – which took over six years of lobbying on the part of the NNC – represents an important milestone, demonstrating community leadership and a commitment to diesel reduction in Nunavut.

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<sup>36</sup> *Independent Power Producer Policy*, 6.

<sup>37</sup> *Corporate plan 2022-2026*.

<sup>38</sup> *Specialized Pricing Strategy for Renewable Energy Suppliers to QEC: Final Report*.

<sup>39</sup> Emily He, *Rethinking energy purchase agreement rates in Nunavut* (Pembina Institute, 2024).  
<https://www.pembina.org/reports/pembina-background-intergroup-epa-study.pdf>

## 5. Recommendations

All the following recommendations, targeted at the GN and URRRC, require collaborating with regional development corporations, Inuit associations and the NTI to ensure that Inuit interests are represented and protected.

### 5.1 Government actions

Although Nunavut has seen progress in recent years on the energy transition, such as with the release of the IPP policy, government structures to drive that transition are needed, which the recommendations below address.

#### Assume responsibility for developing energy policy at the government level

The Nunavut government should assume full responsibility for developing energy policy rather than relying on the QEC. While the utility has the energy expertise, policy development needs to happen at the government level to ensure that the policy aligns with government objectives around, for example, climate and reconciliation. This approach would also prevent potential conflicts with the QEC's mandate and clearly separate the responsibilities for developing policy and supplying energy.

#### Improve institutional memory

In 2016, Nunavut's Energy Secretariat was absorbed by the newly created Climate Change Secretariat (CCS)<sup>40</sup> which is responsible for implementing the territory's energy strategy, *Ikummatiit*, and coordinating climate change mitigation policies in the territory.<sup>41,42</sup> Although the aim was to merge mitigation and adaptation efforts, the CCS, chronically understaffed, is stretched thin between the two topic areas while also coordinating and developing Nunavut's energy strategy to reduce its dependence on imported fuels.<sup>43</sup> This situation has slowed progress on energy development in the territory.

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<sup>40</sup> Nunatsiaq News, "Nunavut dedicates new government office to climate change fight," November 8, 2016. [https://nunatsiaq.com/stories/article/65674nunavut\\_dedicates\\_new\\_government\\_office\\_to\\_climate\\_change\\_fight](https://nunatsiaq.com/stories/article/65674nunavut_dedicates_new_government_office_to_climate_change_fight)

<sup>41</sup> Government of Nunavut, *Comprehensive Report on the Activities and Expenditures of the Energy Secretariat 2015-2016* (2016), 1. <https://assembly.nu.ca/sites/default/files/TD%20171-4%283%29%20EN%20Comprehensive%20Report%20on%20the%20Activities%20and%20Expenditures%20of%20the%20Energy%20Secretariat%2C%202015-2016.pdf>

<sup>42</sup> Government of Nunavut, "Strategy." <http://www.energy.gov.nu.ca/en/ikummatiit.aspx>

<sup>43</sup> Nunavut Climate Change Secretariat, "Climate Change Secretariat." <https://climatechangenunavut.ca/en/content/climate-change-secretariat>

The Energy Secretariat was dissolved because it wasn't meeting its objectives, yet the creation of the Climate Change Secretariat (CCS) did not clearly address the shortcomings of the previous model. This gap in documentation limits transparency and accountability, hindering future governments from learning from past mistakes. An honest assessment of earlier initiatives—detailing why previous energy governance structures failed to achieve their intended outcomes—is essential for identifying and implementing best practices.

The GN should document and publicize the history of energy governance in Nunavut. Both successes and failures should be assessed to guide future policy decisions. Where internal confidentiality limits full disclosure, annual reports and public notices can serve as accessible channels for sharing key lessons learned.

### Update Nunavut's long-term energy plan

The government should develop a comprehensive, long-term energy plan to advance the energy transition. Currently, energy policy tends to be reactionary- addressing immediate challenges such as weakening infrastructure-which undermines the development of robust, resilient, and future-oriented systems. Adopting a more transparent approach, including the use of plain language to clearly explain the barriers to progress, would foster greater public understanding and engagement. By integrating lessons from past experiences into public records and reports, the GN can build a more informed and proactive energy strategy. This shift toward open and constructive communication will build trust and ensure that energy policy in Nunavut is forward-thinking rather than merely reactive.

### Create reduction targets for greenhouse gas emissions

The government should set out carbon emissions targets in legislation and develop a strong energy plan with a path to achieve those targets and interim reporting mechanisms. These targets are needed to drive meaningful progress towards sustainability in Nunavut's energy sector.

### Improve the IPP and CIPP programs by collaborating with and providing more clarity to energy actors

While the QEC is responsible for implementing the IPP and CIPP programs, the government can compel improvements through the minister responsible for the QEC and cabinet.

The government should direct the QEC to improve the IPP and CIPP programs. The following are a few potential areas for improvement:

1. **Develop fair EPA prices:** Consider savings from diesel subsidies avoided, energy storage, grid reliability, and other social and environmental benefits of renewable energy

when determining EPA rates.<sup>44</sup> CIPP prices in particular should reflect the full avoided cost of diesel, factoring in the full fluctuations of diesel costs. This adjustment would align economic incentives more closely with actual costs.

2. **Simplify the EPA process:** Identify methods to reduce timelines and make the EPA process more accessible to encourage participation.
3. **Resolve ownership and operation uncertainties:** Collaborate with the QEC to clarify the ownership and operational implications of interconnection and battery integration.<sup>45</sup>

## Empower the URRC to act as a decision-maker

The government should amend the URRC Act to give the regulator the power to make decisions about the utility. The URRC should continue to receive direction from the minister responsible for the URRC. The amended legislation should focus on enhancing transparency, fairness and sustainability in rate setting by providing regulatory autonomy and independence to the URRC.

## Collaborate government-to-government on energy issues

The government should involve key rightsholders such as the NTI and Inuit organizations more comprehensively in the decision-making process on energy development. This would also help foster stronger government-to-government collaboration – between territorial governments and federal-territorial governments – which can enhance the flow of knowledge and increase Nunavut’s participation in shaping energy policies and initiatives. Mandating the inclusion of communities in these processes would be a crucial step forward.

Currently, the NTI’s only opportunity for input comes when projects are submitted to the URRC for public comments, highlighting a significant gap in meaningful engagement. To address this, we recommend revising legislation or the URRC’s regulatory processes to require the utility to engage with NTI and Inuit organizations during the project development phase, prior to submission for approval. This proactive measure would ensure their perspectives are integrated early in the decision-making process.

<sup>44</sup> Recommendation from *Rethinking energy purchase agreement rates in Nunavut*.

<sup>45</sup> For a discussion on battery ownership, see Emily He, *PPAs — Part II: An overview of contract terms and conditions* (Pembina Institute, 2024), 14. <https://www.pembina.org/pub/power-purchase-agreements>

## 5.2 Regulator actions

### Require long-term resource planning

The URRC should collaborate with the GN to initiate long-term resource planning in the territory. Through this process, the GN could mandate the URRC lead the long-term planning, and it could provide the resources necessary to undertake the work.

A long-term resource plan sets out a utility's plans over a 10- to 20-year period to deliver electricity to its customers. An essential tool in the clean energy transition, it prompts utilities to map out how much energy will be needed due to changes in projected demand and how to meet this demand, including what technologies to use for electricity generation. Long-term resource planning is also a key opportunity to collaborate with communities and can be the starting point for new IPP projects and other grid modernization projects.

### Increase URRC capacity by expanding resources and expertise

The URRC is currently structured as an advisory body rather than a decision-making one. As such, if increased responsibilities are given, the URRC should ensure that it has the necessary resources and expertise. This would require engaging with the GN to ensure that the government understands the capacity needs of the URRC to effectively manage and oversee rate setting, long-term planning and other utility actions.

### Increase Indigenous engagement in regulatory proceedings

Equitable access to the regulatory process increases the legitimacy of decisions. However, Indigenous communities need to be adequately resourced and provided sufficient time to actively engage in regulatory proceedings. Capacity constraints and unrealistic timeframes for input uniquely impact Indigenous organizations.

The URRC should explore methods for improving Indigenous participation in regulatory proceedings. Mechanisms for increasing access could include intervenor training for Indigenous peoples and organizations, and dedicated funding to support engagement. An example of the latter is the British Columbia Utilities Commission's Indigenous Intervener Capacity Fund, which provides Indigenous governments and organizations up to \$5,000 to support their engagement in the regulatory process.<sup>46</sup>

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<sup>46</sup> British Columbia Utilities Commission, *Indigenous Intervener Capacity Funding* (2024).  
<https://docs.bcuc.com/documents/FactSheets/IICF-Fact-Sheet.pdf>





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