



**Standing Committee on Oversight of Government Operations and Public  
Accounts**

***Report on the Review of the 2018 Report of the Auditor General of Canada to the  
Legislative Assembly of Nunavut - Climate Change in Nunavut***

**2<sup>nd</sup> Session of the 5<sup>th</sup> Legislative Assembly of Nunavut  
Spring 2018 Sitting**

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## Introduction

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On March 13, 2018, the *2018 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut - Climate Change in Nunavut* was formally tabled in the House by the Honourable Joe Enook, Speaker of the Legislative Assembly.

The Standing Committee on Oversight of Government Operations and Public Accounts held a hearing on the Auditor General's report from April 30, 2018, to May 1, 2018. The standing committee's hearing was televised live across the territory and was open to the public and news media to observe from the Visitors' Gallery. The transcripts from the standing committee's hearing may be downloaded from the Legislative Assembly's website.

Senior officials from the Department of Environment, the Department of Community and Government Services, the Qulliq Energy Corporation and the Nunavut Housing Corporation appeared as witnesses on behalf of the Government of Nunavut during the standing committee's televised hearing.

In March of 2018, the Auditor General of Canada, his office's Commissioner of the Environment and Sustainable Development and most of Canada's provincial Auditors-General released a "collaborative report" on climate change. This joint publication contained a number of Nunavut-specific references to the findings in the Auditor General's report to the Legislative Assembly on climate change, as well as his recent reports on climate change that were presented to the other territorial legislatures in Yukon and the Northwest Territories. The report included a formal response from the Deputy Ministers of the Canadian Council of Ministers of the Environment. The contents of the "collaborative report" were referenced on a number of occasions during the standing committee's televised hearing.

In recent years, the Auditor General of Canada has submitted a number of important reports to Parliament on topics of concern to this region of the nation, including civil aviation infrastructure in the North, the Nutrition North Canada Program and oral health programs for Inuit and First Nations. His upcoming fall 2018 report to Parliament is planned to include a chapter on "broadband in remote regions," which is a significant issue of concern to Nunavummiut. The standing committee applauds the Auditor General's ongoing commitment to reporting to Parliament on issues that affect the North.

## Observations and Recommendations

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### Issue: Government of Nunavut Action Plans and Related Matters

The *2018 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut - Climate Change in Nunavut* contained a total of 12 specific recommendations. These were formally responded to by the following departments and territorial corporations of the Government of Nunavut:

- Department of Environment: 2 recommendations
- Department of Community and Government Services: 4 recommendations
- Qulliq Energy Corporation: 1 recommendation
- Nunavut Housing Corporation: 5 recommendations

The responding entities formally agreed to all twelve of the Auditor General's specific recommendations. However, none of the responding entities presented formal action plans to implement the recommendations as part of their appearances before the standing committee during its televised hearing.

#### Standing Committee Recommendation #1:

**The standing committee recommends** that the Government of Nunavut, in its response to this report, include a copy of each responding entity's formal action plan to implement the recommendations contained in the *2018 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut - Climate Change in Nunavut*.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed description and breakdown of the activities and expenditures undertaken by the Department of Environment's Climate Change Secretariat during the 2017-2018 fiscal year.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, include a copy of the report on "energy use and greenhouse gas emission trends in the territory" that is referenced in paragraph 34 of the Auditor General's report.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed description of what specific findings concerning greenhouse gas emission estimates have been achieved by the "federal/territorial working group" that is referenced in paragraph 35 of the Auditor General's report.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, include a copy of the "assessment of climate change risks to Nunavut's mining sector" that is referenced in paragraph 45 of the Auditor General's report.

**Issue: *Pan-Canadian Framework on Clean Growth and Climate Change***

In December of 2017, the *First Annual Synthesis Report on the Status of Implementation of the Pan-Canadian Framework on Clean Growth and Climate Change* was publicly released. The introduction to this report states that:

“In response to the critical and urgent need to take action on climate change, Canada’s First Ministers adopted the *Pan-Canadian Framework on Clean Growth and Climate Change* on December 9, 2016. This collaborative plan aims to reduce emissions, build resilience to a changing climate and enable clean economic growth. The *Pan-Canadian Framework* includes more than fifty concrete policy actions spanning the country and all sectors of the economy.”

The Government of Nunavut is a party to the *Pan-Canadian Framework on Clean Growth and Climate Change*, which states that:

“The Government of Nunavut recognizes the role of carbon pricing in the *Pan-Canadian Framework for Clean Growth and Climate Change*. Given Nunavut’s particular circumstances, the Government of Canada and the Government of Nunavut will work together to assess the implications of carbon pricing in the territory for its economy, communities and people including energy costs, and to develop solutions together. The Government of Nunavut and the Government of Canada will also work together to assess the implications of carbon pricing in Canada on the cost of living in Nunavut. This will be an important consideration for future policy development. As outlined in the federal government’s benchmark, 100% of the revenues from carbon pricing will be retained by Nunavut.

Nunavut and the Government of Canada intend to collaborate in the following domains of priority to address climate change and advance clean growth: Nunavut and the Government of Canada will assess the economic and technical feasibility of electrification through hybrid power generation in Nunavut’s communities. Hybrid power generation would significantly reduce emissions while at the same time ensure that Nunavut’s isolated communities have reliable power. Nunavut and the Government of Canada will work together to develop a retrofit program to increase the energy efficiency of public and private housing. Investment in safe and energy efficient housing is a key component of building strong resilient communities in the Arctic.”

The March 2018 “collaborative report” on climate change that was released by Canadian Auditors-General noted that:

“... a key initiative in the *Pan-Canadian Framework on Clean Growth and Climate Change* is the use of carbon pricing. Carbon pricing is an economic mechanism intended to reduce greenhouse gas emissions. Common forms of carbon pricing are a carbon tax and a cap-and-trade system.”

The December 2017 *First Annual Synthesis Report on the Status of Implementation of the Pan-Canadian Framework on Clean Growth and Climate Change* states that:

“Work is underway to ensure carbon pricing applies across Canada. Some jurisdictions already have carbon pricing systems in place, while others are working to develop and implement pricing systems. The federal government also released a technical discussion paper to advance work on its backstop pricing system. Nunavut has been working closely with the federal government to study the impacts of carbon pricing on Nunavummiut. The study will support Nunavut’s policy decisions on carbon pricing and is expected to be complete in fall 2017. Nunavut is studying potential options to green government operations.”

In March of 2018, Bill C-74 was introduced in the House of Commons. Part 5 of the bill contains the proposed *Greenhouse Gas Pollution Pricing Act*.

In April of 2018, the Yukon government released a report titled *Carbon Pricing in the Yukon - Potential Impact Analysis*. The report indicates that “the modeling for this analysis was undertaken by Environment and Climate Change Canada and Finance Canada, in collaboration with the Government of Yukon.” A similar report for Nunavut became available for downloading from the website of the territorial Department of Finance on May 24, 2018, but has not been formally tabled in the Legislative Assembly.

On April 30, 2018, the Parliamentary Secretary to the federal Minister of Environment and Climate Change publicly stated in the House of Commons that:

“The pan-Canadian framework on Canada’s clean growth and climate action plan recognizes that the territories have unique circumstances, including a high cost of living, challenges with food security, and the emerging nature of their economies. We are working with Nunavut and the territories to consider carbon pricing in this context. We are committed to developing solutions that work for northern Canada.”

The Government of Nunavut’s recently-awarded *Request for Proposals for the Supply and Delivery of Bulk Refined Petroleum Products to all Regions and Communities in Nunavut* included a new requirement from previous years’ RFPs that required proponents to “... include their proposed anticipated rates for [a] ban on [the] use of Heavy Fuel Oil fee and [a] Carbon Tax.” The RFP indicated that, “Should these fees become a reality, the Petroleum Products Division [of the Department of Community and Government Services] agrees to adjust the successful proponent’s transportation and product costs accordingly, upon satisfactory review of the extent to which a HFO ban/limitation and/or Carbon Tax are implemented.” This provides a practical example of how carbon pricing may impact the territory.

## **Standing Committee Recommendation #2:**

**The standing committee recommends** that a copy of the joint federal-territorial study on carbon pricing that the *First Annual Synthesis Report on the Status of Implementation of the Pan-Canadian Framework on Clean Growth and Climate Change* indicated was “expected to be complete in fall 2017” be formally tabled in the Legislative Assembly by the responsible Minister.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, clarify its formal position on the proposed federal *Greenhouse Gas Pollution Pricing Act*.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed update on the status of its work to study “potential options to green government operations.”

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed update on the status of its work to “assess the economic and technical feasibility of electrification through hybrid power generation in Nunavut’s communities.”

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed update on the status of its work to “develop a retrofit program to increase the energy efficiency of public and private housing.”

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, clarify what specific renewable energy technologies are eligible for funding under the Nunavut Housing Corporation’s current Home Renovation Program.

**The standing committee further recommends** that the Government of Nunavut expand the use of tax credits and other incentives to encourage private homeowners and businesses to take measures to reduce their carbon footprints, including the installation of solar panelling and other renewable energy technologies.

**Issue: Federal Funding for Green Infrastructure, Climate Change and Renewable Energy Initiatives**

On January 3, 2018, the federal Minister of Crown-Indigenous Relations announced that her department would provide \$1.7 million to the Government of Nunavut between 2017 and 2021 to “implement climate adaptation actions” under the federal Climate Change Preparedness in the North Program.

On February 16, 2018, the federal Minister of Natural Resources announced a “call for proposals for the Clean Energy for Rural and Remote Communities Program.” The announcement indicated that the program “will provide approximately \$220 million in funding for initiatives to reduce reliance on diesel fuel in rural and remote communities, the majority of which are Indigenous. This funding builds on more than \$53 million provided through Indigenous and Northern Affairs Canada and is complemented by Infrastructure Canada's \$400 million Arctic Energy Fund, which is specific to the territories to help improve energy security in the North by replacing or upgrading aging fossil fuel energy infrastructure.”

Table A2.18 of the February 28, 2018, federal Budget listed funding allocations for a number of green infrastructure, climate change and renewable energy initiatives, including:

- Green Infrastructure Bilateral Agreements;
- Canada Infrastructure Bank;
- Climate Adaptation and Resilience;
- Emerging Renewable Energy Technologies;
- Clean Energy for Rural and Remote Communities Program;
- Improving Indigenous Communities; and
- Arctic Energy Fund.

On April 25, 2018, the following exchange took place during the proceedings of the Standing Senate Committee on National Finance:

**Senator Neufeld:** Then the Arctic Energy Fund of \$400 million is yours.

**Deputy Minister of Infrastructure and Communities:** That is us.

**Senator Neufeld:** What's that for?

**Deputy Minister of Infrastructure and Communities:** That is to help the three territories reduce their diesel dependency. They have a lot of diesel dependent equipment at the end of lifecycle. It helps them to bring it up to speed so that they have more energy security. It's divided up as \$150 million to Nunavut, \$150 million to the Northwest Territories, and the rest to Yukon.

**Senator Neufeld:** The Senate Energy Committee did a study of energy development in all three territories. We found that they were not nearing the end of their life. Some of those generation projects are way past the end of their life, like up to 50 years old. That will be delivered directly by this department with no matching funds. Is that correct?

**Deputy Minister of Infrastructure and Communities:** No, there are matching funds. It's 75 per cent that we will pay up to, and the other 25 per cent will be by the territories or other proponents.

**Senator Neufeld:** By the territories or the communities.

**Deputy Minister of Infrastructure and Communities:** Or the communities, yes.

**Senator Neufeld:** How in the world does a community of 150 people actually participate in renewing a generation project that's over 50 years old? Those communities are small and 150 people is probably large for a lot of them. Where would Nunavut or the Northwest Territories get the revenue from, even if it was the territory that had the share of the other 25 per cent?

**Deputy Minister of Infrastructure and Communities:** We're working very closely with the three territories in understanding what their plan is for their integrated bilateral agreements, which have been signed with the Northwest Territories and Nunavut. They are advancing in their own planning framework on what projects are of a priority to them to be able to work with us to have that money approved and spent on projects meeting their needs.

**Senator Neufeld:** I am on the Energy Committee, so that's important to me. I would like you, if you could, provide to the clerk for all of us what projects have been funded so far. Where are you in that process? Are we actually doing something on the ground, or is everybody sitting in their offices looking at how to do this and all those kinds of things? In fact, last winter there was one community where their diesel generation system went down. I live in the North, so I realize it, but people living in the South don't realize that when it's 50 below it's a little chilly when your unit goes down for a week or two.

**Deputy Minister of Infrastructure and Communities:** For the integrated bilateral agreements where this \$400 million is part of that process, the umbrella agreements were signed with both Nunavut and the Northwest Territories in March, so just last month.

**Senator Neufeld:** I am aware of that.



**Deputy Minister of Infrastructure and Communities:** Right now they're in the process of determining what types of projects they want to be funded under these umbrella agreements and will be working with us. Our anticipated timelines are for all jurisdictions to give us, once they signed the agreements, their three-year plans by September. Some are working with us on an earlier time frame, which would be Northwest Territories, for example. They're working within their own governance processes. They need their own Cabinet approvals to submit different projects to make sure they're working within and understanding the priorities in their jurisdictions for projects themselves.

**Standing Committee Recommendation #3:**

**The standing committee recommends** that the Government of Nunavut, in its response to this report, provide a detailed description and breakdown of what proposals it has submitted to date for consideration under the federal Climate Change Preparedness in the North Program, the Climate Adaptation and Resilience Program, the Emerging Renewable Energy Technologies Program, the Clean Energy for Rural and Remote Communities Program, the Improving Indigenous Communities Program, the Arctic Energy Fund and Green Infrastructure Bilateral Agreements.

**The standing committee recommends** that the Government of Nunavut, in its response to this report, provide a detailed description and breakdown of the amounts of federal funding approved to date under the federal Climate Change Preparedness in the North Program, the Climate Adaptation and Resilience Program, the Emerging Renewable Energy Technologies Program, the Clean Energy for Rural and Remote Communities Program, the Improving Indigenous Communities Program, the Arctic Energy Fund and Green Infrastructure Bilateral Agreements.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed description and breakdown of how it has spent the federal funds received to date under the federal Climate Change Preparedness in the North Program, the Climate Adaptation and Resilience Program, the Emerging Renewable Energy Technologies Program, the Clean Energy for Rural and Remote Communities Program, the Improving Indigenous Communities Program, the Arctic Energy Fund and Green Infrastructure Bilateral Agreements.

**Issue:            Legislation and Annual Reporting**

During the 2<sup>nd</sup> Legislative Assembly of Nunavut (2004-2008), the government of the day introduced proposed new energy efficiency legislation on two separate occasions. The stated purpose of one of the bills was to “promote and assist in the reduction of fossil fuel consumption and greenhouse gas emissions by increasing energy efficiency in Nunavut ... [through] prohibiting the sale or lease of energy devices in Nunavut that do not meet certain efficiency standards.” However, neither bill was passed into law.

Paragraph 89 of the Auditor General’s report indicates that the Qulliq Energy Corporation has been “working to have the *Qulliq Energy Corporation Act* amended so that it could purchase power from third parties” and that it has been “developing an independent power producers policy.”

**Standing Committee Recommendation #4:**

**The standing committee recommends** that the Government of Nunavut introduce legislation during the life of the 5<sup>th</sup> Legislative Assembly that would, at a minimum:

- Require the Government of Nunavut to report annually to the Legislative Assembly on its actions and expenditures related to climate change adaptation and mitigation, including actions and expenditures taken to implement territorial commitments made under any intergovernmental agreement, framework or analogous mechanism to which it is a party, including the *Pan-Canadian Framework on Clean Growth and Climate Change*; and
- Authorize the Government of Nunavut to make regulations concerning energy efficiency standards, the sale and lease of energy devices and related matters.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, provide a detailed update on the status of the proposed amendments to the *Qulliq Energy Corporation Act* and the development of an “independent power producers policy.”

**Issue: Meeting Outcomes**

On February 3, 2017, the Government of Nunavut and Nunavut Tunngavik Incorporated jointly announced that the two organizations, in partnership with the Government of Canada, "... hosted three days of meetings to discuss building Nunavut's resilience to climate change. The meetings took place from January 31, 2017, to February 2, 2017, in Iqaluit." The announcement also indicated that, "Results from the meetings will directly support Indigenous and Northern Affairs Canada in developing a Northern Adaptation Strategy, and will also help to plan funding and programs for northern communities. The GN's Climate Change Secretariat and NTI will use results and feedback from the meetings to help shape the territory's adaptation priorities for the coming years. A report on meeting results will be shared in the coming months."

The *2018 Report of the Auditor General of Canada to the Legislative Assembly of Nunavut - Climate Change in Nunavut* indicates that the Department of Environment would be hosting "... a pan-northern meeting in March 2018 on permafrost hazard mapping. This will bring northern communities and government decision makers together to determine risks, opportunities, and recommendations to better manage and respond to permafrost thaw and other climate change risks. Best practices and lessons learned from this session will help inform future work conducted to address other identified risks. Additional work is scheduled to begin the development of climate change risk mitigation criteria for decision-makers."

The standing committee emphasizes the importance of ensuring that reports on the activities and results of such meetings are publicly accessible.

**Standing Committee Recommendation #5:**

**The standing committee recommends** that the Government of Nunavut, in its response to this report, include a copy of the final report on the activities and results of the January 31, 2017 - February 2, 2017 meetings on climate change resilience that it jointly hosted with Nunavut Tunngavik Incorporated.

**The standing committee further recommends** that the Government of Nunavut, in its response to this report, include a copy of the final report on the activities and results of the March 2018 pan-Northern meeting on permafrost hazard mapping.