May 25, 2018

The Honourable Rosa Galvez, Senator, Ph.D., P.Eng.
Chairperson of the Standing Senate Committee on Energy, the Environment and Natural Resources
The Senate of Canada
Ottawa, Canada

Re: Part 5 of Bill C-74- Greenhouse Gas Pollution Pricing Act

Dear Senator Galvez,

Thank you for your letter inviting me to testify before the Standing Senate Committee on Energy, the Environment and Natural Resources. Unfortunately, I was not able to attend the Standing Committee in person but I would like to make clear the Government of Nunavut's (GN) position in regards to the federal plan to implement a carbon pricing scheme.

I am attaching two letters from the GN’s Minister of Finance, the Honourable David Akeeagok, to the Government of Canada's Minister of Finance, the Honourable Bill Morneau. In them, Minister Akeeagok raises specific concerns about carbon pricing in Nunavut and conveys our government’s decision to not impose a carbon price. Please refer to these letters in understanding Nunavut's perspective on the proposed measures included in Part 5 of Bill C-74.

In short, the Government of Nunavut supports efforts to reduce carbon pollution; however, our territory is in a challenging position due to our reliance on burning fossil fuels for domestic aviation, home heating and public electrical generation. Although the GN is actively looking into ways to reduce our carbon footprint, our reliance on diesel sets us apart from all other jurisdictions and requires special consideration.
Canada acknowledged this need through the Pan-Canadian Framework on Climate Change, but we have yet to see how specifically the federal government proposes to recognize Nunavut’s circumstances through their proposed “backstop” program.

I would like to thank you once again for your invitation and look forward to continued engagement with the Standing Senate Committee on Energy, the Environment and Natural Resources.

Sincerely,

Joe Savikataaq
Minister

Enclosures: 2

CC: Hon. Paul Quassa, Premier of Nunavut
Hon. David Akeeagok, Minister of Finance
February 1, 2018

The Honourable Bill Morneau
Minister of Finance
Government of Canada

Re: Carbon pricing in Nunavut

Minister Morneau:

I am responding to your letter of December 20, in which you clarified the federal government’s next steps and timelines related to carbon pricing.

The Government of Nunavut (GN) supports efforts to reduce carbon pollution, and we recognize that carbon pricing can be an efficient tool when applied in competitive and dynamic markets. However, the effectiveness of carbon pricing depends on the extent to which individuals and businesses can make greener choices in the face of higher prices. Carbon pricing can work when lower-carbon alternatives exist at reasonable cost, and when an economy is in the position to adjust and innovate.

This is not the case in Nunavut. According to Environment and Climate Change Canada (ECCC), Nunavummiut generated about 95% of the territory’s carbon emissions in 2015 by burning fossil fuels, particularly for domestic aviation, marine transport (sealift), home heating and electrical generation.

Each of Nunavut’s 25 communities is remote and isolated. Unlike any other jurisdiction in Canada, no community in Nunavut is connected by road or rail. Shipping by sea is only possible during a few short months each summer. Nunavut’s reliance on aviation for cargo and travel is unavoidable.

Because of this, fresh food and other consumables have a higher carbon footprint than elsewhere in Canada. We are concerned a carbon price would increase the cost of food in communities where poverty rates are high and food security is already a major concern. Further, some of our airports are not suited for modern, higher efficiency aircraft and can only be served by small, older models of aircraft—not the kind that benefit from green innovation in the aviation industry. Nunavut’s market is itself not large enough to spur those innovations.
In terms of our public utilities, Nunavut communities rely almost entirely on burning diesel for heat and electricity, without the efficiencies of a grid (our communities are too far apart). While the GN is taking steps to encourage energy conservation and new types of energy production, the technologies of hydro, solar, wind or tidal generation remain, in industrially useful terms, either untested or unviable in Nunavut's Arctic.

This reliance on diesel sets Nunavut apart in Canada, even from the other territories. For example, ECCC estimates that the Yukon emits the equivalent of 46 grams of carbon dioxide (g CO₂ eq) to generate one kilowatt hour (kWh) of electricity. Nunavut needs to emit the equivalent of 830 grams of CO₂ to generate the same amount of energy. The Northwest Territories emits about 500 g CO₂ eq / kWh. At these levels, the proposed national carbon pricing regime would impact Nunavut's energy costs by 18 times more than it would impact the Yukon's. Already, Nunavut's cost of energy generation is the highest in the country.

The GN itself is a large consumer, heating and lighting schools, health centres, government buildings and, ultimately, most municipal buildings. Private home ownership rates are low - 55% of Nunavut's households live in public housing, driving utility costs the GN also bears. These are long-standing and structural elements of Nunavut's economy and will not change as a result of carbon pricing. As the GN would need to use a portion of any carbon pricing revenues to pay for its own higher costs, the economic efficiencies of carbon pricing will be diminished by the administrative costs of what we are concerned may amount to little more than government taxing government.

According to ECCC, Nunavut generated less than 0.1% of Canada's total carbon emissions in 2015. Further, ECCC recently estimated that incorporating carbon pricing in Nunavut would only reduce its own emissions by 4.5% by 2022. While we support the federal government's goal to fight climate change, the impact of carbon pricing in Nunavut will amount to little improvement on the national scale. Our small size and unique situation does not mean we should not play our part in fighting climate change, but it does reinforce that not all policy tools are appropriate, effective or efficient in the North.

Nunavut's businesses, households and governments have few workable alternatives to carbon-intensive activities. We are concerned that carbon pricing will not be an effective or efficient tool to reduce Nunavut's carbon emissions.

These concerns are not new. Territorial officials have been raising these issues with federal counterparts since before Canada released the Pan-Canadian Framework on Clean Growth and Climate Change. In that document Canada recognized Nunavut's need for special consideration. Following this recognition, Canada committed to working with Nunavut to “assess the potential impacts of carbon pricing in Nunavut ... including the effects of carbon pricing in other jurisdictions on the economies of the north” and to “identify, assess and propose possible solutions and opportunities to mitigate potential adverse economic effects in Nunavut.” ECCC recently finished its impact study, but we have not yet seen the federal assessment and proposal of solutions for Nunavut.
We will be in a better position to confirm our plans with respect to carbon pricing once we better understand how the federal government proposes to mitigate the adverse impacts of carbon pricing on Nunavummiut.

My officials and I remain committed to working closely with yours in the interests of Nunavummiut and the environment.

Sincerely,

David Akeeagok
Minister of Finance
Government of Nunavut

CC: Hon. Paul Quassa, Premier of Nunavut
    Hon. Elisipee Sheutiapik, Minister of the Environment
    Hon. Catherine McKenna, Minister of Environment and Climate Change
Honourable William Morneau  
Minister of Finance  
Department of Finance Canada  
90 Elgin, Ottawa, ON  
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MAR : 2018  

Re: Carbon pricing in Nunavut  

Minister Morneau:  

I appreciated the opportunity to meet with you last month in Ottawa. At this meeting, I provided you with a letter outlining the Government of Nunavut’s concerns related to carbon pricing. In particular, we question the effectiveness and efficiency of applying a carbon price in an economy where individuals and businesses have few alternatives to necessary but carbon-intensive activities like home heating, public electricity generation, and domestic aviation.  

In your letter of December 20, 2017, you asked that jurisdictions inform you by the end of March 2018 whether they intended to administer their own carbon price. Following discussions with my Cabinet colleagues, I am writing to inform you that the Government of Nunavut does not intend to administer a carbon price in our territory, as we are simply not convinced it will be effective or efficient in Nunavut.  

We remain open to working with federal officials to find ways to help fight climate change in the North in ways that better meet Nunavut’s unique circumstances.  

Sincerely,  

David Akeeagok  
Minister of Finance  

cc. Hon. Paul Quassa, Premier  
Hon. Elisapie Sheutiapik, Minister of Environment  
Hon. Catherine McKenna, Minister of Environment and Climate Change Canada