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Honourable members of the Senate, I am pleased to be here today to address the Standing Senate Committee on Energy, the Environment and Natural Resources, and I thank you for your invitation.

I will speak today about Nunavut’s unique challenges and opportunities with respect to energy, and I will provide a snapshot of our territory’s energy situation.

Nunavut changed the face of Canada when it was created in 1999 by becoming the third territory, an event that was brought about through the largest aboriginal land claim settlement in Canadian history.

Nunavut is nearly two million square kilometers, covers three time zones, and has 25 communities. The latest statistics put our population at 33,000. According to Statistics Canada, in 2011 the median age in Nunavut was just under 25 years, the lowest in the country.

Nunavut boasts the largest coastline in Canada – we are the northernmost part of Canada, and we occupy most of the Arctic archipelago. Needless to say, from the southern perspective Nunavut is the most remote part of Canada. But to Nunavummiut it is our home – we do not think of Nunavut as remote.

And we have reasons to believe that the rest of Canada is beginning to recognize the North as part of the Canadian family. We hear new phrases used by Canadians lately, such as “from coast to coast to coast.”
But despite our growing political and economic integration into Canada, because of our isolation from the road network, our small population distributed over a vast area, Nunavut’s energy challenges almost make us seem like a foreign country. My counterpart from the Northwest Territories, the Honourable David Ramsay, spoke to this committee last month on his territory’s energy issues; you will find that Nunavut shares many of the same challenges, only in Nunavut they are even more extreme.

Unlike our southern and even our northern neighbours, all of Nunavut’s energy generation is by diesel plants. None of our communities are connected to a grid system, there are no cross-jurisdictional power transmission lines, and only a few small experimental wind and solar energy projects. Although we are undertaking feasibility work for a hydroelectric power generation project, currently Nunavut does not have any hydro facilities.

Our residential energy costs average about 75¢ per kWh and range from 52¢ per kWh in the capital of Iqaluit, to over 102¢ per kWh in Kugaaruk, a small and more isolated community. In 2010 our overall capacity was about 54 MW, which was generated by 27 plants. Under territorial legislation the only organization permitted to supply electricity in Nunavut is the Qulliq Energy Corporation, which serves some 11,500 clients.

The Government of Nunavut pays approximately 80% of Nunavut’s energy costs either directly or indirectly. Energy costs are subsidized in Nunavut, through subsidy programs, but also through underinvestment in the
replacement and upgrade of our existing capacity, much of which is near the end of its life cycle. This is clearly not sustainable.

The Government of Nunavut completed an energy strategy in 2007. *Ikummatiit*, which means “different forms of energy” in Inuktitut, is aimed at creating an energy system that is affordable, sustainable, reliable and environmentally responsible.

Our strategy recognizes that difficult decisions must be made if we want to see real changes in the energy sector. We must change consumer behaviour, and government operations, and we must educate about the environmental consequences of energy choices. We must also lay the groundwork for the development of energy resources in our territory such as natural gas, oil, and uranium. At the same time, we must develop renewable and alternative energy sources.

Nunavut’s existing energy system results in the highest power rates in the country. This effectively lowers the bar on the business case for renewable energy. What we need to realize this is innovation, expertise and investment.

The first renewable energy source that we are likely to develop is of course hydroelectric power. Hydro power is a proven technology in northern climates, and it is the best hope for reducing Nunavut’s dependence on fossil fuels quickly, substantially, and affordably. There are numerous
hydroelectric power plants across the circumpolar world, in the Northwest Territories, the Yukon, Alaska and Greenland.

Assessments for hydroelectric potential have been completed for various locations near Iqaluit on Baffin Island, and throughout the Kivalliq region, which is on the west shore of Hudson Bay. These have mainly been desktop studies to date. The potential Iqaluit projects would serve domestic energy needs; but in the Kivalliq region, given the location just north of Manitoba, there is the possibility that a large project could be developed that could also serve southern energy markets – if a suitable site were identified.

Iqaluit, the largest community in Nunavut with a population of just under 7,000, will probably be the first to develop hydroelectric power. But the process has been slow, in large part because securing funds has been difficult. Capital costs for the one site near Iqaluit are estimated to be $167 million. I should note that repeated attempts to secure federal assistance for this project have failed. The Qulliq Energy Corporation has applied three times to the Green Infrastructure Fund to help advance the Iqaluit Hydro Project, without success.

At the same time as we move towards developing renewable hydroelectric power, we are also hopeful that more conventional energy sources, such as oil, natural gas and uranium, will help transform our developing economy.
Nunavut’s vast oil and gas reserves could be the key to achieving our dreams of self-reliance. Our discovered resources amount to nearly 2 billion barrels of crude oil, and 27 trillion cubic feet of natural gas. The development of these resources would greatly reduce our dependence on federal transfers, and would bring significant benefits to different regions of Canada.

I have a personal understanding of this potential; I worked in the oil and gas industry for 13 years, mostly in the Beaufort Sea offshore sector. I was part of the first Inuit drilling crew, and I have seen the economic benefits this sector can bring to the North.

But petroleum development is not without its risks. Even before the Macondo disaster in the Gulf of Mexico in 2010, many Nunavummiut had serious concerns about the risks of an oil spill in the Arctic. Inuit are a maritime people, our traditional activities are focused around the sea, so we are very conscious about these risks.

At the same time, we know that risks can be minimized, even in northern environments. We also understand that some risks can be accepted because of the benefits they bring. Few people question the coming and going of ships delivering petroleum products to our communities during our short sealift season. We accept that the benefit of this activity is worth the risk that it carries.

For Nunavut, a big problem with the development of petroleum resources is that currently the risk-to-benefit equation is not acceptable. The federal government has full control of the regulatory process, so we must trust that
they will manage the risk responsibly on our behalf. And while we would benefit from employment and some economic activities stemming from petroleum development, the federal government will claim all the royalties. Nunavut must have a role to play in managing oil and gas exploration and development, and we must benefit directly from development.

Another barrier to petroleum development is the resource tenure system that is in place for oil and gas. This system has allowed petroleum companies to hold onto claims for decades, without fees or any requirement to demonstrate that they are working towards development. This is unique in the modern world: nowhere else do you see so few strings attached to the commercial tenure of geological resources.

We have done considerable work looking at the economics of developing natural gas resources in Nunavut. To produce this gas would require liquefaction facilities and year round shipping. The key impediments are market, regulatory, technical and cost risk.

While the economics of the North American natural gas market would not support development, delivering this gas into the European market would be profitable. Our geography is in our favour: shipping distances from Nunavut to Europe are almost identical to what they would be to a potential delivery point in North America.

The regulatory, technical and cost risks are similar to the oil sands prior to development there. We now have tens of billions of dollars being invested in the oil sands by the very same companies that hold the Nunavut
resources, and at margins that are not as attractive as development in Nunavut.

The difference is the oil sands developments have become very low risk. The federal and Alberta governments invested and worked hard to create a low risk environment in the oil sands. We are ready to work with the federal government and with industry to address the regulatory, technical, and cost risks of petroleum development in Nunavut.

While we are very motivated to work with the federal government, industry and our communities to see Nunavut’s large petroleum resources developed responsibly for the benefit of Nunavut and Canada, we need the Government of Canada to devolve the jurisdictional responsibility for these resources to the Government of Nunavut so that we can address the issues that are preventing development and ensure benefits flow to Nunavut and Canada.

The other conventional energy resource I mentioned was uranium. Nunavut has one uranium exploration project currently in the environmental review process. This is AREVA Canada’s Kiggavik project, near Baker Lake. There are also a few earlier-stage exploration projects. Uranium development has been debated in Nunavut, and we have carried out extensive public consultations and research on the subject. We have confidence in the regulatory system, and we are supportive of responsible uranium development.
I will conclude by touching on the topic that is the focus of much of this committee’s work, and that many people have been talking about lately. Nunavut supports the development of a Canadian Energy Strategy.

It is our view that this strategy must acknowledge Canada’s “energy divide,” which separates the on-grid and off-grid regions of the country. There are some 300 off-grid communities in Canada, they are mostly in the North, and this number includes all of Nunavut’s 25 communities.

A Canadian Energy Strategy must address the unique challenges and needs of Canada’s isolated, off-grid communities, including through support for innovation, efficiency and alternative energy.

At the same time, the strategy should lay out a framework for integrating Nunavut’s plentiful energy resources into Canada’s energy economy in a way that benefits the people of Nunavut.

I hope I have helped the committee better understand energy in Nunavut, both the current reality and the future possibilities.

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