

**KIVALLIQ
HYDRO-FIBRE
LINK**

Written Submission for the Pre-Budget Consultations in Advance of the
Upcoming Federal Budget

SUBMITTED BY:

KIVALLIQ INUIT ASSOCIATION AND ANBARIC DEVELOPMENT PARTNERS

TO THE:

HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE



August 7, 2020

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 Kivalliq region of Nunavut.

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

B. Brief Background 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. An initial “Proposal for Cooperation” was co-signed by the Kivalliq Inuit Association and Anbaric Development Partners (Anbaric) in July 2018 with a binding development “Memorandum of Understanding” (“MOU”) signed in July 2019. An updated MOU, including Sakku Investments Corporation, the Ontario Teachers’ Pension Plan as well as the Canada Infrastructure Bank is currently being discussed. The Kivalliq Inuit Association and Anbaric (collectively, “the Proponents”) have also completed important, preliminary engagement efforts with Indigenous groups in northern Manitoba with interest in the Project.

A \$1.6 million CanNor award granted to the Kivalliq Inuit Association in February 2019 has helped to advance the feasibility process, yielding dozens of technical and financial feasibility reports. The findings demonstrate that the Project will complement and reinforce Canada’s climate action and broadband strategy while simultaneously helping the government of Nunavut and local communities achieve their economic development objectives. At present, electrical power in Nunavut is derived entirely from diesel generation, which is both highly emitting of greenhouse gases and requires significant federal subsidies. Diverting the current subsidy into an investment in clean energy infrastructure will create a new, permanent platform for the trade of renewable power in the region and facilitate clean growth – especially in the natural resources sector. 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. This infrastructure solution will in turn reduce the government of Canada’s financial risks over the long-term.

A socioeconomic study conducted with PricewaterhouseCoopers (PwC) in 2020 found the following cost-savings results to various levels of government, based on a 50-year projection period for the Project:

	Undiscounted savings over Projection Period	NPV from 2027 at 5% discount rate
QEC power plant construction	150	38
QEC sustaining capital expenditure	143	52
QEC operational and maintenance expenditure	1,361	397
QEC total	1,653	488
PPD fuel provision	246 to 301	78 to 96
Health care savings from averted medical travel	304 to 759	100 to 250
Manitoba Hydro revenue	1,421 to 1,989	633 to 886
Tax revenue associated with construction and operation	691	343
Total	4,315 to 5,394	1,641 to 2,062

Figure 1 - Summary of government cost impacts (\$ millions)

The findings of the PwC study outline various other cost-savings related to the government social cost of carbon metrics. **This projection helps the Proponents project a payback period for the federal government of less than 20 years.**

Importantly, the Project advances objectives outlined in the Arctic Policy Framework. The Project 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 economic development in the Arctic. The Project would also open a new long-term market opportunity for Manitoba Hydro and help accomplish northern development goals for the province of Manitoba. **Most important of all, the Project promotes social equity and advances reconciliation between the Inuit beneficiaries of the Kivalliq region and the government of Canada.**

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.** In February of 2020, the Canada Infrastructure Bank (CIB) signed an initial memorandum of understanding for advisory services with the Proponents. The CIB is currently in negotiation with the proponents to deepen its involvement in the development process.

C. Kivalliq Intertie Preliminary Technical Overview

The Project is designed to serve as the ‘electric backbone’ of the Kivalliq region, providing clean power to



Figure 2 - Preliminary Project Route

communities and meeting current and future industrial demand in this resource-rich area of Nunavut (see map in Figure 2). The Project proponents are currently assuming a total of 1,200km of transmission run, starting just outside the Keewatinohk converter station near Gillam, Manitoba and terminating in Baker Lake, Nunavut. The Project base case involves ~600km direct current (DC) link between the Keewatinohk converter station and one based outside of Arviat, NU with a ~600km of high voltage alternating current (AC) transmission line running between there and Baker Lake. The five targeted Kivalliq communities and adjacent mines will be served by ~370km of lower voltage ‘feeder’ lines.

This preliminary route could change as Manitoba Hydro, Manitoba First Nations, the Manitoba Métis Federation, the Kivalliq Inuit Association and others begin more in-depth development discussions.

D. A Preliminary View of the Development Pathway

The end-goal of the Proponents is to execute a power sales agreement between the supplier, Manitoba Hydro, and the prospective anchor customers of Quilliq 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 programming and a capital grant to support the Project. The capital grant will improve the Project's internal rate of return and thus attract private sector investment and commercial debt. 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 QEC 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.

Current development work remains focused on refining cost assumptions in collaboration with the CIB, as well as laying out a permitting and construction strategy and continuing engagement work with communities. The due diligence process with the CIB will lead to re-engagement with the government of Canada around development funding for the project in the autumn of 2020, with the aim of a formal announcement in the 2021 Federal Budget.

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

The Project aligns with federal government priorities as laid out in the Arctic Policy Framework, including economic development goals, climate change mitigation, proliferation of broadband infrastructure to remote communities, and transitioning Nunavut to the era of carbon pricing. This will be Nunavut's first infrastructure link to the rest of Canada and is thus a nation-building effort for Inuit and Canadians.

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. As mentioned above, the Project also empowers Indigenous peoples as part of an ongoing reconciliation process.

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. Its work is supported by the territorial and national Inuit organizations, Nunavut Tunngavik Inc. and Inuit Tapiriit Kanatami, respectively. Agnico Eagle Mines as well as prospectors and developers 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 and operations of the Project – also have an interest in 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 has a strong interest in the eventual completion of the Project.

G. Timeline

The prospective timeline for the development of the Project includes the following major milestones:

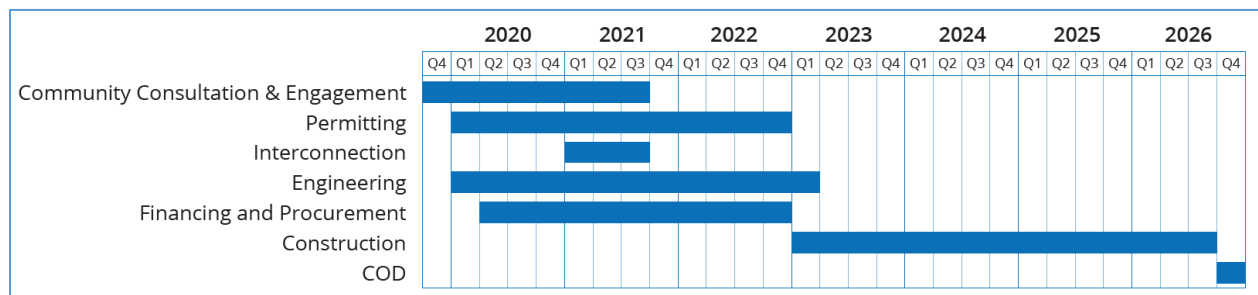


Figure 3 - Project Timeline

H. About the Partners

The Kivalliq Inuit Association is an 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 Kivalliq Inuit Association'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 required to develop, finance, build and operate 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 above. The immediate needs of the Kivalliq Inuit are also significant: three of the five communities must replace their diesel generators in the near-future, 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. Nunavut's fiberoptic deficit is also acutely felt during the COVID-19 pandemic. 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.ca.