

# Cost Estimate of Election Campaign Proposal

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Short title: Territorial Resource Revenues

Description: The governments of Northwest Territories, Yukon and Nunavut will be entitled to 100 percent of the natural resources that they collect by 2027-28.

Starting in 2024-25, the percent of resource revenues that the territories get to keep should be the greater of:

1. 10 percent in 2024-25, 40 percent in 2025-26, 70 percent in 2026-27, and 100 percent in 2027-28;
2. Resource revenues under the current agreement structure (outlined below).

Currently, the Government of Northwest Territories is entitled to 50 percent of the revenues from their natural resources, up to a maximum amount of 5 percent of their Gross Expenditure Base, as determined by the Territorial Financing Formula (TFF). The Government of Yukon is entitled up to \$6 million of its resource revenues (or if it decides otherwise it could also have the same arrangement as the NWT). The Government of Canada deducts its share of the resource revenues from the TFF Grant.

The Government of Nunavut does not yet have a devolution agreement with the Government of Canada, but it has signed an agreement-in-principle on August 15, 2019<sup>1</sup>. The federal government currently has an agreement with the Inuit of the Nunavut Settlement Area (The Nunavut Agreement), whereas the Inuit receive fifty percent of the first \$2 million of resource revenues received by the Government of Canada in that year, and 5 percent of any additional resource revenues received by the federal government in that year thereafter. These amounts are paid to the Nunavut Trust, which is managed by Nunavut Tunngavik Incorporated (NTI).

Operating line(s): Territorial Financing Formula and other revenues

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<sup>1</sup> On August 15, 2019 the Government of Canada, the Government of Nunavut and Nunavut Tunngavik Incorporated signed an agreement-in-principle (API). The API is not legally binding but outlines the main elements to be included in a final agreement. The intent is to complete a devolution agreement in two years, and to complete the drafting of the legislation needed to bring devolution into effect within five years. The cost estimate is based on the current in-effect agreements with the three territories.

Data sources:	<u>Variable</u>	<u>Source</u>
	Yukon Resource Revenues	Yukon Public Accounts and Main Estimates
	NWT Resource Revenues	NWT Public Accounts and Main Estimates
	NTI Mineral Resource Income	Nunavut Tunngavik Incorporated (NTI) Annual Financial Statements
	Mineral and Metals Price Index	PBO projections

Estimation and projection method:

Yukon, NWT and NTI's resource revenues (as reported in their annual financial statements) were used to estimate the potential cost to the federal government, based on their respective revenue sharing agreements with the federal government.

Going forward, resource revenues were grown with PBO's Mineral and Metal Price Index projection.

Uncertainty assessment:

The estimate has high uncertainty as resource production and royalties are highly volatile.

### Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	-	-	-	-	8	56	116	184	187

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost