Independent Power Production

Policy guide for Indigenous-led IPP projects in the Yukon, NWT and Nunavut

April 2026

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The Pembina Institute recognizes that the work we steward and those we serve span the lands of many Indigenous Peoples. We respectfully acknowledge that our organization is headquartered in the traditional territories of Treaty 7, comprising the Blackfoot Confederacy (Siksika, Piikani and Kainai Nations); the Stoney Nakoda Nations (Goodstoney, Chiniki and Bearspaw First Nations); and the Tsuut'ina Nation. These lands are also home to the Otipemisiwak Métis Government (Districts 5 and 6).

These acknowledgements are part of the start of a journey of several generations. We share them in the spirit of truth, justice and reconciliation, and to contribute to a more equitable and inclusive future for all.

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Executive summary

Today's energy landscape calls for a holistic set of policy tools to ensure that the North is not left behind as the rest of Canada moves toward more diverse, modern, and efficient energy systems. One of these tools is independent power producer (IPP) policies, a key mechanism for developing utility-scale renewable energy projects. IPP policies aim to reduce the amount of diesel used to generate electricity and support the participation of Indigenous communities and private developers in the energy sector. This publication is designed to empower policy-makers, utilities, and Indigenous governments by providing guidance on how to implement or improve IPP policy in the Yukon, Northwest Territories, and Nunavut.

IPP policies can improve the viability of community-led renewable energy projects by:

- developing local capacity to develop, operate, and own these projects
- increasing the price paid for electricity generated
- providing additional incentives for winter and firm energy generation
- sharing the cost of grid modernization between IPPs and utilities

The Yukon is currently reviewing its IPP policy, the NWT is developing its first such policy, and Nunavut's policy is set to expire in 2026. Policy-makers, utilities, and other decision-makers can learn from each territory's experiences with independent power production over the past decade. Below, we present recommended actions that policy-makers, utilities, and other decision-makers can take to improve and advance strong IPP policies under two broad categories.

Embedding Indigenous rights in IPP policies

- Enable co-governance by engaging Indigenous governments in the early stages of policy design and establishing joint program delivery and governance bodies.
- Integrate self-determination and self-governance by:
    - Prioritizing, providing funding support, and training for Indigenous-owned IPP projects
    - Embedding the principles of free, prior and informed consent in IPP decision-making
    - Building in accountability mechanisms into policy implementation, monitoring and evaluation to ensure Indigenous empowerment and benefit

Improving the business case for community-led renewable energy

- Develop local capacity in key areas such as energy planning, operations and maintenance, and project management
- Increase IPP revenues while distributing costs between the utility, territorial government, and the federal government to avoid electricity rate impacts.
- Offer higher PPA rates for projects that provide firm and winter generation to encourage technologies such as hydro and wind that preform well during winter months when the load is the highest.
- Clearly specify how the financial and technical responsibilities for grid upgrades will be allocated.

1. Introduction

Independent power producer (IPP) policies are a key tool for developing utility-scale renewable energy projects in the North. IPP policies aim to reduce the amount of diesel used to generate electricity and support the participation of Indigenous communities and private developers in the energy sector. They outline how utilities and communities can collaborate to modernize the energy systems in remote communities, balancing the utilities' responsibility to provide safe, reliable, and affordable power with the needs of IPPs to have grid access and fair compensation for the electricity they generate.

The Yukon led the way in 2019, becoming the first territory to implement an IPP policy. Since then, renewable energy technologies have proven effective in the Canadian Arctic, new policy approaches have been tested, and energy security has emerged as a key priority. In the years leading up to 2026, these experiences reinforced the need for approaches that promote Indigenous participation, reduce diesel dependence, enable high penetration of renewables on isolated diesel grids, and provide fair compensation to IPPs. Today's energy landscape calls for a more holistic set of policy interventions to ensure that the North is not left behind as the rest of Canada moves toward more diverse, modern, and efficient energy systems.

This publication is designed to empower policy-makers, utilities, and Indigenous governments by providing guidance on how to implement or improve IPP policy in the Yukon, Northwest Territories, and Nunavut. It examines each territory's policy approach, summarizes the current state of IPP policies across the jurisdictions, and presents recommendations to strengthen these policies to better support Indigenous-led renewable energy projects. This resource also provides a template in the appendix that sets out the key elements usually covered in an IPP policy and draws on examples from the Yukon and Nunavut.

2. Importance of an IPP policy

Indigenous advocacy and local ambitions for grid-scale renewable energy are leading to the development of an increasing number of community-owned renewable energy projects across the North. Interest in these projects comes mainly from two objectives: residents who want to reduce their communities' reliance on diesel, and community leaders who want greater input on decisions about their energy supply and see economic potential in owning renewable energy generation assets. The federal and territorial governments also have a stake given their commitments to reduce emissions.

Boosting the supply of renewable energy generation comes with many technical, social and economic challenges for governments, utilities, and communities alike. Consequently, territorial governments and utilities turn to IPP policies to:

- manage the risks and opportunities that come from renewable energy integration
- support Indigenous participation in the energy sector
- maintain affordable electricity rates
- ensure the utilities' financial stability

A well-designed IPP policy can balance all these objectives, mitigating any potential conflicts among them, thus paving a path for greater certainty, transparency, and collaboration on renewable energy projects.

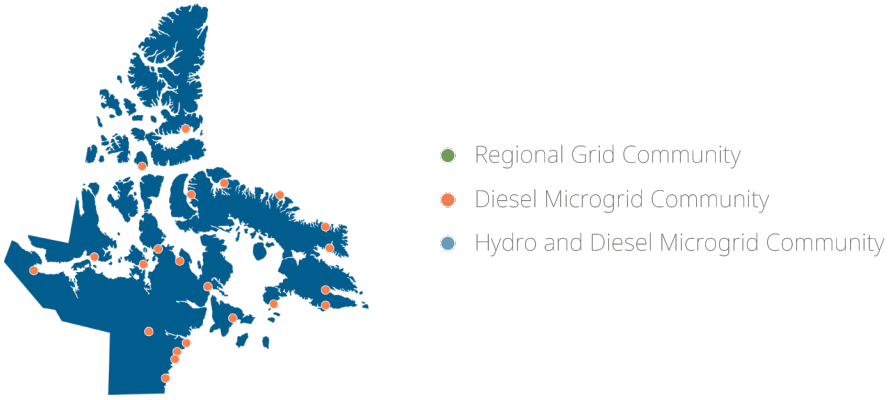
Developing and implementing an IPP policy requires governments, utilities, and regulators — each with its own distinct mandate and objectives — to work closely together. Territorial governments may prioritize broader policy goals, such as upholding Indigenous treaty rights and reducing greenhouse gas emissions. Utilities focus on procuring adequate energy supply while ensuring reliability and affordability. Regulators oversee IPP projects, paying particular attention to their impacts on consumer rates.

An IPP may still forge ahead with developing a grid-scale clean energy project without a dedicated policy framework in place, as seen in the Northwest Territories. However, there are often limited mechanisms, as well as little interest from the utility or government, to promote such projects. Pursuing an IPP project in the absence of a targeted policy comes with several issues, including a lack of transparency on how rates are set, inconsistent guidance, and weak alignment with broader policy objectives.

2.1 Jurisdictional IPP development and implementation

The following summarizes the progress of independent power production in each territory, offering comparative insights and practical lessons for IPP policy design.

2.1.1 Nunavut



The energy system in Nunavut is fully decentralized, with no interconnections between the communities or beyond the territory. The sole utility in the territory, Qulliq Energy Corporation (QEC), operates 25 stand-alone diesel power plants in 25 communities. The Crown corporation is the only utility in Canada without local energy resources or transmission capability.[1] The cost of generating electricity in these communities is high, which is exacerbated by aging infrastructure.[2]

QEC developed Nunavut's IPP policy, which was approved by the territorial government in December 2023 and contains a sunset clause of December 2026.[3] Under the policy, Inuit-owned organizations and hamlets can generate electricity from community-scale renewable energy systems and sell it directly to QEC.[4]

[1] Qulliq Energy Corporation, "About us." https://www.qec.nu.ca/about

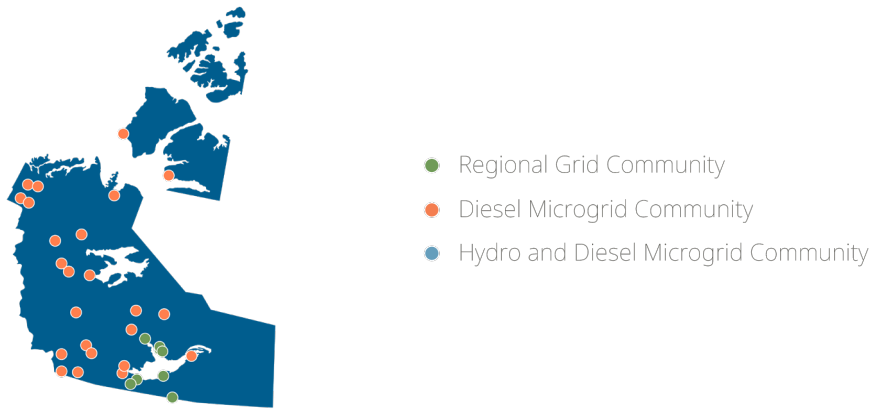
[2] Standing Senate Committee on Energy, the Environment and Natural Resources, *Powering Canada's Territories* (2015), 37. https://www.publications.gc.ca/collections/collection_2015/sen/yc26-0/YC26-0-412-14-eng.pdf

[3] Qulliq Energy Corporation, *Independent Power Producer, Policy #: 9.01* (2023). https://www.qec.nu.ca/sites/default/files/ipp_policy_final_19dec2023_eng.pdf

[4] Qulliq Energy Corporation, *Independent Power Producer, Policy #: 9.01*.

In 2023, QEC and Nunavut Nukkiksauliit Corporation signed the territory's first electricity purchase agreement[5] under Nunavut's IPP policy for the Anuriqjuak Nukkiksautiit Project.[6] As of April 2024, a further six projects were in progress, each having completed the required technical feasibility assessment.[7]

2.1.2 Northwest Territories



The Northwest Territories has 27 isolated microgrids that are largely reliant on diesel and natural gas generation. It also has two hydro-powered grids that provide about 75% of the territory's energy supply.[8]

In lieu of an IPP policy, the Government of the Northwest Territories has set out in its 2030 Energy Strategy a "participation model" for community-owned renewable energy projects. The model provides a roadmap for how these projects can sell power to the utility. The projects must be greater than 15 kW to connect to the community's microgrid but cannot exceed the community's renewable generation cap, as established by the government.[9] Furthermore, the price for electricity is based on the avoided cost of diesel (i.e., the amount of fuel displaced by

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[5] Also known as a power purchase agreement.

[6] Nunavut Nukkiksautiit Corporation and Qulliq Energy Corporation, "Sanikiluaq Switching to Wind Power," media release, September 29, 2023. https://static1.squarespace.com/static/5f3d74b4a9dcb80048638a3f/t/651d72e25c114e6f630f989d/1696428770637/2023.09.29_Anuriqjuak+EPA+Signing+Ceremony_Media+Release.pdf

[7] Qulliq Energy Corporation, *Executive Summary, Qulliq Energy Corporation, 2025/26 General Rate Application.* https://www.qec.nu.ca/sites/default/files/2025-26%20GRA%20Executive%20Summary%20-Final_0.pdf

[8] Government of Canada, "Northwest Territories: Clean electricity snapshot (2022-2024)." https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/clean-electricity/overview-northwest-territories.html

[9] The NWT's community generation cap is currently under review; the GNWT has proposed a cap of 30%. Vince McKay, NWT minister responsible for the Public Utilities Board, letter to the Public Utilities Board re: electricity policy direction, April 16, 2025, 5. https://www.inf.gov.nt.ca/sites/inf/files/2025-04-16-2025-electricity_policy_direction_the_nwt_public_utilities_board.pdf

the clean energy project once online).[10] For larger scale projects, community and Indigenous governments can opt to partner with the utility by providing debt financing and earning a low-risk return on their investment.[11]

Since the 2030 Energy Strategy's release in 2018, conditions have changed. Indigenous and community proponents are gaining greater access to funding for projects larger than envisioned under the participation model. Recognizing that this situation has led to power purchase agreements being negotiated with insufficient public transparency and too few guidelines to ensure consistent treatment, the government issued a policy directive in 2025 to the Northwest Territories Public Utilities Board. In the letter, the regulator is instructed to develop an IPP framework to resolve these challenges, including establishing a pricing structure for the energy generated by IPPs.[12]

Four IPP projects with power purchase agreements currently exist in the NWT, representing less than one per cent of total community electricity generation.[13] In the absence of a formal policy, the terms of each agreement, including the price paid for power, were negotiated individually between the utility and project proponents.

2.1.3 Yukon

The Yukon has five remote communities that rely on four isolated diesel generation systems. The rest of the territory is served by the Yukon Integrated System, which is largely hydro-powered.

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[10] McKay, letter to PUB, 8-9.

[11] Government of Northwest Territories, *2030 Energy Strategy* (2018), 18. https://www.inf.gov.nt.ca/sites/inf/files/resources/gnwt_inf_7272_energy_strategy_web-eng.pdf

[12] McKay, letter to PUB, 9–10.

[13] Emily He, "Government of Northwest Territories widens path for community-led clean energy," media release, April 17, 2025. https://www.pembina.org/media-release/government-northwest-territories-widens-path-community-led-clean-energy

The Yukon's Independent Power Production policy was launched by the Government of Yukon in 2015 and updated in 2018. In 2019, the government issued direction to the Yukon Utilities Board on rates for purchasing electricity from IPPs.[14] The policy creates opportunities for IPPs to generate renewable electricity and sell it to either Yukon Energy on the main grid or ATCO Electric Yukon on the remote diesel grids.[15]

The policy has resulted in four completed community-led projects in remote diesel communities, with a fifth project underway, and seven IPP projects connected to the main grid, adding 12.74 MW of generating capacity.[16]

[14] Government of Yukon, *Direction to the Yukon Utilities Board (Independent Power Production)*, O.I.C. 2019/25. https://laws.yukon.ca/cms/images/LEGISLATION/SUBORDINATE/2019/2019-0025/2019-0025.pdf

[15] Government of Yukon, *Yukon's Independent Power Production Policy* (2018). https://yukon.ca/sites/default/files/emr/emr-yukon-independent-power-production-policy.pdf

[16] Government of Yukon, "Sell electricity as an independent power producer." https://yukon.ca/en/doing-business/funding-and-supports-business/sell-electricity-independent-power-producer

3. Actions to enhance IPP policy

The Yukon is currently reviewing its IPP policy, the NWT is developing its first such policy, and Nunavut's policy is set to expire in 2026. Policy-makers, utilities, and other decision-makers can learn from each territory's experiences with independent power production over the past decade. Below, we present recommended actions that policy-makers, utilities, and other decision-makers can take to improve and advance strong IPP policies under two broad categories:

- Embedding Indigenous rights in IPP policies
- Improving the business case for community-led renewable energy

3.1 Embed Indigenous rights

Recognizing and integrating Indigenous rights in public policy is foundational to governance structures in the territories. IPP policies can reflect these rights in multiple ways, which are discussed below, but all approaches must uphold modern treaties and the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

Modern treaties

Modern treaties, also known as comprehensive land claim agreements, are constitutionally protected nation-to-nation agreements between Indigenous peoples, the federal and provincial crown, and in some cases, the territorial government.[17]

Modern treaties play an important role in supporting community-led diesel reduction projects because they affirm land, resource, and economic development rights and provide governance powers that include making laws and delivering programs and services (including for energy and infrastructure).

UNDRIP

UNDRIP establishes a universal framework of minimum standards for the survival, dignity and well-being of Indigenous Peoples.[18] UNDRIP affirms the right of Indigenous Peoples to "self-determination" — the right to make political and economic choices for

[17] Land Claims Agreements Coalition, "What is a Modern Treaty". https://landclaimscoalition.ca/modern-treaty/

[18] United Nations Department of Economic and Social Affairs, "United Nations Declaration on the Rights of Indigenous Peoples" https://social.desa.un.org/issues/indigenous-peoples/united-nations-declaration-on-the-rights-of-indigenous-peoples

the well-being of their communities.[19] In the energy context, this often translates to calls for Indigenous energy sovereignty: the right to develop, own and independently control local energy systems.[20]

Policy tools to advance Indigenous rights within IPP policies are discussed below.

3.1.1 Enable co-governance

Co-governance, also referred to as collaborative governance, involves shared decision-making between Indigenous and non-Indigenous entities on matters of mutual interest, grounded in respect, reciprocity, and recognition of Indigenous rights and governance systems.[21,22] Under this approach, Indigenous governments are partners, not simply stakeholders or advisors.

Recommendations

- Engage Indigenous governments in the early stages of policy design and ensure meaningful engagement and participation throughout the policy drafting, implementation, and monitoring stages. (This could be done through implementing the next recommendation.)
- Establish co-governance bodies with Indigenous governments, giving them a decision-making role on both policy and Indigenous energy projects.[23]
- Jointly deliver funding and program support for the collaborative development of community energy plans.

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[19] UN General Assembly, *United Nations Declaration on the Rights of Indigenous Peoples*. https://www.un.org/development/desa/indigenouspeoples/wp-content/uploads/sites/19/2018/11/UNDRIP_E_web.pdf

[20] Arthur Bledsoe and Katarina Savic, *Government Action on UNDRIP and the clean energy transition: Upholding the rights of Indigenous Peoples is key to the energy transition in remote communities* (Pembina Institute, 2023). https://www.pembina.org/blog/government-action-undrip-clean-energy-transition

[21] Department of Justice Canada, *Principles: Respecting the Government of Canada's Relationship with Indigenous Peoples*. https://www.justice.gc.ca/eng/csj-sjc/principles.pdf

[22] Kurtis Boyer, *Universities can't indigenize from inside. Co-governance is the missing catalyst*. Policy Options, December 2, 2025). https://policyoptions.irpp.org/2025/12/reconciliation-universities-co-governance/

[23] An operating committee was established in the electricity purchase agreement for Sree Vyaa, the Old Crow Solar Project. The committee, which equally represents the Vuntut Gwitchin First Nation and ATCO Electric Yukon, uses a co-management approach to determine how the energy assets in the community (diesel, solar and storage) will be used to meet community demand. (Vuntut Gwitchin Government, "Vuntut Gwitchin Government and ATCO Electric Yukon reach an Electricity Purchase Agreement for Old Crow Solar Project," media release, June 19, 2018. https://vgg.ca/pdf/Old%20Crow%20Solar%20Project%20Media%20Release%20EPA%20June%202018%20.pdf)

- Strengthen Indigenous participation in regulatory processes. See the Pembina Institute's 2025 report, *Decarbonizing Remote Indigenous Communities: Regulatory reform in B.C. and the territories.*[24]

3.1.2 Integrate self-determination and self-governance

Self-determination, rooted in UNDRIP Article 3, is the right of Indigenous Peoples to freely determine their political status and pursue their economic, social and cultural development. Self-government is the ability of Indigenous communities to govern their own affairs independently, using their own institutions, laws and systems.

Recommendations

- Prioritize or reserve opportunities for wholly or majority Indigenous-owned IPP projects.
- Establish a stable and secure revenue stream for IPPs by providing a transparent and fair power purchase price.
- Provide funding and training for Indigenous project development, operations, and governance to enable local control and enhance decision-making capacity.
- Recognize jurisdiction and consent by embedding the principles of free, prior and informed consent in IPP decision-making, affirming the rights of Indigenous communities to be active decision-makers about projects on their lands.
- Build accountability mechanisms into policy implementation, monitoring and evaluation to ensure Indigenous empowerment and benefit.

Ultimately, successfully implementing these actions will require utilities and policy-makers to strengthen trust and relationships with Indigenous communities. This involves acknowledging the harms caused by legacy energy projects on Indigenous lands and the infrastructure constraints of remote diesel microgrids.

[24] Emily He, Arthur Bledsoe and Fibha Nazim, *Decarbonizing Remote Indigenous Communities: Regulatory reform in B.C. and the territories* (Pembina Institute, 2025). https://www.pembina.org/pub/decarbonizing-remote-indigenous-communities

Indigenous treaty rights and IPP policies in practice

Nunavut

Indigenous people make up over 85% of the population of Nunavut and the entire territory is covered by the Nunavut Land Claims Agreement (NLCA).[25]Governance in the territory is shared between the Government of Nunavut and the Nunavut Tunngavik Incorporated, which represents Inuit under the NLCA and ensures that treaty obligations are fulfilled by the federal and territorial governments.[26]

NLCA implementation and Inuit self-determination are integral to independent power production in Nunavut. QEC's IPP policy is guided by Inuit Societal Values and aligns with broader objectives of Inuit economic participation as set out in NLCA Article 24 (Government Contracts). Only municipalities, Inuit organizations, and Inuit-owned companies can participate in the IPP program. Furthermore, Inuit must hold a controlling interest in community power projects and the social and economic benefits must remain in Nunavut.[27,28]

While each territory places a heavy emphasis on the participation of Indigenous IPPs, the governance structure and treaty rights of Inuit in Nunavut that ensure Inuit participation in the economy have resulted in an IPP policy that grants exclusive opportunities for Inuit-led projects.

Northwest Territories

Indigenous people make up half the population of the Northwest Territories,[29] and there are a number of regional and community-based Indigenous governments with unsettled and settled claims.[30] In 2023, the NWT government passed the United Nations Declaration on the Rights of Indigenous People Implementation Act as the territory's framework for

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[25] Government of Canada. "Focus on Geography Series, 2021 Census of Population, Nunavut Territory" https://www12.statcan.gc.ca/census-recensement/2021/as-sa/fogs-spg/page.cfm?lang=e&topic=8&dguid=2021A000262

[26] Nunavut Tunngavik Incorporated, "About NTI." https://www.tunngavik.com/about/

[27] Tungavik Federation of Nunavut and Indian and Northern Affairs Canada. *Agreement Between the Inuit of The Nunavut Settlement Area and Her Majesty the Queen in Right of Canada.* https://nni.gov.nu.ca/sites/nni.gov.nu.ca/files/06NLCA-Eng.pdf

[28] Qulliq Energy Corporation, Independent Power Producer, Policy #: 9.01.

[29] NWT Bureau of Statistic, *Indigenous Peoples: 2021 Census* (Government of Northwest Territories, 2022). https://www.statsnwt.ca/census/2021/Census_IndigenousPeoples.pdf

[30] Government of Northwest Territories, "Concluding and Implementing Land and Resources and Self-Government Agreements." https://www.eia.gov.nt.ca/en/priorities/concluding-and-implementing-land-and-resources-and-self-government-agreements/existing

reconciliation. The act requires the development of a territorial action plan and for all new legislation to include a "statement of consistency" with UNDRIP and the rights recognized and affirmed under section 35 of the Constitution Act, 1982.

In its 2025 directive to the NWT Public Utilities Board on developing and regulating an IPP framework, the territorial government instructed that NWT-based Indigenous governments, Indigenous organizations, NWT communities and their subsidiaries be prioritized in participating IPPs.

Yukon

Indigenous people make up 22% of the Yukon's population, and most of the territory is covered by modern treaties, with 11 of 14 Yukon First Nations holding final and self-government agreements under the Umbrella Final Agreement (UFA).[31] Indigenous governments in the Yukon are recognized as governments, not stakeholders, and are integrated into public processes.

An objective of the Yukon's IPP policy is to "provide Yukon First Nations with opportunities to participate in the Yukon economy, obtain economic benefits and develop economic self-reliance," which aligns directly with the objectives of the UFA, Chapter 22.[32] The IPP policy has an aspirational target that at least 50% of IPP projects have a Yukon First Nations ownership component. This supports the self-governance and self-determination of First Nations in the territory and also provides opportunities for private developers to become IPPs.

3.2 Improve the business case for community-led renewable energy

IPP projects in the North are complex — for governments and regulators, utilities and project proponents. The technical and financial burdens of building and operating grid-scale intermittent renewable energy projects on remote diesel microgrids often mean that projects

[31] Yukon Bureau of Statistics, "Indigenous peoples, Census 2021." https://yukon.ca/sites/default/files/ybs/fin-indigenous-people-census-2021_0.pdf

Yukon First Nation Self-Government, "Our governments working together for reconciliation." https://www.mappingtheway.ca/our-governments

[32] *Yukon's Independent Power Production Policy*, 4.

Government of Canada, Council for Yukon Indians, and Government of the Yukon, *Umbrella Final Agreement between the Government of Canada, the Council for Yukon Indians, and the Government of the Yukon* (1993). https://cyfn.ca/agreements/umbrella-final-agreement/

rely heavily on government grant programs.[33] Clear direction and targeted tools are needed to improve the business case and long-term viability of these projects.

IPP policies can improve the viability of community-led renewable energy projects by:

- developing local capacity to develop, operate, and own these projects
- increasing the price paid for electricity generated
- providing additional incentives for winter and firm energy generation
- sharing the cost of grid modernization between IPPs and utilities

Each of these are discussed below.

3.2.1 Develop local capacity

Limited human resource capacity in key areas such as energy planning, engineering, and project management can be a barrier to remote Indigenous communities interested in developing an IPP project. Dependence on external consultants and developers can further reduce local involvement and control over key decisions. As a result, a significant share of project funding may leave the community, limiting long-term benefits and opportunities for developing local skills.

In its 2024 report, *Kinship and Prosperity*, the Wah-ila-toos Indigenous Council – a distinctions-based federal advisory body focused on diesel reduction in remote communities - raised concerns about the disproportionately high cost of projects in rural and remote communities. The Council recommended that the use of "extractive consultants" and instances of price gouging could be reduced or eliminated by establishing market assessment metrics and processes that are "justifiable, evidence-based" and aligned with Canadian and international cost benchmarks.[34]

Recommendations

- Ensure that mentorship, training and skills development programs are core elements of the IPP policy

[34] Wah-ila-toos Indigenous Council, *Kinship and Prosperity: Proven Solutions for a Clean Energy Landscape* (Government of Canada, 2024). https://www.canada.ca/content/dam/nrcan-rncan/site/pdf/Wah-ila-Toos-Report-EN-accessible-nov15.pdf

[34] Wah-ila-toos Indigenous Council, *Kinship and Prosperity: Proven Solutions for a Clean Energy Landscape* (Government of Canada, 2024). https://www.canada.ca/content/dam/nrcan-rncan/site/pdf/Wah-ila-Toos-Report-EN-accessible-nov15.pdf

- Require private developers to deliver and participate in training and education initiatives with Indigenous communities, ensuring skills transfer for roles in project design, management, construction and operation.

Innovative grant and capacity-building programs

Over the past decade, several organizations have raised the standard for clean energy capacity building and facilitated the development of strong nation-wide peer/knowledge sharing networks. Their work has reinforced the importance and efficacy of capacity-building programs that start with local and Indigenous perspectives, and end with impactful projects that support long-term community goals. Below are a few of these programs and organizations.

Arctic Energy Alliance is a non-profit society that helps communities, consumers, producers, regulators and policy-makers in the NWT work together to reduce the costs and environmental impacts of energy and utility services. It is governed by a board of directors consisting of representatives from its member organizations, including various agencies of the Government of the Northwest Territories, the Northwest Territories Association of Communities, and the utilities.[35]

Northern Energy Innovation is a research program at Yukon University that helps to fill knowledge gaps for utilities and communities by providing independent technical expertise and analysis on innovative energy solutions. Its goal is to address the unique needs of the northern energy sector, serving as an impartial and transparent source of information for communities, First Nations, utilities, and government agencies.[36]

Indigenous Clean Energy (ICE) is a national platform focused on building the capacity of Indigenous communities to lead clean energy initiatives. ICE delivers high-quality, hands-on programming that supports skills development, career training and mentorship. By equipping individuals with the knowledge and experience needed to participate meaningfully in the clean energy sector, ICE helps to foster long-term leadership and self-determination in the energy transition.[37]

The **Community Energy Diesel Reduction Program** supports community-led energy projects in British Columbia's remote diesel communities using an innovative approach. Communities that receive funding for energy planning or demand-side management have

[35] Arctic Energy Alliance, "Save Energy, Save $$." https://aea.nt.ca/

[36] Northern Energy Innovation, "Supporting Communities with Energy Research," and "We Are Northern Energy Innovation. https://remoteenergy.ca/ and https://remoteenergy.ca/we-are-northern-energy-innovation/

[37] Indigenous Clean Energy, "Powering an Indigenous-led Clean Energy Future." https://indigenouscleanenergy.com/

two options: they can either lead the project independently, hiring their own consultants and contractors, or they can opt for a more supported approach. Under the latter "turn-key" model, program staff recommend consultants, manage finances and co-develop the project in close partnership with the community's staff and members.[38]

Wah-ila-toos is a federal initative launched in 2023 to support Indigneous, rural and remote communities transition to clean energy. Wah-ila-toos enables access to multiple federal government departments through a single window and takes a flexible, community-centred approach to project funding.[39]

The **Indigenous Off-Diesel Initiative** is a renewable energy training program by the federal government that supports Indigenous energy champions throughout training, project planning and development.[40]

3.2.2 Ensure a fair price for electricity generated

Fairly compensating IPPs for the electricity they generate, as set out in a power purchase agreement, is vital to the economic viability of Indigenous clean energy projects. The compensation rates need to reflect the high costs of renewable energy development in remote diesel communities.

The price paid for electricity under the IPP policies of the Yukon and Nunavut is currently based on the equivalent value in displaced diesel and any savings incurred by reducing the runtime of the diesel generators (i.e., the avoided cost of diesel). This pricing formula is not viewed as economically viable without government grants or external equity partners.[41]

The economics of IPP projects would be greatly improved if producers were offered a price closer to the "true cost" of the displaced diesel. As shown in the diagram below, the true cost includes utility costs (purchase, transport, storage), diesel operating and maintenance expenses,

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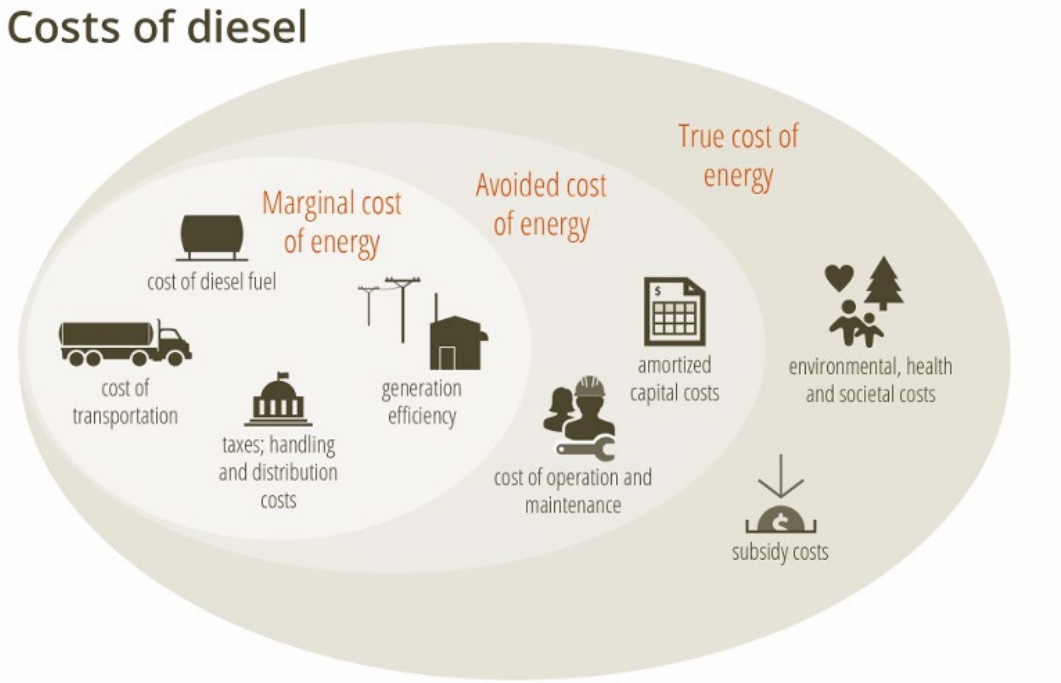
[38] New Relationship Trust, *Community Energy Diesel Reduction Program* (2025), 10. https://newrelationshiptrust.ca/wp-content/uploads/2025/06/NRT-Clean-Energy-Report-Update-Proof-04-May.28.2025.pdf

[39] Government of Canada, "Wah-ila-toos: Clean Energy Initiatives in Indigenous, rural and remote communities." https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/reduce-emissions/reducing-reliance-diesel.html

[40] Government of Canada, "Indigenous Off-Diesel Initiative." https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/reduce-emissions/reducing-reliance-diesel/indigenous-off-diesel-initiative.html

[41] Emily He, *Rethinking energy purchase agreements in Nunavut* (Pembina Institute, 2024). https://www.pembina.org/reports/pembina-backgrounder-intergroup-epa-study.pdf

subsidies, and the environmental and societal costs of burning diesel, which are difficult to quantify.[42]



Recommendations

- Update IPP pricing models to include the full benefits of renewable energy, including operations and maintenance savings on diesel generators, avoided subsidies for diesel, and social and environmental benefits.
- Integrate IPP price-adders for Indigenous-owned projects to top up the price paid by the utility for electricity generated by IPPs.
- Include provisions in the IPP policy to ensure that the ownership model and project have the full support of the community. This could include price-adders for Indigenous-owned projects or revenue sharing requirements between the IPP and the community through dedicated community funds.
- Distribute IPP cost burdens between the utility, territorial government, and the federal government to avoid electricity rate impacts.

[42] Dave Lovekin and Dylan Heerema, *The True Cost of Energy in Remote Communities* (Pembina Institute, 2019). https://www.pembina.org/reports/diesel-cost-backgrounder-2019.pdf

Electricity purchase prices in practice

Nunavut

In 2025, the Government of Nunavut brought in the Sustainable Energy Support Policy and Independent Power Producer Subsidy to boost the business case for community energy projects. The policy provides QEC with a financial subsidy to top up the price paid by the utility for electricity generated by IPPs.[43]

This subsidy ensures that the utility only pays what it would have spent on diesel and rates do not escalate for consumers. The increased financial cost is borne instead by taxpayers.

Northwest Territories

The government's 2025 policy directive to the Northwest Territories PUB was issued in response to concerns that intermittent power production may reduce the efficiency of diesel generation, displacing less diesel than previously anticipated, and that non-utility intermittent power producers may be overcompensated for the power they supply to the grid. As a result, the government specified that compensation for renewable energy should reflect its actual value to the electrical system, while still providing appropriate incentives for non-utility power producers.

Yukon

On the Yukon's main grid, the price for electricity under electricity purchase agreements is based on the average fuel price per kilowatt-hour for thermal generation, adjusted annually for inflation. On the diesel grids, the price for electricity is based on the fuel cost for diesel generation over the previous five years, plus any cost savings from reductions in maintenance, capital or other diesel-generation costs.[44]

3.2.3 Incentivize winter and firm energy generation

Another consideration in the calculation of the power purchase price is how the electricity generated meets the demand of the system. This is especially relevant on small, isolated grids, where demand for electricity is much higher in the winter months but both solar and hydro

[43] Government of Nunavut, Sustainable Energy Support Policy (2025), 13–15. https://www.gov.nu.ca/sites/default/files/policies-legislations/2025-04/Sustainable_Energy_Support_Policy_03__25.pdf

[44] Order in Council 2019/25 Public Utilities Act. https://yukonutilitiesboard.yk.ca/pdf/OICs/OIC_2019-25.pdf

generation are strongest during the summer months, potentially leading to a mismatch in supply and demand.[45]

Firm energy

Firm energy refers to a supply of electricity that is guaranteed to be available when needed, regardless of weather or resource variability. Renewable energy sources such as hydro, pumped storage and biomass are considered firm because they can consistently deliver power. Thermal energy like diesel and liquified natural gas can be dispatched quickly and are also firm energy. Variable renewable energy sources such as solar and wind can be "firmed" when coupled with battery energy storage systems that help ensure reliable delivery of energy, even when generation fluctuates.

While utility-scale solar projects are attractive to community-led IPPs because they are cheaper and less challenging to install and operate, wind energy may be better suited to winter generation when energy demands are the highest. This is especially relevant on small, isolated grids in the North where demand for electricity is much higher in the winter months but both solar and hydro generation are the strongest during the summer months, potentially leading to a mismatch in supply and demand.[46]

Research into wind energy in the Yukon found that wind energy may be more reliable and stronger in the winter months, especially at sites of higher elevation.[47] Hydro and pumped storage can produce electricity year-round in Arctic conditions if water reservoirs are maintained at operational levels.

Developing firm and winter energy sources enhances the economic viability, resilience and diesel displacement of community-led renewable energy projects.

Recommendation

- Offer higher PPA rates for projects that provide firm and winter generation to encourage technologies such as wind and hydro that preform well during winter months when the load is the highest.

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[45] Yukon Energy, "The impact of solar on the Yukon grid," December 15, 2023. https://yukonenergy.ca/about-us/news-events/the-impact-of-solar-on-the-yukon-grid/

[48] Government of British Columbia, Order in Council 301/2024. https://www.bclaws.gov.bc.ca/civix/document/id/oic/oic_cur/0301_2024

[48] Government of British Columbia, Order in Council 301/2024. https://www.bclaws.gov.bc.ca/civix/document/id/oic/oic_cur/0301_2024

3.2.4 Support grid modernization

The integration of clean energy on a remote microgrid may require grid upgrades. One approach is to make the IPP bear all the costs associated with the grid upgrades. While this approach shields utilities and their customers from integrating costs, it places a significant burden on the IPP, increasing the time, cost, and technical demand to complete the project. Another, more balanced approach is for the grid upgrade costs to be shared between the IPP and the utility. This approach lowers the financial risk of clean energy projects, encourages utility collaboration, and encourages further renewable energy infrastructure on local grids.

Recommendations

- Divide the costs for grid upgrades for a clean energy project between the utility and the IPP.
- Clearly specify how the financial and technical responsibilities for grid upgrades will be allocated.
- Leverage federal funding to help cover the costs of priority grid upgrades.
- Utilities should consider long term grid upgrade needs to support renewable energy integration, including multiple projects and batteries.

Remote grid upgrades in practice

British Columbia

BC Hydro is allowed to recover the cost of infrastructure upgrades required to integrate renewable energy in Non-Integrated Area communities across its general rate base.[48] The utility has forecast it will need $200M from 2025 to 2035 to complete these upgrades, which include the installation of microgrid controllers and battery energy storage systems.[49]

Quebec

Hydro Quebec is modernizing some of its remote diesel grids with federal funding support. This is also further enabled by the larger customer base in Quebec, where remote

[48] Government of British Columbia, Order in Council 301/2024. https://www.bclaws.gov.bc.ca/civix/document/id/oic/oic_cur/0301_2024

[49] BC Hydro, *2024 Climate Change Accountability Report* (2025). https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/environment-sustainability/environmental-reports/2024-climate-change-accountability-report.pdf, pg 11

community utility operating costs are distributed amongst far more ratepayers compared to the territories, necessitating them to rely on federal funding for grid upgrade costs.[50]

Nunavut and the Yukon

Under the Yukon and Nunavut IPP policies, the IPP is responsible for all costs associated with essential grid upgrades, including the purchase of the microgrid controller and battery energy storage systems, which are ultimately owned and operated by the utility.

[51] Government of Yukon, *Yukon's Independent Power Production Policy* (2018). https://yukon.ca/sites/default/files/emr/emr-yukon-independent-power-production-policy.pdf

4. Conclusion

IPP policies are an important governance tool for managing the unique risks and opportunities of renewable energy development in the North. With several Indigenous-led, utility-scale IPP projects now operational or underway, each territory has a meaningful opportunity to advance its IPP policy framework. This can be done by embedding Indigenous rights in the planning and governance of local energy systems and strengthening the business case for utility-scale renewables. Doing so will not only support energy sovereignty and reconciliation, but also align development with community priorities and long-term regional energy goals.

Appendix A IPP policy template

This template outlines the typical elements of an independent power producer (IPP) policy. It was developed to help Indigenous communities and policy-makers to interpret and engage with existing IPP policies and to participate in the collaborative development of new policies.

The template offers detailed guidance on key components of an IPP policy, featuring examples from the Yukon's Independent Power Production Policy and Nuvanut's Independent Power Producer Policy, developed by the Qulliq Energy Corporation (QEC).[51]

Policy title

The title should clearly convey the subject and purpose of the policy, using key terms that identify its focus. A well-crafted title is concise, descriptive and easy to reference.

Introduction

An IPP policy usually begins with an introduction or policy statement that sets out the purpose and intent of the policy (i.e., why it exists and what it aims to accomplish). This section outlines the issue the policy addresses, conveys the official position and commitment of the government or utility, and provides the context or rationale for the policy's development. The introduction may also describe how the policy aligns with other overarching policy objectives — such as treaty implementation or climate action — and set out specific goals or targets the policy seeks to achieve.

> The Yukon's Independent Power Production Policy sets out six goals and objectives. These include increasing the territory's electrical supply, developing renewable energy, facilitating collaboration between IPPs and utilities, and providing economic opportunities for Yukon First Nations. The latter goal is aligned with provisions of the Umbrella Final Agreement. The policy also establishes two aspirational targets: for 10% of new electrical demand to be met

[51] Government of Yukon, *Yukon's Independent Power Production Policy* (2018). https://yukon.ca/sites/default/files/emr/emr-yukon-independent-power-production-policy.pdf

Qulliq Energy Corporation, *Independent Power Producer, Policy #: 9.01* (2023). https://www.gov.nu.ca/sites/default/files/policies-legislations/2024-01/Independent%20Power%20Producer%20Policy%201223%201226.pdf

by IPPs, and for at least 50% of IPP projects to have a Yukon First Nation ownership component.

Policy principles and guiding values

Policy principles and guiding values orient the policy under an ethical or value-based framework that indicates how the policy should be interpreted and applied. These ensure that the policy remains aligned with its core intentions.

Nunavut's IPP policy is guided by Inuit Societal Values, which are based on Inuit Qaujimajatuqangit, a body of accumulated knowledge of the environment and the Inuit interrelationship with the elements, animals, people and family.

Definitions

Typically placed early in the document, the Definitions section explains key terms used in the policy. This provides clarity and consistency, making it easier to interpret the document and ensuring a shared understanding. The following are common categories of terms included:

- terms specific to the local context in which the policy applies (e.g., "First Nation ownership" and "Inuit-owned companies")
- technical terms and jargon (e.g., "interconnection requirements")
- key concepts ("eligible energy sources")

Scope/application

This section defines the boundaries of the policy: who it applies to, what it covers, and under what conditions. It identifies who is covered by the policy, the kinds of projects or technologies that it applies to, and the geographic or grid system boundaries. It also highlights any exclusions or limitations.

Nunavut's IPP policy clearly states who the policy applies to and the geographic region covered by the policy: "eligible IPPs who wish to generate electricity from eligible renewable energy resources in Nunavut for sale exclusively to QEC." It also sets out the limitations: "IPP team members must have prior experience or partners with entities that have experience in operating and maintaining energy generation facilities." And it clarifies that the policy does

not pertain to renewable energy projects covered under other QEC programs (specifically, the Net Metering and Commercial and Institutional Power Producers Program).

The scope set out in the Yukon's IPP policy is similar: "This policy applies to IPPs who want to generate electricity from eligible sources and sell it to a publicly owned utility, Yukon Energy Corporation or ATCO Electric Yukon. This policy does not apply to producers covered under YG's [Yukon government's] Micro-generation Policy."

Roles and responsibilities

The roles and responsibilities section defines each party's duties in implementing the policy. It may also outline future actions required to fully implement the policy (e.g., create standards). Clarifying roles is important to streamline decision-making, promote equitable participation, and ensure policy objectives are met.

The number of parties included in the roles and responsibilities section varies depending on the policy. It can be as few as two, the utility and the IPP, as is the case with Nunavut's IPP policy. Or it may also include government and regulatory agencies, as is the case with the Yukon's IPP policy.

The Yukon's policy identifies additional work that the government and utilities need to do in order to completely implement the policy. This includes developing the Standing Offer Program (see below), technical interconnection standards, and interconnection agreement templates.

Policy framework

The policy framework, also referred to as the parameters, procedures or provisions, translates the policy goals into action. This section describes how utilities and IPPs will work together to meet the project's technical requirements and advance a project, including formalizing a power purchase agreement. It set outs the necessary steps and rules for the policy to achieve its objectives. Procurement, described below, is one of subjects typically covered in this section.

Procurement

Procurement is the formal process by which a utility acquires electricity from an IPP. It covers the type of energy being purchased, who the energy is being purchased from, and the terms of purchase.

The Yukon's IPP policy sets out three procurement processes:

Standing Offer Program: This program, currently paused, is for 30–2000 kW projects on the Yukon's Integrated and Watson Lake grids. [52] Program rules, forms and templates, including an electricity purchase agreement template, have been created to help IPPs through the application process.[53] System-wide limits are in place to meet policy objectives and minimize financial risk to electrical customers.

Call for power: This process is for large-scale IPP projects. The Yukon Energy Corporation can issue a call for power if there is a need for new electrical generation beyond what is provided through the Standing Offer Program.

Unsolicited proposals: A proponent can submit a proposal to the utilities or Yukon government at any time for projects that exceed the capacity limits of the Standing Offer Program or for projects on the remote diesel grids. The projects are assessed based on current energy needs.

Nunavut's IPP policy follows a procurement process similar to the Yukon's unsolicited proposals, whereby a proponent can submit a project proposal to the QEC at any time.

Eligibility

Eligibility comprises the criteria that entities and projects must meet to participate in the procurement processes. This includes the type of generation technology (wind, solar, biomass, etc.) and generation capacity.

The eligibility requirements section in the Nunavut IPP policy stipulates the technical information that must be provided for the proposed project (energy source, project location, etc.) and indicates that the QEC will conduct a connection impact assessment to determine

[52] Yukon government, "Sell electricity as an independent power producer." https://yukon.ca/en/doing-business/funding-and-supports-business/sell-electricity-independent-power-producer

[53] Yukon Energy, *Standing Offer Program Rules* (2019). https://yukonenergy.ca/media/site_documents/Standing_Offer_Program_Rules.PDF

the project's feasibility. Other eligibility criteria, found throughout the policy, include that IPP teams must be experienced in operating and maintaining energy generation facilities.

Purchase price

The section sets out how the purchase price — the rate at which the buyer (the utility) will purchase electricity from the seller (the IPP) — is determined.

Under Nunavut's IPP policy, QEC will purchase energy from IPPs at "a guaranteed minimum price, i.e., the avoided cost of diesel and estimated variable cost savings." The policy also explains the rationale for this approach (to ensure the IPP program does not increase electricity rates for QEC customers) and how the cost of diesel will be determined.

Policy term

A policy may specify a term or include a sunset clause, particularly if it is piloting a new program or approach. If a term is not specified, the policy remains in effect until repealed or amended.

Nunavut's IPP policy is in effect for a period of three years, ending December 19, 2026.

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