

KIVALLQ HYDRO-FIBRE LINK

PRE-BUDGET SUBMISSION IN ADVANCE OF THE 2020 FEDERAL BUDGET

SUBMITTED BY:

KIVALLIQ INUIT ASSOCIATION AND ANBARIC DEVELOPMENT PARTNERS

TO THE:

HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE



A. List of Recommendations for the Committee:

Recommendation 1: That the government of Canada invest in interties between southern Canada and the northern territories, with a focus on the **Kivalliq Hydro-Fibre Link** as a renewable energy solution to replace fossil fuels for heating and power generation for the communities, businesses and mining sector of the region.

Recommendation 2: That the government of Canada invest in fibreoptic broadband expansion into the Kivalliq region of Nunavut via the **Kivalliq Hydro-Fibre Link**, improving public service delivery and helping communities, businesses and the mining sector grow.

B. Brief Description of the Kivalliq Hydro-Fibre Link Project

The **Kivalliq Hydro-Fibre Link** (the “Project”) involves the construction of a new overhead hydroelectric transmission line between Manitoba and Nunavut that will serve five Kivalliq region communities as well as operating and future mine sites in this mineral-rich region of northern Canada. Importantly, it will also deliver high-speed, broadband internet to the region for the first time. A \$1.6 million CanNor award granted to the Kivalliq Inuit Association in February 2019 is helping to advance current feasibility and permitting work.

The Project will complement and reinforce Canada’s climate action while simultaneously helping the government of Nunavut and local communities. At present, electrical power in Nunavut is derived entirely from diesel generation, which is both highly emitting of greenhouse gases and is heavily subsidized. Diverting the current subsidy into an investment in clean energy infrastructure will create a new, permanent platform for renewable power in the region and facilitate clean growth – especially in the natural resources sector. This infrastructure solution will also reduce the Government of Canada’s financial risks over the long-term. Fibreoptic broadband extension into the region would also stimulate commercial growth, improve government service delivery and have other positive, long-term economic benefits for businesses, commerce and the mining sector.

The Project advances local, regional and national policy objectives. Chiefly, it will help the communities and mines adjust to the federal price on carbon, eliminate diesel-fired generation for baseload purposes and facilitate the conversion of heating systems over to hydroelectricity – thus delivering more reliable power while reducing carbon emissions. It also creates opportunity for additional mining and sustainable economic development in the Arctic. The Project would also open up a new long-term market for Manitoba Hydro and help accomplish northern development goals for the province of Manitoba.

The financial structure of the Project could be similar to the Wataynikaneyap Power project in northern Ontario, while also benefiting from the services of the Canada Infrastructure Bank. The Project could begin commercial operations in March of 2025. To ensure the Project can proceed the Kivalliq Inuit Association is seeking support from the federal government to become equity partners in this vital infrastructure initiative.

C. Kivalliq Intertie Preliminary Route Overview

The Project is designed to serve as the future ‘electric backbone’ of the Kivalliq region, providing clean power to communities and future industrial demand in this resource-rich area of Nunavut (see Figure 1 below). The Project proponents are currently assuming a total of 1,200km of transmission run, starting in the Gillam, Manitoba area and terminating in Baker Lake, Nunavut. A ~600km direct current (DC) link between the Gillam area and Arviat is assumed, with a ~600km alternating current (AC) transmission line running between the five targeted communities and adjacent mines.

This preliminary route could change significantly as Manitoba Hydro, Manitoba First Nations and the Kivalliq Inuit begin more in-depth discussions on the development process.

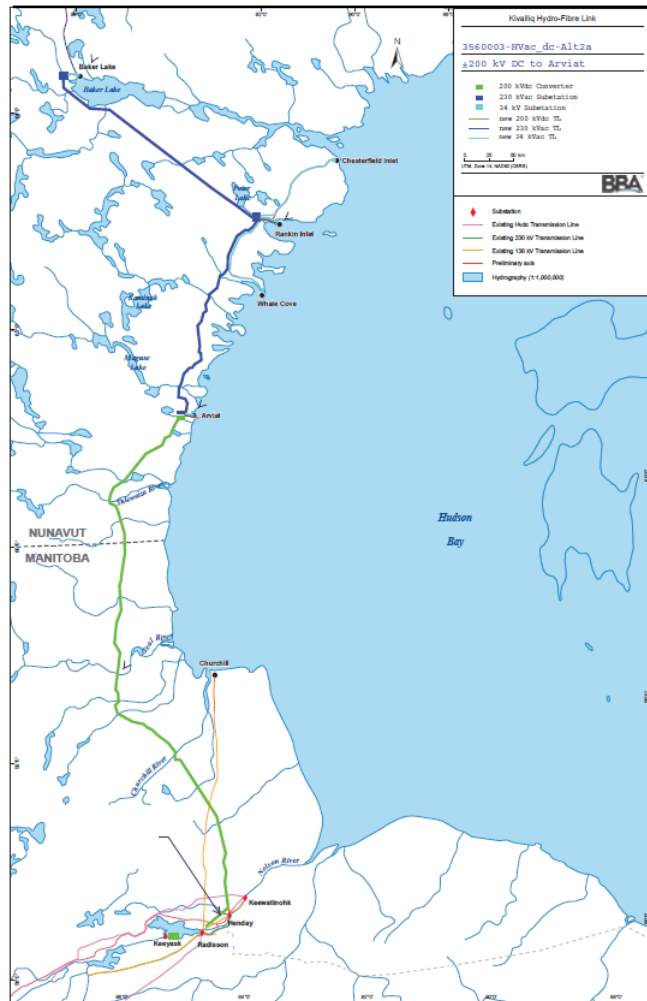


Figure 1 - Preliminary Route Snapshot

D. A Preliminary View of the Development Pathway

An initial “Proposal for Cooperation” was co-signed by Anbaric Development Partners (Anbaric) and the Kivalliq Inuit Association in July 2018 with a binding development “Memorandum of Understanding” signed in July 2019.

The Kivalliq Inuit Association has completed a substantial amount of important consensus-building work. The Project has letters of support from 1) the Premier of Nunavut, the Honourable Joe Savikataaq; 2) Mr. Bruno Pereira, CEO of Qulliq Energy Corporation; 3) the (now former) Minister of Crown Services of Manitoba, the Honourable Cliff Cullen; 4) Ms. Aluki Kotierk, President of Nunavut Tunngavik Incorporated (the legal representative for the Inuit for the purposes of rights and land negotiations), 5) Mr. Natan Obed, President of Inuit Tapiriit Kanatami, as well as 6) a resolution of support from the Hudson Bay Regional Roundtable, which assembles members of First Nations, Inuit, and Dene communities of the region.

Ongoing work conducted by consultants is focused on refining cost assumptions, as well as laying out a permitting and construction strategy and beginning ‘pre-engagement’ with communities in the autumn of 2019. The proponents are also involved in a due diligence process with the Canada Infrastructure Bank and hope to re-engage with the government of Canada following the federal election to discuss financing options for the Project.

The end-goal is to execute a power sales agreement between the supplier, Manitoba Hydro, and the prospective anchor customers of Qulliq Energy Corporation (QEC) and Agnico Eagle Mines, Ltd. Yet, for this to occur, the government of Canada will have to first provide an up-front subsidy to support the Project. This will improve the Project’s internal rate of return and thus attract Anbaric’s private investment. The government of Canada’s financial support will enable QEC and Agnico to sign offtake agreements with a transmission special purpose vehicle corporation, which would be organized and led by the Kivalliq Inuit Association’s business development arm, Sakku Investments Corporation and Anbaric.

Future mining ventures may also sign a bilateral offtake agreement with that entity, or with Qulliq depending on the chosen structure. It is important to note that the fibreoptic cable carried via the project also provides a source of long-term revenue for the project.

Major tasks to be completed by the Kivalliq Inuit Association and Anbaric in the next twelve months include:

- By March 31, 2020, complete the CanNor-funded technical feasibility study/process that confirms technical and financial aspects of the Project;
- Continue discussions with Manitoba Hydro, QEC and Agnico Eagle Mines, Ltd, in order to reach development MOUs (seen as a first step before signing term sheets at the end of 2020);
- Conduct in-depth consultation activities with impacted communities;
- File initial permitting applications in the winter of 2019-20, thus ‘starting the clock’ for the permitting process; and
- Assess potential avenues of federal support, with continuing, focused conversations with the ministries of Crown-Indigenous Affairs, Natural Resources, Infrastructure, Environment and Climate Change, Innovation, Science and Economic Development and Finance, as well as the Canada Infrastructure Bank.

E. Nation-Building, Reconciliation and the Promotion of Arctic Sovereignty

As part of its forthcoming Arctic Policy Framework, the government of Canada is developing a policy and spending program to meet the infrastructure deficits of northern communities and industries in collaboration with the government of Nunavut and the Kivalliq Inuit Association. The Project aligns with federal government priorities, including economic development goals, climate change mitigation, proliferation of broadband infrastructure to remote communities, and transitioning Nunavut to the era of carbon pricing.

The Project also promotes Canada’s doctrine of ‘Arctic sovereignty’. Connecting the Kivalliq communities to the Manitoba grid will provide reliable, clean power and stimulate economic development, especially in the mining sector. Bringing highspeed, fibreoptic connectivity to the region is also vital for commerce and the provision of government services. The Project will help create strong, prosperous communities and a sustainable Canadian presence in the Arctic, a critical component of the nation’s overall security. The Project also empowers Indigenous peoples as part of an ongoing reconciliation process, bringing the Inuit ‘into the boardroom’ in a new manner.

F. Project Champions

The Kivalliq Inuit Association fully endorses the Project on behalf of its community membership and is the leading partner in its development. Mining companies hoping to control costs in the face of the looming rise in the carbon price, and the towns of Churchill and Gillam – probable logistics hubs for construction – also have an interest in moving off diesel toward sustainable hydroelectricity through the completion of the Project. Manitoba Hydro and QEC have strong commercial reasons to support the Project. Labour and environmental stakeholders likewise see that the Project provides long-term economic and environmental benefits. Finally, the government of Manitoba will have a strong interest in the eventual completion of the Project.

G. Timeline

A potential timeline for the development of the Project includes the following major milestones:

- 1) Winter 2019-20 – Exploratory MOUs with QEC, Manitoba Hydro and Agnico
- 2) December 2020 – Detailed engineering as well as signing of term sheets/development of sales agreements
- 3) December 2021 – Financial close and completion of procurement activities
- 4) 2022-24 – Construction
- 5) March 2025 – Project commissioning

H. About the Partners

The Kivalliq Inuit Association is a fully elected body which represents the interests of all Inuit in the Kivalliq region, acts as an advocacy group and administers provisions of the Nunavut Final Agreement. The KIA's mission is to represent, in a fair and democratic manner, Inuit of the Kivalliq region in the development, protection, administration, and advancement of their rights and benefits as an Indigenous people; as well as to promote their economic, social, political, and cultural well being through succeeding generations. Please visit www.kivalliqinuit.ca.

Anbaric creates and builds the electric businesses of the future. Anbaric's financial partner is the Ontario Teachers' Pension Plan. With a focus on transmission and distributed energy, Anbaric creates new entities that transform old energy systems into more effective and resilient ones with an emphasis on clean energy. Please visit www.anbaric.com.

I. Conclusion

The Kivalliq Inuit Association and Anbaric look forward to providing leadership to drive forward the development of the **Kivalliq Hydro-Fibre Link** Project. Ultimately, the Government of Canada will play a pivotal role in deciding whether the Project will move forward. This decision rests in large part on the longer-term considerations enumerated herein. The immediate needs of the Kivalliq Inuit are also significant: three of the five communities must replace their diesel generators in a tight time period, Nunavummiut are anxious to transition off fossil fuels to reduce greenhouse gas emissions, and the price on carbon will harm already fragile community economies in Nunavut. Major investments in infrastructure are the only way to create long-term viability, stability, and prosperity for the region while decreasing emissions in the interest of fighting climate change.

For more information, please visit: www.kivalliqlink.com.