NOTE: THE ENGLISH VERSION IS THE AUTHORITATIVE VERSION OF THE REPORT

Petroleum Products Division

Transportation and Infrastructure Nunavut

Annual Report 2022-2023

Petroleum Products Division

TABLE OF CONTENTS

ABOUT THE REPORT

This document contains the annual report of operations for the Petroleum Products Division, Department of Transportation and Infrastructure Nunavut, Government of Nunavut, for the period of April 1, 2022, to March 31, 2023.

The report includes the following components:

- Annual Report: Provides a comprehensive overview of the Division's activities and achievements during the fiscal year.
- Consolidated Financial Statements: These statements pertain to the Petroleum Products Revolving Fund and offer a consolidated view of its financial performance and position.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), as recommended by the Public Sector Accounting Board of Canada.

List of Acronyms

API	American Petroleum Institute
AVOP	Airside Vehicles Operators Permit
CEPA	Canadian Environmental Protection Act
TIN	Transportation and Infrastructure Nunavut
GoGS	Cost of Goods Sold
CRF	Consolidated Revenue Fund
DM	Deputy Minister
EPCO	Environmental Protection Compliance Order
FMB	Financial Management Board
GN	Government of Nunavut
GST	Goods and Services Tax
L	Litres
NYMEX	New York Mercantile Exchange
PHC	Petroleum hydrocarbons
PPD	Petroleum Products Division
PPRF	Petroleum Products Revolving Fund
PPSF	Petroleum Products Stabilization Fund
PSAS	Public sector accounting standards
PwC	PricewaterhouseCoopers
WA	Weighted Average
WHMIS	Workplace Hazardous Materials Information System

CORPORATE OVERVIEW

Key Responsibilities

The Petroleum Products Division (PPD), hereafter referred to as "the Division", plays a pivotal role in supporting Nunavut's communities by ensuring safe, reliable access to essential fuels. Here's how we deliver on this mandate:

1. **Fuel Supply and Distribution**
   PPD oversees the purchase, import, storage, sale and distribution of gasoline, diesel, Jet A-1, and packaged products such as naphtha and avgas across Nunavut's 25 communities. The Division ensures uninterrupted fuel access through bulk resupply, local delivery contracts, and efficient sales and billing processes, even in the face of extreme logistical and environmental challenges.

2. **Infrastructure Management**
   PPD operates, maintains, inspects, and upgrades fuel storage and distribution infrastructure to meet the growing needs of Nunavut's communities. This work includes rigorous maintenance schedules, compliance with evolving regulations, and the development of infrastructure tailored to Arctic conditions.

3. **Outsourced Partnerships**
   The division contracts and trains service providers that are responsible for fuel distribution. By managing these partnerships, PPD ensures effective fulfillment of its mandate to distribute fuel across the entire territory.

4. **Environmental Stewardship**
   PPD addresses environmental hazards such as spills in full compliance with regulations and operates a land farm to remediate petroleum-contaminated materials. Training for contractors emphasizes environmental safety, protection, and sustainability, ensuring long-term stewardship.

By fulfilling these key responsibilities, the Petroleum Products Division (PPD) contributes to the efficient and sustainable management of refined petroleum products in Nunavut, ensuring the needs of communities are met while maintaining environmental safety and compliance.

Petroleum Products Revolving Fund

The Petroleum Products Revolving Fund (PPRF), hereafter referred to as "the Revolving Fund", supports the Petroleum Products Division (PPD) with managing the financial demands of its operations, including purchasing, transporting, storing, and distributing fuel across Nunavut. Unlike most government operations, PPD's expenses are not covered by appropriated budgets but must instead be recovered through revenues from petroleum product sales.

Operating under the Government of Nunavut *Revolving Funds Act,* the Revolving Fund provides working capital for fuel procurement, inventory, accounts receivable, operating expenses, and applicable taxes. The Revolving Fund authorized limit was set at $250 million during the entire fiscal year of this report, representing the maximum amount PPD can borrow to support its activities. However, on November 9, 2023, the authorized limit was increased to $350 million.

Bulk fuel costs, influenced by volatile global markets, are PPD's largest and most unpredictable expense. External factors, such as international conflicts, natural disasters, and currency rates, can cause price fluctuations, impacting expenditures. The Revolving Fund enables PPD to secure the necessary financial resources to manage these challenges and ensure uninterrupted fuel supply operations.

By law, PPD must recover advances from the Revolving Fund through fuel sales, ensuring sustainable and accountable financial management.

Petroleum Products Stabilization Fund

The Petroleum Products Stabilization Fund (PPSF) serves as a mechanism for aggregating the profits and losses of the Revolving Fund, functioning similarly to a retained earnings account in private-sector financial statements. It enables the Revolving Fund to still aim for a medium-term breakeven objective, without the need to achieve breakeven every year. In this regard, the PPSF plays a key role in stabilizing fuel prices for Nunavummiut. By absorbing cost fluctuations, the PPSF minimizes the need for frequent retail price adjustments caused by the volatility of global oil and refined petroleum product prices.

While the Revolving Fund is mandated under the Revolving Funds Act to operate on a "break-even" basis, the PPSF was specifically established to provide a financial buffer. The PPSF operates within a defined range of +/- $20 million. If it exceeds the negative limit, the Government of Nunavut (GN) must provide additional funding through a supplementary appropriation. Conversely, if it surpasses the positive limit, any surplus is returned to the GN.

Together, the Revolving Fund and the PPSF ensure PPD can effectively manage financial risks while maintaining consistent and predictable fuel pricing for the residents and businesses of Nunavut.

KEY HIGHLIGHTS IN 2022-23

Upgrade to PPD's Legacy Technologies

The Petroleum Products Division identified a Business Plan priority to conduct a needs assessment for the upgrade and replacement of PPD's legacy back-office software. In late in 2022-23, the Division completed its business case for implementing a modern enterprise fuel management system. This initiative aims to replace outdated legacy technologies, including back-office systems, point-of-sale solutions, and on-board truck sales systems used in Nunavut's communities.

The proposed upgrade is critical to addressing inefficiencies in existing systems, which have been in operation for decades and no longer meet the demands of PPD's complex fuel management and distribution activities. The new system will streamline processes, reduce manual tasks, and improve reporting and forecasting capabilities, ensuring PPD can continue to deliver safe and reliable fuel services across the territory.

Modernization Goals

The business case identifies several key areas for improvement through the adoption of a modern enterprise application:

- Inventory Management – Automating inventory processes will eliminate reliance on spreadsheets and manual calculations, improving accuracy and efficiency.
- Reporting and Forecasting – Enhanced reporting capabilities, including dashboards and historical data analysis, will support information-based decision-making and improve accuracy with resupply planning.
- Transaction Management – Integration of sales data will reduce manual reconciliation and improve the monthly financial closing process.
- Operational Efficiency – Upgrading in-truck printing systems and digitizing manual forms and approval processes will reduce costs and administrative burdens.
- Financial Management – An integrated system will enhance cash flow oversight, credit management, and contractor commission reconciliation, thus improving overall financial controls.

With the completion of the business case, PPD will proceed with initiating the procurement process to identify the best solution for the new system. This modernization effort reflects PPD's commitment to continuous improvement, ensuring the Division remains equipped to handle the evolving demands of fuel management and distribution in Nunavut's unique operating environment.

Retail Price Adjustments

Retail fuel prices increased on April 1, 2022, in conjunction with the Federal Government carbon tax escalation. Later in the year, on December 4, 2022, the Financial Management Board (FMB) approved a retail price increase of $0.20 per litre across all bulk fuel products.

This adjustment was necessary to address the substantial rise in fuel costs during 2022 compared to the previous year. In 2021, PPD was able to secure a significant portion of its fuel at historically low prices due to market conditions during the pandemic. However, the increased costs in 2022, driven by global market volatility and rising crude oil prices, necessitated this retail price correction to align with the higher procurement costs.

PPD Restructuring Review and Analysis

In 2018, PPD began assessing its organizational and corporate structure to address business growth, regulatory pressures, health and safety requirements, and financial challenges such as hidden subsidies to the PPRF. This work culminated in a comprehensive options analysis in 2020-21, which explored potential structural changes, including forming an independent petroleum commission, merging with Qulliq Energy Corporation, or establishing a standalone crown corporation.

In Fall of 2021, Bill 52 was introduced to implement the option of creating an independent petroleum commission. The Bill was defeated by the Legislative Assembly; however, the analysis provided valuable insights into PPD's operational challenges and opportunities.

In 2022-23, PPD built upon the foundational work of the analysis and explored solutions for concerns raised by MLAs during discussions of Bill 52. With growing regulatory demands, increased sales, and rising operational risks, the Division is continuing to evaluate the need for corporate and structural changes. Amid notable financial pressures in 2022–23, and with persistent regulatory and capital challenges, structural change is increasingly viewed as necessary to support PPD's long-term sustainability, agility, and accountability.

PPD remains committed to ensuring it can deliver reliable fuel services to Nunavut's communities safely and efficiently while adapting to the complex and evolving demands of its operating environment.

FUEL SUPPLY AND DISTRIBUTION

The Petroleum Products Division (PPD) is at the core of Nunavut's fuel supply chain, ensuring residents, businesses, and organizations have access to essential fuels. Operating in one of the world's most logistically challenging regions, PPD oversees the procurement, transportation, storage, sale and distribution of refined petroleum products to meet the territory's diverse energy needs.

During the summer / fall 2022 fuel resupply, PPD completed the fifth year of its five-year agreement with AV Nunavut Fuels and Woodward's Oil Limited. Established in March 2018, this partnership has been instrumental in sustaining fuel supply operations across the territory. Key innovations introduced under the agreement include improved fuel pricing methods, the addition of three new tankers to the supplier's fleet, and the adoption of a single, Nunavut-wide agreement, replacing separate regional contracts. These measures have significantly enhanced the reliability and efficiency of supply, marine transportation and delivery.

To maintain stability and continuity, in the fall of 2022, PPD exercised the first of two optional one-year extensions under the agreement. This decision ensures that AV Nunavut Fuels and Woodward's Oil Limited will continue to supply and transport fuel during summer / fall 2023, further supporting PPD's mission to deliver reliable energy solutions across Nunavut.

Looking ahead, PPD is dedicated to refining its operations and strengthening its supply chain to meet the evolving needs of Nunavut's communities. The Division will continue balancing operational challenges with its mandate to provide safe, efficient, and sustainable fuel distribution in Nunavut.

Annual Bulk Fuel Resupply

During the ice-free season, spanning from July to November, Nunavut engages in the importation of petroleum products to meet the energy requirements of its communities. These products are stored in strategically positioned bulk fuel facilities in each community, ensuring a reliable supply throughout the peak winter months. Given the critical nature of this resupply period in maintaining sufficient fuel reserves, the active participation of PPD staff is indispensable in supervising the operation across the territory.

PPD staff members play a crucial role in the shore-side operations during the summertime resupply season. They oversee the process of filling tanks and conduct rigorous testing and certification of the fuel. This collaborative effort involves close coordination with the vessel's crew members, who handle the marine transportation aspect. Additionally, PPD works in partnership with an independent marine surveyor, Intertek Testing Services Canada Ltd., to ensure compliance and quality assurance throughout the entire process.

In the fiscal year 2022-23, PPD successfully resupplied Nunavut's communities with approximately 216.5 million litres of petroleum products, marking an increase of about 22.6 million litres, or an 11.7% increase over the previous year. This rise in imports can be attributed to several factors, with the most significant being the economic rebound following the COVID-19 pandemic. The recovery led to a sharp increase in demand for Jet A-1 fuel, reflecting increased air traffic and transportation needs.

Additionally, a notable, though less pronounced, increase in diesel imports, driven by heightened commercial and industrial activity across the territory.

Timing of Fuel Purchases

PPD's fuel supply agreement provides three pricing options, offering flexibility to adapt to changing market conditions:

1. **Early Price Setting**: PPD has the option to lock in fuel prices between November 1 and March 31 through futures contracts or by arranging physical delivery and storage in southern tankage.
2. **Deferred Price Setting**: Prices are determined based on the bill of lading date using a three-day average. This option applies to tankers loading outside Canada, enabling price locking during the voyage.
3. **Load Port Pricing**: The option involves paying the market rate at the time of loading from the refinery. Prices are calculated using the New York Mercantile Exchange (NYMEX) New York Harbor Ultra-Low Sulfur Diesel Futures Settlements averaged over three trading days, adjusted for currency conversion to Canadian dollars.

For the 2022 resupply season, PPD predominantly used the early price setting option, securing approximately 192.5 million litres of fuel—or 89% of its total supply—through futures contracts. Of these purchases, 99 million litres were secured in late November and early December 2021, when West Texas Intermediate (WTI) oil prices averaged around $70 per barrel. An additional 45 million litres of diesel were purchased in early February 2022, with WTI trading at approximately $90 per barrel.

By March 2022, WTI spiked to over $120 per barrel following the Russian invasion of Ukraine, with prices remaining elevated through the spring and summer, fluctuating between $95 and $120 per barrel. Without early futures contracts, PPD would have been required to use the deferred price setting or load port pricing options, leading to significantly higher costs for its fuel purchases.

This underscores the strategic value of futures contracts mitigating cost risks during periods of price volatility. However, PPD's ability to secure larger volumes through futures contracts is constrained by the upper limit of the Petroleum Products Revolving Fund (PPRF), which the Division is required to adhere to.

Fuel Source Location

PPD sources its fuels from a range of locations, including refineries on the East Coast of Canada, the United States, and occasionally from overseas markets. The source location varies annually and depends on several critical factors, including market availability, price competitiveness, and product specifications. Gasoline is often procured from Canadian markets, while Jet A-1 and diesel are primarily sourced from U.S. refineries.

The choice of source location is heavily influenced by global supply and demand dynamics in commodities markets. For example, fluctuations in crude oil benchmarks, such as West Texas Intermediate (WTI) and Brent Crude, regional refinery output, and logistical constraints all play a role. PPD's supplier, often working with a commodities broker or trading house such as Glencore, evaluates these factors to optimize procurement. Considerations include freight costs, access to high-spec gasoline for Arctic conditions, and geopolitical or market risks associated with certain regions.

In the fiscal year 2022-23, all bulk fuel products—gasoline, diesel, and Jet A-1—were sourced from the United States. This decision reflected the favorable combination of product availability, pricing, and logistical efficiency offered by U.S. refineries during that period. Once sourced, the fuels were transported to the supplier's facilities in Newfoundland via medium-range tankers. From there, they were transferred to ice-class tankers for delivery to Nunavut.

To ensure quality, rigorous testing protocols are in place at every stage of the supply chain. Third-party surveys are conducted at the load port to confirm the fuel meets contract specifications. Additional testing is performed during offloading at Newfoundland facilities, with further laboratory analysis carried out by a third-party quality control contractor. These measures ensure that the fuel complies with stringent Arctic-grade standards required for storage, distribution, and use in Nunavut's extreme climate.

By leveraging diverse source locations and maintaining meticulous quality assurance processes, PPD ensures a reliable supply of high-quality fuel while navigating the complexities of global commodities markets.

Fuel Transportation

The current supplier operates a fleet of four state-of-the-art ice-class tankers that are specifically designed to deliver petroleum products to the communities in the Canadian Arctic. The tankers are as follows:

1. Qikiqtaaluk W. - A Canadian-flagged vessel, built in 2011, with a capacity of 21,680 cubic meters.
2. Kitikmeot W. - A Canadian-flagged vessel, built in 2010, with a capacity of 21,680 cubic meters.
3. Kivalliq W. - A Canadian-flagged vessel, built in 2004, with a capacity of 16,080 cubic meters.
4. Tuvaq W. - A Canadian-flagged vessel, built in 2012, with a capacity of 8,554 cubic meters.

These tankers are purpose-built to operate in Arctic conditions and possess the following notable features:

- They are fully double-hulled ice-class vessels, ensuring enhanced safety.
- The tankers are equipped with heated enclosed cargo dumping arrangements, enabling operations even at extreme temperatures as low as -40 degrees Celsius.
- The main engines are powerful enough to operate continuously in fast ice up to 0.5 meters thick without any external assistance.
- State-of-the-art navigational and communication equipment is installed on board, ensuring safe navigation in challenging environments.
- Specialized towing arrangements are in place to facilitate icebreaker towing assistance during multiyear solid ice conditions.
- A modern electronic pumping and gauging system is utilized, which enhances safety during petroleum transfer operations.
- The tankers are staffed by highly experienced employees, ensuring the presence of competent personnel on board.

The supplier is responsible for all marine transportation and delivery of bulk refined fuels to the communities. During transportation, abbreviated testing of the fuel is conducted to ensure that it remains within specifications. Products are transferred from ship to shore using a floating hose, typically with a diameter of 4 inches. The distance between the ship and shore typically varies from 200 to 1,500 meters.

The shore manifold and pipelines connecting the bulk fuel storage facilities are owned by the GN and maintained by PPD. The responsibility for resupply operations from the shore manifold into GN tank farms lies with PPD employees, typically PPD officers, who receive assistance from the staff of the local fuel delivery contractor.

During the 2022-23 fuel resupply season, Kimmirut was the first community to receive its delivery on July 1st. The supplier's vessel, Kivalliq W., delivered approximately 1.55 million litres of gasoline and diesel. The resupply season lasted five months and concluded later than usual, with Iqaluit receiving its final deliveries on December 9th. Throughout the 2022-23 season, PPD continued to operate under COVID-19 protocols to mitigate the risk of virus transmission within communities. These measures included prohibiting PPD officers from boarding tankers and restricting the supplier's and Intertek crew members from entering communities. As occurred in 2020 and 2021, these precautions added complexity to the resupply process and required significant use of charter services to facilitate the timely transfer of PPD officers between communities while avoiding demurrage fees with the marine carrier.

Fuel Sales and Distribution

Petroleum products are distributed in 24 Nunavut communities through local fuel delivery contractors. These contractors are responsible for operating the bulk fuel storage facilities and providing fuel sales and delivery services to customers paying with both cash and credit. They are compensated based on a per-litre commission structure. While the ownership of tank farms, dispensing units, and fuel delivery trucks remains with PPD, the actual sale and delivery of fuel within the communities are handled by the contracted local fuel providers. The agreements between PPD and the contractors have a duration of ten years, with most of them expiring on October 31, 2026. With a few communities having agreements expiring a year later, on October 31, 2027. All agreements include the option to renew for an additional year.

In Iqaluit, the fuel delivery agreement differs slightly from other communities. In Iqaluit, the GN-owned bulk fuel facilities are leased to a private operator, Uqsuq Corporation. The private operator purchases fuel from the GN during the resupply period and assumes responsibility for all aspects of sale, delivery, billing, as well as the operation and maintenance of the bulk fuel storage facility. The lessee owns a fleet of home heating tankers that cater to all consumers in the City. They also possess tankers necessary for transferring gasoline and diesel in bulk to third-party retailers who establish their own prices and sell fuel to consumers within the city. It is important to note that while private retailers determine the price of fuel for gasoline and diesel used in automotive purposes, the GN sets the prices for fuel sold in bulk to the retailers. Furthermore, the GN establishes the prices for all other fuels sold by Uqsuq Corporation directly to homeowners, businesses, and airlines.

PPD provides onboarding training for all new fuel delivery contractors at no cost to the contractor. This initial training is provided to contractor employees responsible for fuel delivery. Training generally covers aspects such as fuel handling, aviation fuel handling, petroleum product inventory, product sampling, tank farm and dispensing facility inspections, response to and reporting fuel spills. Also, training covers sales, volumes reporting and cash management. Generally, PPD sends its operation officers to carry out this training. In June 2022, PPD signed a new fuel and delivery services agreement with Hall Beach Eskimo Co-op and employees of this entity were trained as part of the onboarding for the contract. Refresher training sessions, with a particular focus on aviation fuel, were also held. Costs for these

training sessions are borne by the contractors, unless they are pre-approved by PPD. Most of these refresher sessions were held for contractors who are members of Arctic Co-op network, who initiate and coordinate the sessions.

FUEL SUPPLY PURCHASE

Early Price Setting

Under the supply and transportation agreement, PPD has the option to direct the early purchase of petroleum products using futures contracts, subject to the availability of funds in the Petroleum Products Revolving Fund (PPRF). These contracts allow PPD to lock in current prices for delivery at a future date, offering strategic advantages in managing costs and ensuring operational stability.

Early price setting is conducted between December and March, ahead of the annual resupply season. This approach provides several potential benefits:

- Sourcing Winter-Grade Fuel – Procuring fuel during winter months aligns with the production cycles for winter-grade fuel, potentially supporting availability for Arctic conditions.
- Seasonal Price Trends – Historically, petroleum prices during winter months have often been lower than in summer. While this is not guaranteed, early purchases during periods of lower prices can reduce costs.
- Improved Budgeting – Locking in fuel prices early enables PPD to recommend retail prices to the Financial Management Board (FMB) based on predictable input costs for the upcoming fiscal year. This supports the Division's break-even mandate.

PPD's decision to utilize futures contracts or defer purchases also depends on market structures, specifically contango and backwardation.

Contango – When futures prices are higher than spot prices, it reflects storage costs and anticipated price increases. In such conditions, PPD may opt to wait and purchase later if spot prices are expected to decline in order to avoid unnecessary costs from locking in higher futures prices.

Backwardation – When futures prices are lower than spot prices, it suggests strong immediate demand or supply constraints. In this scenario, early price setting through futures contracts can be advantageous, locking in lower prices and shielding PPD from further price increases.
By carefully assessing these market structures alongside logistical and financial considerations, PPD seeks to optimize its purchasing strategy. For example, when global conditions such as geopolitical instability or supply chain disruptions create volatility, early price setting provides a hedge against uncertainty, ensuring fuel procurement at manageable costs.

Balancing Risk and Operational Needs

While early price setting offers significant advantages, it also requires sufficient liquidity within the Revolving Fund to finance large advance purchases. Without these funds, PPD may need to rely on other pricing options, potentially exposing the Division to higher costs during the summer resupply season.

By leveraging early price setting and analyzing market trends, PPD balances cost management, operational certainty, and its mandate to deliver safe, reliable, and efficient fuel services to Nunavut's communities.

Timing of Fuel Purchases and Relative Savings

PPD's strategic approach to fuel procurement in prior years helped mitigate costs during volatile periods. In the 2021-22 fiscal year, PPD leveraged early purchases through futures contracts to secure petroleum products at historically low prices, benefiting from the economic slowdown caused by the COVID-19 pandemic.

In March and September of 2020, PPD procured 100 million litres of diesel at record-low prices, blending the cost per litre to $0.4955. These early purchases contributed to significant savings compared to the previous year's blended cost of $0.6517 per litre. Similar strategies for gasoline and Jet A-1 ensured lower costs for the 2021 delivery season, maintaining stable fuel prices for Nunavut during 2021-22.

Summary of Early Purchases for the 2021-22 Resupply Season

Date	Product	Volume	Price (L)	
2020-03-25	Diesel	50,000,000	$	0.5318
2020-09-11	Diesel	50,000,000	$	0.4591
2021-01-10	Gasoline	23,000,000	$	0.5923
2021-05-07	Jet A-1	34,650,000	$	0.6578
2021-05-18	Diesel	30,000,000	$	0.6971

This proactive strategy contributed to stable and affordable fuel prices for consumers during a period of global economic recovery.

Rising Costs in 2022-23

The fiscal year 2022-23 presented a stark contrast as global events drove oil prices up to unprecedented levels. PPD secured most of its fuel supply before the Russian invasion of Ukraine, locking in prices lower than what could have been obtained later when oil surged to over $120 per barrel. However, these purchases were still significantly higher than those in previous years, with the average cost of fuel increasing across all product categories.

This table highlights the dramatic rise in fuel costs during 2022-23, with Jet A-1 exceeding $1 per litre on average.

Summary of average cost of product resupplied to Nunavut.

Product	2020-21	2021-22	2022-23
P50	$0.65	$0.54	$0.95
Gas	$0.67	$0.63	$0.77
Jet A-1	$0.63	$0.59	$1.03

West Texas Intermediate (WTI) Price of Oil

The table below illustrates the benchmark WTI price of oil for fiscal years 2021-22 and 2022-23. It highlights the dramatic volatility in oil markets, underscoring the challenges PPD faces in managing fuel procurement costs.

For the 2022 resupply season, PPD secured most of its fuel in late November and early December 2021, locking in prices before the sharp increases triggered by the Russian invasion of Ukraine. While these purchases mitigated the impact of subsequent price spikes, the prices were still higher than those secured for the 2021 resupply season, when oil markets were depressed due to the COVID-19 pandemic.

Additionally, the U.S. exchange rate significantly influences the final price paid by PPD, as oil prices are denominated in U.S. dollars.

Oil Price Volatility

Oil prices are inherently volatile, influenced by global events, supply and demand dynamics, and economic conditions. For Nunavut, this volatility poses unique challenges, as PPD must carefully plan fuel procurement and pricing to ensure affordability and reliable supply for communities across the territory.

The past three years have been particularly illustrative of this volatility. In 2020, the COVID-19 pandemic caused an unprecedented collapse in global oil demand. With lockdowns, travel restrictions, and reduced economic activity, oil prices plummeted, even going into negative territory briefly in April 2020 as storage facilities filled up. This represented a staggering deviation from prior years when prices averaged between $50 and $60 per barrel.

Fast forward two years to 2022 and the global oil market experienced an opposite extreme. The Russian invasion of Ukraine in February 2022 triggered a surge in oil prices, driven by fears of supply disruptions from one of the world's largest oil exporters. West Texas Intermediate (WTI) crude oil prices spiked to over $120 per barrel, a sharp increase from the $70–$90 range seen in late 2021. This marked one of

the most significant price increases in recent history and represented a major deviation from the relative stability of previous years.

For Nunavut, these swings had tangible implications. During the pandemic, PPD took advantage of historically low prices, securing fuel for the 2021 delivery season at a significant discount. However, by the 2022-23 fiscal year, the spike in global oil prices due to the Russian invasion of Ukraine made securing affordable fuel far more challenging. PPD was able to mitigate some of these effects by purchasing a significant portion of its fuel supply in late 2021 before prices surged. Still, prices were notably higher than those secured during the pandemic lows.

Methodology Regarding the Timing of Purchases

As mentioned earlier, PPD plays a crucial role in the purchase and importation of fuel from global markets. This process involves carefully evaluating various factors such as price, availability, demand forecasts, timing, risk, and fuel type. Here's a closer look at how PPD conducts its fuel purchases.

1. **Monitor Markets**: PPD staff monitor fuel markets daily, analyzing price information from CME Group. This allows them to track price changes, identify trends, and compare rates to existing PPD products, providing insights into market conditions throughout the year.
2. **Preparation**: By December each year, PPD begins preparing for future fuel purchases. It pays down its debt to the GN, creating room under its authorized limit for the next year's contracts. Demand forecasts are updated, market movements are closely monitored, and advice from fuel supplier is sought to identify market trends and opportunities.
3. **Initiate Purchase**: When PPD has sufficient funds and positive market assessments, the Director informs the departmental Deputy Minister, about the proposed purchase, including volume, price, and fuel type.
4. **PPD Engages Supplier**: With approval from the DM, PPD directs its supplier to initiate a market purchase. Details such as fuel type and purchase amount are provided. The supplier engages a commodities trader, such as Glencore, to broker the contract between the supplier and refiners on an international scale.
5. **Supplier Confirms Purchase**: The supplier informs PPD when the purchase is completed and takes responsibility for acquiring and shipping the fuel to Nunavut.

By diligently evaluating markets, leveraging expert advice, and employing strategic purchasing methods, PPD aims to ensure efficient and cost-effective fuel procurement for the benefit of Nunavut's communities.

Fuel Purchase Risk Management

PPD employs various strategies to manage the financial risks associated with fuel purchasing. Here's an overview of the key aspects.

Use of Futures Contracts: PPD utilizes futures contracts, also known as early purchasing, to secure fuel at known prices in the future. By purchasing the right to acquire fuel at specific prices, PPD ensures a stable supply for Nunavummiut and takes advantage of favorable market conditions. This approach offers flexibility and reduces reliance on spot prices, which can be volatile.

Spreading Out Purchases: PPD mitigates market risk by spreading its fuel purchases over several months, including using the spot price during resupply. This approach acknowledges that it's challenging

to time purchases at the lowest prices. By purchasing in smaller batches, PPD aims to keep prices down on average, adopting a "hedge within a hedge" strategy.

Pricing Medium: PPD shifted its pricing medium from Petro Canada's Montreal Rack Price to NYMEX, North America's foremost wholesale commodities exchange. This transition has resulted in significant annualized savings for the GN, as NYMEX offers lower overall prices.

Conservative Demand Forecasts: PPD manages demand risk by using conservative forecasts. While Nunavut's fuel demand generally grows steadily, unexpected fluctuations can occur. By purchasing most fuel ahead of the season using futures contracts and leaving room for in-season purchases at spot prices, PPD maintains flexibility while ensuring sufficient supply.

Competitive Price Risk: PPD monitors futures prices in the market and works closely with its Supplier to optimize deliveries from southern facilities to Nunavut. This helps address situations where futures agreements may not be available or are unfavorable due to volatile market conditions or uncertainty about future supply and demand.

Default Risk Mitigation: To mitigate default risk, PPD requires its supplier to provide a $90 million demand performance bond, which is renewed seasonally. This ensures that in the event of any contract default, PPD has financial safeguards in place.

By implementing these risk management measures, PPD aims to navigate the challenges of fuel purchasing, reduce price volatility, and ensure a stable supply of fuel for the benefit of Nunavut communities.

PETROLEUM PRODUCTS PROVIDED TO NUNAVUMMIUT

PPD supplies five fuel products to Nunavut communities, catering to their specific needs.

1. **Gasoline**: PPD offers 92 octane premium winter-grade gasoline, primarily used for light vehicles, snowmobiles, and outboard engines.
2. **Jet A-1**: This certified fuel is specifically designed for turbine aircraft use. Jet A-1 also serves dual purposes such as diesel and heating fuel, providing flexibility in inventory management.
3. **Aviation Gasoline (Avgas):** Avgas is available in limited quantities and only in four communities - Rankin Inlet, Iqaluit, Arviat, and Cambridge Bay. Most air traffic relies on Jet A-1, resulting in minimal demand for Avgas. Due to its low demand and short shelf life of one year, there are no plans to expand supply to other communities. The price of Avgas is subsidized by other fuel products.
4. **Diesel**: Ultra-low sulfur diesel is the most widely consumed fuel in Nunavut. It serves various purposes, including heating, powering heavy equipment, aviation, and electricity generation.
5. **Naphtha**: Naphtha is a camping fuel product sold in four-litre containers.

Through the provision of these fuel products, PPD meets the diverse energy requirements of Nunavut communities, supporting transportation, heating, aviation, and recreational needs.

Product Type and Standards

PPD takes proactive measures to ensure the quality and compliance of the fuel it procures for Nunavut. As a voting member of the Canadian General Standards Board, PPD adheres to the stringent standards set for Zone H (Arctic Canada).

To verify the quality of fuel, PPD engages Intertek Testing Services as its third-party fuel quality control testing service provider. Intertek is a globally recognized company specializing in assurance, testing, inspection, and certification. Their expertise assists PPD in ensuring that the fuel meets the required standards at the point of loading and throughout marine transportation. Once the fuel is delivered to each community, PPD conducts further quality checks. Samples are drawn from each tank and sent to Innotech Alberta, a reputable laboratory, for comprehensive analysis and certification of specification.

To provide a comprehensive overview of the specifications for the petroleum products used in Nunavut, please refer to the table below. The table captures important details regarding the fuel's properties and quality standards, ensuring transparency and adherence to regulatory requirements.

Fuel Type CAN/ Canadian General Standards Board Government of Nunavut Variations

PRODUCT TYPE	SPECIFICATION	EXEMPTIONS
DIESEL	CAN/CGSB-3.517-2017 Type A	Low Temperature Operability - Cloud Point -43C Electrical Conductivity - 100pS/m minimum @ 4C Cetane - must meet the engine ASTM D613 engine test
AUTOMOTIVE GASOLINE	CAN/CGSB-3.5-2016	Grade 3, Class D Antiknock Performance - minimum 92 Vapour Pressure - minimum 95kPa Oxygenates - No alcohols, MTBE or other oxygenates allowed
Jet A-1	CAN/CGSB-3.23-2018	Type - Jet A-1 Electrical Conductivity - minimum 250pS/m minimum @ 4C
Naphtha	CAN/CGSB-3.27-2005	
Aviation Gasoline 100LL	CAN/CGSB-3.25-2004	

PETROLEUM PRODUCT PRICING

In recent years, Nunavut's fuel pricing structure has undergone significant changes. Historically, prices were set by the community reflecting individual commission rates and weighted supply/delivery costs. In early 2017, PPD transitioned to regional-based pricing, and by April 2019, a uniform pricing model was adopted for all communities except Iqaluit. This change was introduced to ensure pricing equity and was made possible through a Territory-wide supply and transportation agreement, which standardized shipping costs across all communities.

On April 1, 2022, there was no change to the base price; however, consumer fuel prices increased due to the annual escalation of the federal carbon tax. The last base price adjustment in the 2022-2023 fiscal year occurred on February 6, 2022, when it was raised by $0.08/L, marking the first change since the start of the COVID-19 pandemic.

Following the summer/fall 2022 resupply, which saw landed costs increase significantly compared to the previous year, PPD obtained FMB approval for a $0.20/L retail price increase in December 2022.

The tables on the following page outlines retail fuel prices as of April 1, 2022, and the adjusted prices following the December 2022 increase.

PETROLEUM PRODUCTS DIVISION
RETAIL PRICE LIST
PRICES EFFECTIVE APRIL 1, 2022
(all figures are per litre, except naphtha which is per can)

ALL COMMUNITIES EXCLUDING IQALUIT

Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price
Diesel heating	$1.0269	-	-	$0.1341	-$0.0671	$0.0547	***$1.1487***
Diesel vehicle	$1.0347	$0.0910	$0.0400	$0.1341	-$0.0671	$0.0616	***$1.2944***
Diesel aviation*	$1.3448	$0.0100	$0.0400	$0.1341	-$0.0671	$0.0731	***$1.5349***
Gasoline	$0.9182	$0.0640	$0.1000	$0.1105	-$0.0553	$0.0569	***$1.1943***
Aviation gasoline*	$1.4623	$0.0100	$0.1100	-	-	$0.0791	***$1.6614***
Naphtha (per can)	$7.6110	-	-	$0.4266	-$0.2133	$0.3912	***$8.2155***
Jet fuel*	$1.4699	$0.0100	$0.0400	-	-	$0.0760	***$1.5959***

** Where available*

IQALUIT

Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price
Diesel heating	$0.9642	-	-	$0.1341	-$0.0671	$0.0516	***$1.0828***
Aviation gasoline	$1.3576	$0.0100	$0.1100	-	-	$0.0739	***$1.5515***
Naphtha (per can)	$7.6110	-	-	$0.4266	-$0.2133	$0.3912	***$8.2155***
Jet fuel	$1.4165	$0.0100	$0.0400	$0.0000	-	$0.0733	***$1.5398***

** Retail prices for gasoline and diesel for vehicles in Iqaluit are available at vendor locations*

PETROLEUM PRODUCTS DIVISION
RETAIL PRICE LIST
PRICES EFFECTIVE DECEMBER 4, 2022
(all figures are per litre, except naphtha which is per can)

ALL COMMUNITIES EXCLUDING IQALUIT

Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price
Diesel heating	$1.2269	-	-	$0.1341	-$0.0671	$0.0647	***$1.3587***
Diesel vehicle	$1.2347	$0.0910	$0.0400	$0.1341	-$0.0671	$0.0716	***$1.5044***
Diesel aviation*	$1.5448	$0.0100	$0.0400	$0.1341	-$0.0671	$0.0831	***$1.7449***
Gasoline	$1.1182	$0.0640	$0.1000	$0.1105	-$0.0553	$0.0669	***$1.4043***
Aviation gasoline*	$1.6623	$0.0100	$0.1100	-	-	$0.0891	***$1.8714***
Naphtha (per can)	$7.8110	-	-	$0.4266	-$0.2133	$0.4012	***$8.4255***
Jet fuel*	$1.6699	$0.0100	$0.0400	-	-	$0.0860	***$1.8059***

** Where available*

IQALUIT

Product	Base Price	Nunavut Excise Tax	Federal Excise Tax	Carbon Tax	Nunavut Carbon Rebate	GST	Retail Price
Diesel heating	$1.1642	-	-	$0.1341	-$0.0671	$0.0616	***$1.2928***
Aviation gasoline	$1.5576	$0.0100	$0.1100	-	-	$0.0839	***$1.7615***
Naphtha (per can)	$7.8110	-	-	$0.4266	-$0.2133	$0.4012	***$8.4255***
Jet fuel	$1.6165	$0.0100	$0.0400	-	-	$0.0833	***$1.7498***

** Retail prices for gasoline and diesel for vehicles in Iqaluit are available at vendor locations*

Retail Price Benchmarks

To effectively evaluate the efficiency of Nunavut's fuel program, it is essential to benchmark fuel pricing against Southern Canada. This comparison helps assess price differences over time, providing valuable insights into Nunavut's competitiveness in fuel pricing.

Nunavut's fuel supply and delivery involve additional costs and complexities when compared to Southern Canada. Factors such as Arctic operating conditions and the need for winter-grade and premium fuel products to ensure optimal performance in extreme cold contribute to these challenges.

The benchmarking data compares #2 heating oil and premium unleaded gasoline prices in Southern Canada with #1 ultra-low sulphur diesel and premium gasoline (92 Octane) prices in Nunavut. Despite Nunavut’s higher fuel specifications and associated costs, the data demonstrates that Nunavut has maintained strong price competitiveness relative to Southern Canada.

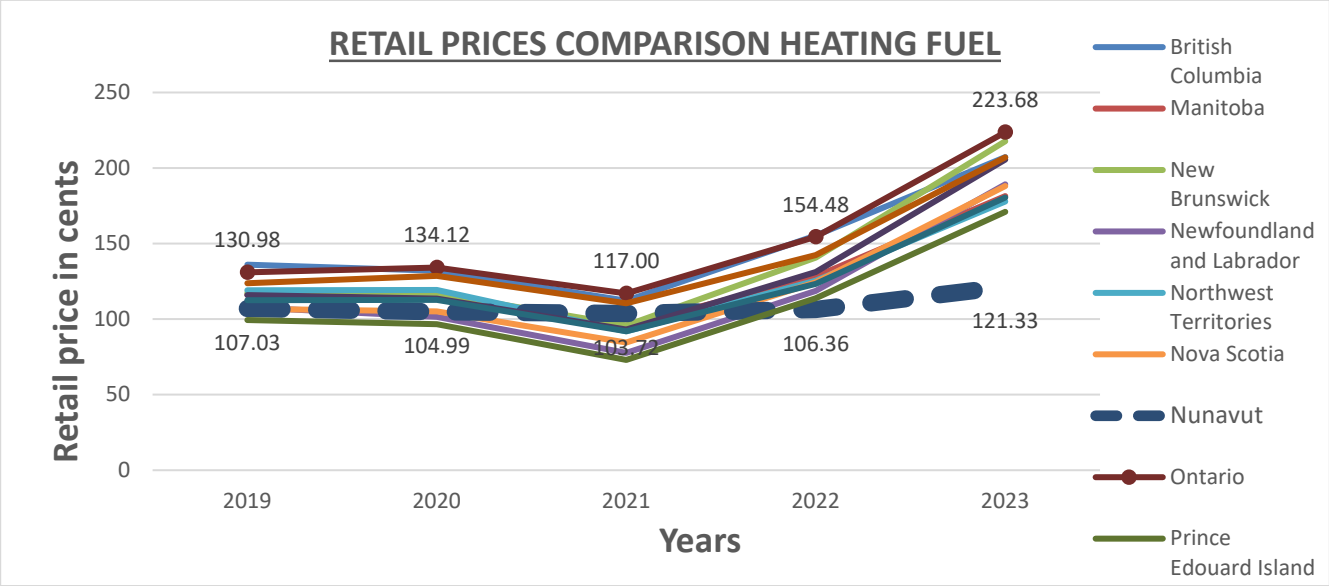
Nunavut experienced a temporary decline in competitiveness in 2020 as fuel prices dropped across Canada due to the COVID-19 pandemic. However, it regained its competitive position in 2021 as global prices rebounded. This lag is due to Nunavut’s need to manage a full year’s worth of inventory before benefiting from declining global refined fuel prices.

Throughout the 2021-22 fiscal year, Nunavut maintained stable fuel prices, helping sustain its competitiveness. However, in 2022, the post-COVID-19 economic recovery led to a surge in demand for refined oil products, driving prices higher. The situation was further exacerbated on February 24, 2022, with the outbreak of war between Russia and Ukraine, disrupting crude oil and refined product supply chains.

As a result, PPD secured its summer/fall 2022 resupply at significantly higher costs than the prior year, with landed costs per litre reaching their highest levels in five years. Despite efforts to keep prices unchanged during and immediately after COVID-19, PPD increased retail prices by $0.20/L in December 2022 to offset rising costs.

Diesel Heating ($ / L) Price Across Canada, 2019 – 2023

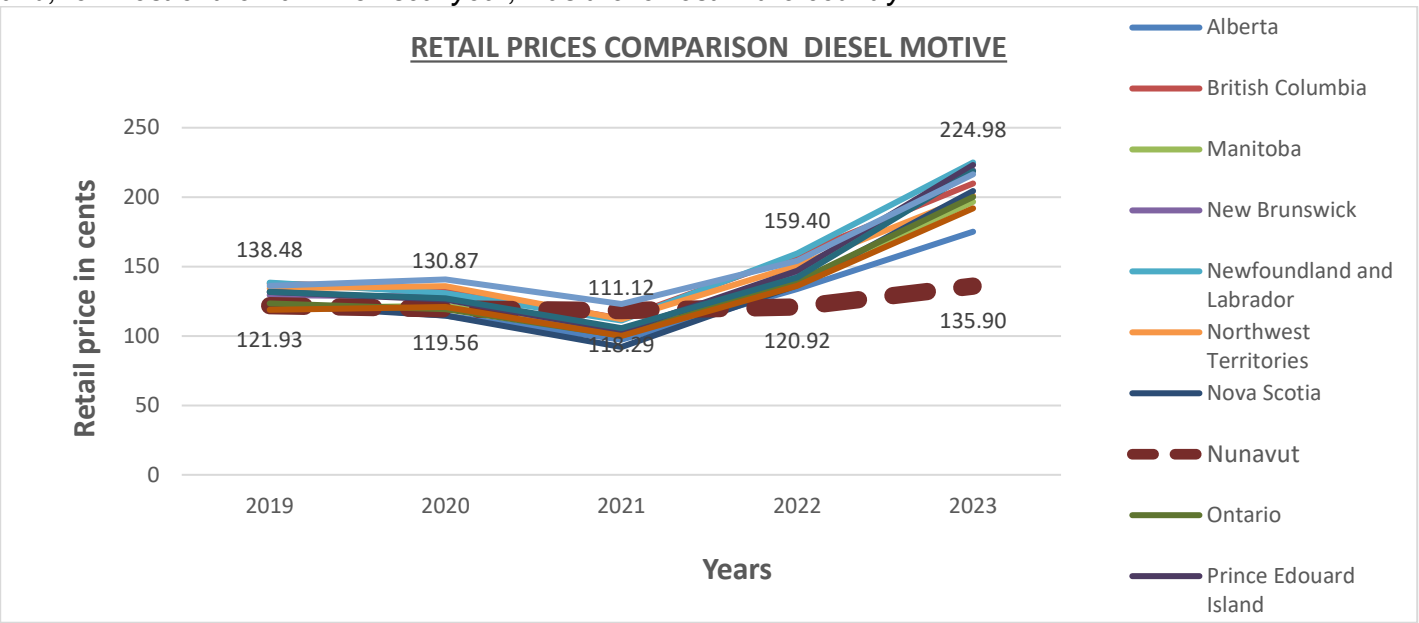
The average price of diesel heating in Nunavut has remained competitive with Southern Canada and, for most of the 2022-23 fiscal year, was the lowest in the country.



**Monthly average retail prices for gasoline and fuel oil, by geography*
https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101
Consumer Table: 18-10-0001-01 (formerly CANSIM 326-0009)
https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101

Diesel Motive ($ / L) Price Across Canada, 2019 – 2023

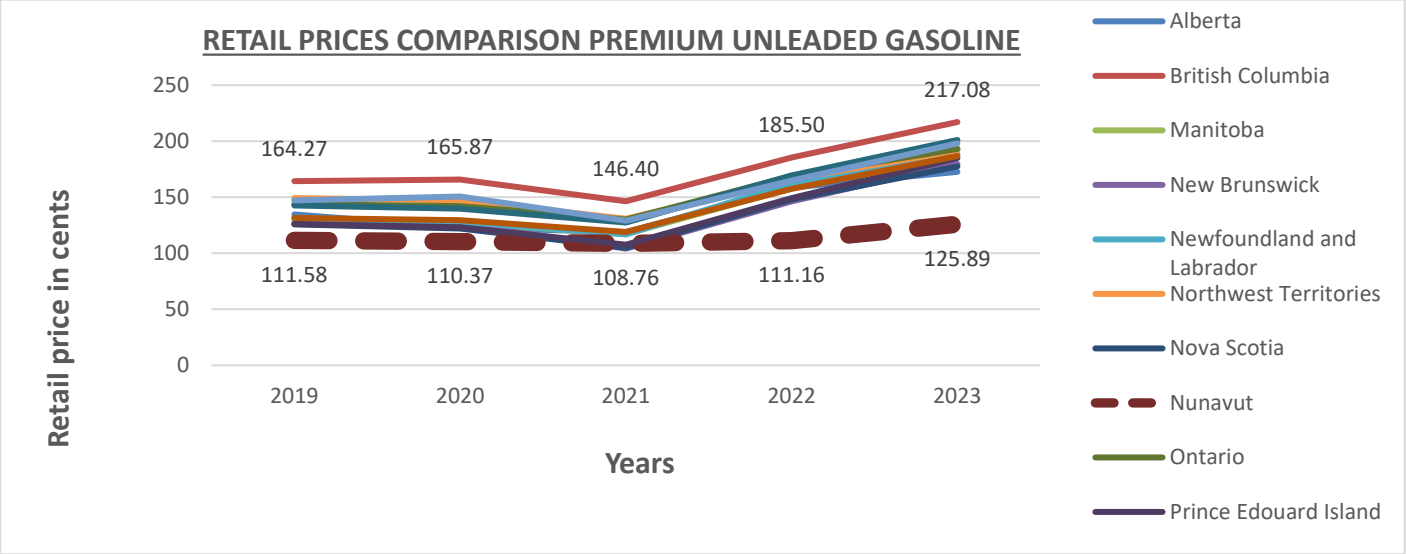
The average price of diesel automotive in Nunavut has remained competitive with Southern Canada and, for most of the 2022-23 fiscal year, was the lowest in the country.



Monthly average retail prices for gasoline and fuel oil, by geography
https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101

Gasoline ($ / L) Price Across Canada, 2019 – 2023

The average price of premium gasoline in Nunavut has remained competitive with Southern Canada and, for most of the 2022-23 fiscal year, was the lowest in the country.



Monthly average retail prices for gasoline and fuel oil, by geography https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000101

In addition to the fuel prices shown in the above tables, it is important to note the prices for Jet A-1, naphtha, and aviation gasoline in Nunavut. Jet A-1 prices in Nunavut are among the highest in Canada, reflecting the unique logistical challenges and additional costs associated with supplying aviation fuel to remote northern communities.

On the other hand, naphtha and aviation gasoline prices in Nunavut are relatively lower compared to other regions in Canada. These products are cross subsidized by other fuel products, allowing them to be offered at more affordable prices to support specific needs within the Territory.

While not included in the depicted tables, the prices for Jet A-1, naphtha, and aviation gasoline in Nunavut highlight the varied pricing dynamics and cross-subsidization within Nunavut, reflecting the complexities and considerations involved in fuel pricing across different product categories.

Product Cost Breakdown

Retail fuel prices in Nunavut are comprised of seven (7) components:

1. The weighted-average (blended) cost of fuel, primarily:
    a. fuel product costs, and
    b. fuel delivery costs
2. Profit margin or subsidy
3. Goods and Services Tax (GST)
4. Nunavut excise tax
5. Federal excise tax
6. Carbon Tax (new for 2019)
7. Nunavut Carbon Rebate (new for 2019)

1 - Weighted Average Fuel Cost

Each community has a unique weighted average (WA) cost for each fuel product, equal to the cost of any existing fuel plus the weighted cost of new fuels (product plus freight), proportionate to the volume of fuel received relative to the volume of existing fuel. For example:

A	B	C = (B/A)	D	E	F = (A+D)	G = B + E	H = G / F
Fuel volume before receipt of new product (litres)	Existing fuel value	Existing WA cost per litre	Volume of fuel received (litres)	Total cost for new product*	Fuel volume after receipt of new product (litres)	New blended fuel value	New WA cost per litre
1,000	$900.00	$0.9000	2,000	$2,500.00	3,000	$3,400.00	$1.1333

**Equal to product cost of $2,000 plus freight cost of $500*

2 - Profit Margin or Subsidy

The retail fuel prices in each community are determined by the FMB based on the proposed prices by PPD. Within these prices, there may exist a profit margin or subsidy depending on cost components of the fuel.

If the total cost components of fuel (excluding the profit margin or subsidy) are lower than the retail price, it results in a profit margin. This means that the revenue generated from the fuel sales exceeds the costs associated with acquiring and delivering the fuel. Conversely, if the total cost components of fuel exceed the retail price, it results in a fuel price subsidy. In this case, the cost of acquiring and delivering the fuel exceeds the revenue generated from its sales, leading to a subsidy to cover the difference.

The determination of profit margins or subsidies within retail fuel prices helps ensure the financial viability of the fuel program and balance the costs associated with providing fuel in Nunavut communities. The overall goal of the PPD fuel program is to generate enough profit above the cost of sales to absorb all administrative costs.

3 - Goods and Services Tax

All petroleum products sold in Nunavut are subject to five percent (5%) GST.

4 & 5 - Excise Taxes

Petroleum products sold in Nunavut are subject to varying amounts of Nunavut and Federal excise taxes on a per-litre basis. Note that diesel fuel is taxed subject to its end use, be it heating, motive (e.g., heavy equipment), or aviation fuel.

Nunavut and Federal Excise Taxes on Petroleum Products

	PETROLEUM RODUCTS						
	P50 DIESEL			GASOLINE	AVGAS	NAPHTHA	JET A-1
	HEATING	MOTIVE	AVIATION				
NUNAVUT–Territorial Excise Tax	$ –	$0.091	$0.010	$0.064	$0.010	$ –	$0.010
Federal Excise Tax	$ –	$0.040	$0.040	$0.100	$0.110	$ –	$0.040

6 & 7 Carbon Tax and Nunavut Carbon Rebate

Since July 1, 2019, the Federal Carbon Tax has been applied to certain retail fuel products in Nunavut. Gasoline, P50 diesel, and naphtha are subject to the Carbon Tax. However, P50 diesel used for electricity generation and aviation fuels (Jet A-1 and aviation gasoline) are exempt from the Carbon Tax.

To offset the impact of the Carbon Tax on consumers, the Government of Nunavut introduced the Nunavut Carbon Rebate (NCR). The NCR reduces the Carbon Tax rates by half, resulting in lower per-litre costs for the affected retail fuel products.

Variations in Weighted Average Costs

Due to the way WA costs are determined and the blending of existing fuel costs with new fuel costs, variations can arise between the per-litre costs of fuel in different communities. Consider two hypothetical communities: Community 1 and Community 2, with identical pre-resupply fuel costs and weighted averages ($900.00 and $0.9000/L, respectively), but different pre-resupply fuel volumes:

COMMUNITY 1			COMMUNITY 2		
A	B	C = (B / A)	A	B	C = (B / A)
FUEL VOLUME BEFORE RECEIPT	EXISTING FUEL VALUE	EXISTING WA COST PER LITRE	FUEL VOLUME BEFORE RECEIPT	EXISTING FUEL VALUE	EXISTING WA COST PER LITRE
1,000	$900.00	$0.9000	800	$720.00	$0.9000

If new fuel is resupplied, even by equal volumes and at equal costs, the new WA costs per litre will be different ($1.1333/L for Community 1 and $1.1500/L for Community 2):

COMMUNITY 1							
A	B	C = (B / A)	D	E	F = (A + D)	G = (B + E)	H = (G / F)
FUEL VOLUME BEFORE RECEIPT	EXISTING FUEL VALUE	EXISTING WA	VOLUME RECEIVED	TOTAL COST*	FUEL VOLUME AFTER RECEIPT	NEW BLENDED COST	NEW WA COST PER LITRE
1,000	$900.00	$0.9000	2,000	$2,500.00	3,000	$3,400	$1.1333

**Equal to product cost of $2,000 plus freight cost of $500*

COMMUNITY 2							
A	B	C = (B / A)	D	E	F = (A + D)	G = (B + E)	H = (G / F)
FUEL VOLUME BEFORE RECEIPT	EXISTING FUEL VALUE	EXISTING WA	VOLUME OF FUEL	TOTAL COST*	FUEL VOLUME AFTER RECEIPT	NEW BLENDED COST	NEW WA COST PER LITRE
800	$720.00	$0.9000	2,000	$2,500.00	2,800	$3,220.00	$1.1500

**Equal to product cost of $2,000 plus freight cost of $500*

In real-world scenarios, it is important to acknowledge that fuel volumes, resupplied volumes, and resupplied fuel costs are not expected to remain constant and equal. Various factors contribute to the variability of resupplied fuel costs, including the timing of fuel purchases and fluctuating world market fuel prices throughout the resupply season and from year to year. Additionally, there are incremental expenses that may arise, such as emergency fuel airlift costs, ad hoc vessel anchoring expenses, and inland freight charges for specific fuel types.

For instance, if a community exhausts its gasoline supply before the scheduled resupply, additional costs are incurred for transporting gasoline through multiple airlifts. These expenses, primarily

chartering aircraft, are allocated to the fuel costs in the receiving community, leading to increased variance in WA costs between communities.
Fluctuations in fuel transportation charges also contribute to the variation in WA costs. While the current supplier contract has largely stabilized these charges, historical freight rates have reached as high as $0.5543 per litre. In the Kitikmeot region, for example, bulk delivery freight charges were as high as $0.4555 per litre in fiscal year 2008. However, PPD's freight rates dropped significantly for bulk deliveries to all regions.

These examples highlight the dynamic nature of fuel costs and transportation charges, emphasizing the need to account for these factors when evaluating resupplied fuel costs and understanding the variance in WA costs across communities.

Fuel Price Components (Nunavut Average)

The table and four figures on the following pages capture the components of retail fuel prices.

Components of Fuel Prices in Nunavut – All Types 2022-23

	P50 Heating	P50 Motive	P50 Aviation	Gasoline	Jet-A	AV Gas	Naphtha	
Fuel Cost (COGS/L)	$0.9551	$0.9551	$0.9551	$0.8987	$1.0949	$3.6598	$28.8438	A
PPD's Gross Margin / L or (loss/L)	$0.0718	$0.0796	$0.3897	$0.0195	$0.3750	-$2.1975	-$21.2328	B = C - A
Base Price / L (per can for Naphtha)	**$1.0269**	**$1.0347**	**$1.3448**	**$0.9182**	**$1.4699**	**$1.4623**	**$7.6110**	C
Federal Excise Tax	-	$0.0400	$0.0400	$0.1000	$0.0400	$0.1100	-	D
Nunavut Excise Tax	-	$0.0910	$0.0100	$0.0640	$0.0100	$0.0100	-	E
Carbon Tax	$0.1341	$0.1341	$0.1341	$0.1105	-	-	$0.4266	F
Nunavut Carbon Rebate	-$0.0671	-$0.0671	-$0.0671	-$0.0553	-	-	-$0.2133	
Total Basis for GST	$1.0939	$1.2327	$1.4618	$1.1374	$1.5199	$1.5823	$7.8243	G = C + D + E+F
GST	$0.0547	$0.0616	$0.0731	$0.0569	$0.0760	$0.0791	$0.3912	H
Total Retail Price	**$1.1486**	**$1.2943**	**$1.5349**	**$1.1943**	**$1.5959**	**$1.6614**	**$8.2155**	I = G + H

PETROLEUM IMPORTS AND SALES

Imports 2022-23

In the 2022-23 fiscal year, PPD imported 216,502,730 litres of petroleum products to Nunavut communities, an 11.7% increase (22,607,678 litres) compared to the previous year's import volume of 193,895,052 litres.

Sales

The overall sales trend of the last five years has been marked by a peak of sales in 2019-20 (at 213.2 million litres) before COVID-19 followed by a low of 201.7 million litres in 2020-21. Sales recovered in 2022-23 at 215.2 million, which was a 5-year high.

Petroleum Sales, 2018-19 to 2022-23 by Fuel Type

Fuel Type	2018-19	2019-20	2020-21	20221-22	2022-23
	Litres	Litres	Litres	Litres	Litres
Total All Diesel	135,454,751	137,627,474	137,475,509	142,388,539	141,207,055
Gasoline	22,183,823	23,362,215	24,202,581	23,606,056	24,538,749
Jet A-1	46,516,446	52,197,524	40,003,652	39,281,294	49,494,132
Total All	204,155,020	213,187,213	201,681,742	205,275,889	215,239,936

Over the past five years, diesel and gasoline volumes have remained steady, with no sharp spikes or declines. The primary drop, linked to COVID-19, occurred in Jet A-1 due to widespread flight restrictions. While Jet A-1 demand recovered in 2022-23, volumes have not yet returned to pre-pandemic (2019-20) levels.

Sales Forecasting and Projections

Since Nunavut's establishment as a territory in 1999, population growth and economic development have driven increased fuel demand across key sectors, including home heating, electrical power generation, and transportation. Expanding housing, infrastructure projects, and economic activity continue to contribute to rising fuel consumption.

Over the past 24 years, Nunavut's annual fuel consumption has increased by approximately 45.4%, from 148 million litres in 1999 to 215.2 million litres in 2022-23, reflecting a Compound Annual Growth Rate (CAGR) of 1.57% per year. While alternative energy sources may reduce reliance on fossil fuels in the long term, Nunavut's extreme conditions and remote geography mean that large-scale alternatives are not yet viable.

PPD conducts annual forecasting to estimate the fuel requirements of each community, analyzing historical consumption patterns and anticipated growth. These projections help determine not only bulk fuel order volumes but also the need for storage capacity expansions. While some communities have sufficient storage, others—especially those experiencing higher growth rates—are reaching their limits and require targeted upgrades.

INFRASTRUCTURE MANAGEMENT

Nunavut Fuel Context

PPD is responsible for the importation of approximately $200 million worth of fuel products annually, which amounts to around 210,000,000 litres. These products are transported via marine vessels.

In terms of infrastructure, the GN owns approximately $224 million worth of facilities that are operated and maintained by PPD for the storage and distribution of fuel within the territory. Many of these tank farms were acquired by PPD from the Government of Northwest Territories during the establishment of Nunavut in 1999. PPD not only maintains these existing tank farms but also undertakes facility upgrades to ensure sufficient storage capacity to accommodate the anticipated growth in community populations. The necessary funds for facility upgrades are obtained through GN's Capital Planning Process.

Health and Safety

PPD is committed to maintaining high health and safety standards across its operations, ensuring the well-being of staff, contractors, and the communities it serves. As a GN entity operating in Nunavut's energy and refined petroleum retail sector, PPD must adhere to both territorial and federal regulations while addressing the unique challenges of working in remote Arctic conditions.

PPD requires contractors to meet specific safety qualifications, including a valid heavy truck driver's license, a five-year driver's abstract, and, where applicable, an Airside Vehicle Operators Permit (AVOP). Additionally, contractors must complete mandatory training in Occupational Health and Safety (OHS), First Aid, Workplace Hazardous Materials Information System (WHMIS), and Transportation of Dangerous Goods (TDG). However, the responsibility for ensuring compliance with these requirements rests with the contractors and their employers.

To support safe operations, PPD provides contractors with a Contractor's Manual outlining key safety requirements related to petroleum handling, fire prevention, fuel vapour hazards, spill response, personal protective equipment (PPE), and site safety protocols. Regional PPD officers meet with contractors to review and reinforce critical procedures. Annual safety reviews offer an opportunity to discuss regulatory updates and operational risks.

By maintaining clear safety expectations, reinforcing regulatory compliance, and exploring ways to support contractor training, PPD continues to promote a strong safety culture across its operations in Nunavut.

Facility Age and Condition

When planning for the capital needs of bulk fuel storage facilities, careful consideration is given to the age and condition of the facilities. Aging infrastructure poses risks in terms of safety, reliability, and compliance with regulatory requirements. Therefore, assessing the facility's age and condition is crucial for making informed decisions.

The age of the facility is a key factor. As facilities age, maintenance costs tend to increase, and the risk of failure or inefficiency rises. Upgrading or replacing aging infrastructure becomes essential to ensure optimal functionality and minimize operational disruptions, particularly in extreme climates like Nunavut.

Additionally, the current condition of the facility is evaluated. This includes assessing structural integrity, equipment performance, environmental compliance, and adherence to safety standards. Identifying any deficiencies or areas that require improvement helps prioritize capital investments and allocate resources effectively.

In Fall 2022, the Arviat New Tank Farm Project was approved by decision makers. The project planning faced delays due to the originally selected site being deemed unsuitable. The Government of Nunavut has restarted the site selection process and is working with the Hamlet to identify a new location that meets regulatory, environmental, and community requirements.

Considerations for capital planning also involve analyzing the cost-benefit ratio of repairs versus replacement. Factors such as the extent of repairs needed, expected lifespan after repairs, and long-term maintenance requirements are considered. Sometimes, the cost-effectiveness and long-term benefits of replacing the facility outweigh the short-term savings of repairs.

Furthermore, future demand projections, technological advancements, and regulatory changes are considered when planning capital investments. Facilities need to be adaptable to evolving needs and comply with emerging industry standards.

In summary, capital planning for bulk fuel storage facilities involves evaluating the age, condition, cost-effectiveness, and long-term sustainability of the infrastructure. This ensures that investments are strategically allocated to maintain safe, reliable, and efficient fuel storage and distribution operations.

Tank Inspections

PPD recognizes the importance of assessing the condition of its tanks to ensure safe and reliable fuel storage. While the age of a tank is known, determining its condition requires a thorough inspection by certified technicians in accordance with the American Petroleum Institute (API) 650 guidelines. This inspection covers various aspects, including the tank's structure, containment area, roof, shell, foundation, and other critical components.

To maintain the integrity of its infrastructure, PPD contractors conduct regular inspections, focusing on leak detection and identification of any signs of progressive tank shell aging. These inspections comply with federal requirements and contribute to the overall maintenance of the tank systems. Furthermore, PPD regional officers perform annual community inspections to address critical issues, verify contractor performance, and identify any outstanding maintenance responsibilities. These inspections are done before the resupply season (summer and fall) and involve third-party mechanics and pipeline inspectors who join PPD in assessing the tanks and infrastructure. Deficiencies are reported to PPD headquarters for prompt resolution and appropriate actions.

By conducting regular inspections at both the contractor and regional level, PPD ensures that tank management and compliance are prioritized, potential risks are identified, and necessary maintenance measures are implemented to maintain the overall integrity of the tanks and associated infrastructure.

New Tank Farm Process

When a new tank farm is constructed, it undergoes a thorough inspection and assessment by an experienced and certified inspector. The purpose of this inspection is to identify and rectify any

significant problems or issues before the tank farm is put into operation. This ensures that the new tank farm meets all necessary safety and operational standards.

Once the tank farm has been upgraded and deemed fit for operation, various documents and information are provided to PPD. These include a site diagram that illustrates the layout and configuration of the tank farm, tank diagrams that provide detailed information about each individual tank, tank system information that outlines the specific specifications and requirements of the tank system, and a summary of the construction and engineering work carried out by the contractors.

All this information is crucial for PPD to effectively manage and maintain its tank farms. It serves as a reference point for ongoing maintenance activities, ensuring that proper procedures and protocols are followed. The documentation helps PPD keep track of the tank farm's configuration, maintenance schedules, and any specific requirements unique to that system.

By receiving and utilizing this information, PPD can ensure that its tank farms are properly maintained, adhere to regulatory standards, and operate safely and efficiently. This proactive approach to maintenance helps minimize the risk of any issues or failures in the tank farm system, allowing for the reliable storage and distribution of fuel in Nunavut.

Regulatory Compliance

PPD is committed to ensuring the Government of Nunavut meets the regulatory compliance obligations governing aboveground fuel storage and distribution. Non-compliance with these regulatory requirements can lead to serious legal consequences, including federal fines and potential imprisonment, but could also give rise to an increased risk of oil spill or other incidents.

Ensuring code compliance is a priority when evaluating tank farms for upgrades. PPD must adhere to numerous regulations that govern aboveground storage facilities and the distribution of petroleum products. These regulations include, but are not limited to, the Canadian Environmental Protection Act, Canadian Shipping Act, Measurements Canada, National Fire Code of Canada, and Safety Act.

In addition to these Canadian regulations, industry standards set by the API play a crucial role. The API standards, particularly API 650, 653, and 620, establish the guidelines for the design, construction, and maintenance of aboveground welded storage tanks. While most tanks are built according to the API 650 standard, it is important to note that standards have evolved over the past two decades. As a result, some tanks and tank farms in Nunavut may not currently meet the updated code requirements. PPD is actively working to address these compliance issues in a timely manner.

By adhering to these laws, regulations, and industry standards, PPD ensures the safe and environmentally responsible storage and distribution of fuel in Nunavut while mitigating legal and operational risks.

Community Code Compliance Status

Since the introduction of new CEPA regulations in 2008, PPD has worked to upgrade fuel storage facilities to meet compliance standards. As of 2012, 21 communities and two outpost camps were identified as non-compliant, primarily due to single-walled underground piping and shore manifold locations. In the years that followed, upgrades were completed in several communities. Sanikiluaq, Whale Cove, and Rankin Inlet were addressed in 2012-13, followed by Chesterfield Inlet, Baker Lake,

and Coral Harbour in 2016-17, Gjoa Haven in 2018-19, and the decommissioning of the outpost camps in 2020-21. In 2022-23, work began in Sanirajak, Kimmirut, Clyde River, and Grise Fiord, with completion expected in 2023-24.

Despite progress, 14 communities remain non-compliant. Once work in Sanirajak, Kimmirut, Clyde River, and Grise Fiord is completed, 10 communities will still require upgrades: Iqaluit, Pond Inlet, Arctic Bay, Kinngait, Qikiqtarjuaq, Arviat, Naujaat, Kugluktuk, Taloyoak, and Kugaaruk. Of these, Arviat and Taloyoak are expected to be addressed through planned facility upgrades, while Pond Inlet, Arctic Bay, and Qikiqtarjuaq are expected to receive partial upgrades through Canada's Ocean Protection Plan, with construction anticipated to begin in 2025.

Upgrading these facilities remains a challenge, particularly with rising material costs and the scope of work required. While some funding has been secured through GN's capital planning process and federal programs, additional investment will be needed to complete all outstanding work. PPD continues to seek further funding and plan for necessary upgrades to ensure compliance.

There is still work to do, and PPD will continue addressing non-compliances as resources allow.

Bulk Fuel Facilities Upgraded in 2022-23

Upgrades in Kimmirut, Clyde River, Sanirajak, and Grise Fiord commenced in 2022-23 following delays caused by the COVID-19 pandemic. The work includes new road crossings with double-walled pipes for buried fuel lines to improve safety and system integrity, along with equipment upgrades to meet compliance standards. Completion is expected in 2023-24.

The impact of COVID-19 continues to be felt, not only in the delays to critical infrastructure projects but also in rising material and construction costs, which have placed additional pressure on available funding. PPD recognizes the need to advance capital projects to ensure safe and reliable fuel storage and distribution, but funding constraints remain a challenge. As part of the Government of Nunavut's broader capital planning process, PPD must compete for limited resources alongside other departments, balancing infrastructure needs across the territory. Despite these challenges, PPD remains committed to addressing code compliance issues and facility upgrades through established government processes.

Regulatory Compliance

PPD works with multiple regulatory bodies to ensure compliance with federal and territorial laws and regulations governing fuel storage, transportation, and environmental protection. These regulators include Environment and Climate Change Canada (ECCC), Transport Canada, Measurements Canada, the Government of Nunavut's Department of Environment, the Workers' Safety and Compensation Commission (WSCC), and the Nunavut Impact Review Board (NIRB).

Regulatory compliance remains a significant challenge, particularly as aging infrastructure struggles to meet evolving environmental and safety standards. While PPD provides required documentation to regulators upon request, including Environmental Emergency Plans, Monthly Inspection Reports, Spill Response Plans, Tank Farm Designs, and As-Built Drawings—the broader challenge lies in addressing infrastructure deficiencies to fully meet regulatory requirements.

Beyond government regulators, private industry stakeholders, including commercial airlines, also conduct site audits and frequently request documentation from PPD to verify compliance with fuel

handling, storage, and quality control requirements. Meeting these demands adds another layer of complexity to PPD's compliance efforts, particularly given limited staffing and financial resources.

Enforcement officers conduct inspections and audits of PPD facilities to assess compliance and identify areas requiring corrective action. PPD works to address these findings, but funding constraints and operational challenges limit the speed at which upgrades can be completed. While efforts are being made to improve compliance, many sites require significant investment to fully meet regulatory standards, and PPD continues to work within government capital planning processes to secure the necessary funding for these improvements.

Capital Planning Summary

PPD oversees 25 bulk fuel facilities across Nunavut, with a combined storage capacity of approximately 305 million litres. While some communities have excess storage, others face constraints requiring infrastructure improvements.

PPD is actively working to expand capacity where needed, using both small capital funding for incremental improvements—such as adding horizontal tankage or reconfiguring existing tank farms—and larger capital projects for major upgrades. Arviat, the highest priority for expansion, is currently in the design phase, with the division seeking a suitable site for new infrastructure. Taloyoak has been substantiated in 2022-23 as requiring an upgrade and is expected to proceed to the needs assessment phase. Other priority communities for capacity expansion include Naujaat, Pond Inlet, and Kugaaruk.

PPD integrates these upgrades into the GN's Capital Planning Process, balancing available funding with operational needs. However, securing capital funding remains a challenge, contributing to a growing infrastructure deficit in fuel storage and delivery. Significant investment is required to address these gaps and ensure facilities remain compliant, efficient, and capable of meeting Nunavut's energy needs.

By continuously tracking infrastructure needs and aligning investments with projected demand, PPD aims to maintain a stable and reliable fuel supply across the territory while adapting to the evolving needs of Nunavut's communities.

ENVIRONMENTAL STEWARDSHIP

Land Farm Management

To address the environmental impact of fuel operations, PPD manages a landfarm facility in Rankin Inlet for remediating petroleum hydrocarbon (PHC)-contaminated soil. The facility uses bioremediation techniques, including aeration and microbial activity, to break down contaminants.

Originally constructed during tank farm upgrades in 2008, the Rankin Inlet landfarm facility was transferred to PPD's control in 2016-17 following a spill on its pipeline system. Since then, PPD has operated the facility, treating contaminated soil from its own spills as well as accepting material from local agencies and businesses. The landfarm facility management plan guides the controlled bioremediation process, reducing the need for costly soil transportation to southern facilities.

In addition to Rankin Inlet, PPD is exploring options to construct a landfarm facility in Baker Lake to manage contaminated soil from a gasoline spill that occurred in the community in 2021. The division is currently assessing potential sites for this facility.

By maintaining and expanding landfarm capacity, PPD continues to support effective, on-site remediation of contaminated soil, reducing environmental impact and promoting sustainable waste management in Nunavut.

Fuel Spills

In March 2021, a gasoline spill of approximately 10,000 litres occurred at the Baker Lake fuel tank farm due to a ruptured drain valve on the pipeline. Immediate response measures were taken to contain the spill within the protective berm, and an environmental response team was mobilized.

The response team removed and stored impacted soil, snow, ice, and water in temporary containment cells. Additional measures, including a cut-off wall and a water treatment system, were implemented to prevent hydrocarbon migration and ensure treated water met regulated discharge criteria.

PPD continued to monitor the temporary containment cells in 2022-23, treating, tilling, and screening the contaminated soil. Given that the spilled product was gasoline, which degrades more rapidly than other petroleum products, PPD is hopeful that the soil can be released within 2-3 years.

PPD remains committed to overseeing the remediation process and mitigating environmental impacts at the Baker Lake Tank Farm. Long-term plans include evaluating the feasibility of a landfarm in Baker Lake to manage contaminated soil on-site.

Engineering Standards and Criteria

PPD recognizes the value in updating its Standards and Criteria for Above Ground Bulk Fuel Storage in Nunavut to better align with current regulations and industry practices. In the meantime, PPD continues to apply the existing standards, supported by reviews of applicable codes and regulations to ensure continued compliance.

While the 2006 standards remain a reliable guide for design consultants, they require consultants to independently assess and incorporate updated codes and regulations on a project-by-project basis. This adds complexity and increases the effort needed to ensure compliance. Updating the standards would provide a more consistent and streamlined framework for infrastructure development.

PPD began the process of updating the Standards in 2014 but has faced multiple delays, including a pause in 2015 and further setbacks due to the COVID-19 outbreak and staffing challenges. PPD remains committed to completing updates to its Standards to improve regulatory clarity and enhance the safety and efficiency of bulk fuel storage facilities across Nunavut.

FINANCE

Financial performance of the Nunavut PPRF and PPSF is summarized in the following PPD Profits and Loss table, along with appropriations and transfers to the Consolidated Revenue Fund (CRF), and end balance of PPSF.

Summary Statement of Operations and PPSF Balance

PPD Profits and Loss ($ 000s)

PPD financial results fluctuate each year.

Source: PPD Year-end financial statements

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue											
Sale of Petroleum Products	$209,112	$206,316	$223,099	$213,736	$189,914	$194,265	$203,609	$202,498	$184,531	$185,763	$243,834
Rent and Other revenue	$2,712	$3,931	$2,584	$3,268	$11,214	$2,933	$2,487	-$1,534	$4,345	$2,560	$390
Total Revenue	$211,824	$210,247	$225,683	$217,004	$201,128	$197,198	$206,096	$200,964	$188,876	$188,323	$244,224
Expenses											
COGS	-$196,046	-$189,048	-$203,197	-$187,861	-$152,832	-$196,104	-$179,790	-$180,994	-$165,440	-$156,461	-$213,900
Admin expenses	-$30,924	-$25,001	-$23,823	-$26,834	-$32,903		-$28,529	-$31,650	-$31,493	-$31,507	-$42,234
Total Expenses	-$226,970	-$214,049	-$227,020	-$214,695	-$185,735	-$196,104	-$208,319	-$212,644	-$196,933	-$187,968	-$256,134
Profit (Loss)	-$15,146	-$3,802	-$1,337	$2,309	$15,393	$1,094	-$2,223	-$11,680	-$8,057	$355	-$11,910
Accumulated surplus or less Beg of year	$10,000	-$5,146	-$8,948	-$10,000	-$7,691	$7,702	$8,796	$6,573	-$5,107	-$13,164	-$12,809
Transfer from (to) CRF			$285								
P. P. Stabilization Fund balance	**-$5,146**	**-$8,948**	**-$10,000**	**-$7,691**	**$7,702**	**$8,796**	**$6,573**	**-$5,107**	**-$13,164**	**-$12,809**	**-$24,719**

Source: PPD Financial Statements

Sales of Petroleum Products

Revenue from the sales of petroleum products increased by 31%. This was mainly due to a $0.20L increase in the price of our retail products effective at the beginning of December 2022. The price increase was not enough to absorb the increase in COGS, which was much higher. The volume of sales (in L) increased by only 4.9%.

Rent and Other Revenues

This heading consists mainly of

- throughput revenue collected on each litre of product resold by UQSUQ CORPORATION, our contractor in Iqaluit of revenue or expenses from previous year,
- but also, revenue and expenses of prior year recorded only this year.

Revenue from UQSUQ was $1.3 million in 2022-23 vs $1.8 million in the previous year.

Schedule of Expenses

Total expenditures in 2022-23 increased by 36.3% from the previous fiscal year. This was caused by the substantial increase in landed costs for the resupply, which drove our Cost of Goods Sold (COGS) by 36.7%. Total expenses increased by $68.2 million year-on-year (YoY), caused both by a substantial increase in COGS and in Admin expenses, while Revenue increased by only 55.9 million, falling short to avoid a significant net loss.

Cost of Goods Sold
COGS spiked by $57.4 million, a 36.7% year-over-year increase, driven directly by the sharp rise in landed costs for the summer/fall 2022 resupply.

Commission Expenses
Commission expenses rose versus the previous year ($17.8 versus $15.2 million) due in part to the regular schedule rate increases contained in the fuel delivery service agreements each November 1st.

Year-End Audit

The preparation and audit of the financial statements for the 2022-23 fiscal year took longer than usual due to absence of key staff. Key financial staff were on leave and PPD's controller resigned in the same month. Pricewaterhouse Coopers (PwC) conducted the audit.

The financial statements and audit report for the 2022-23 year-end were finalized and signed on February 29, 2024. In recent years, PPD works to complete its year-end audit by October of the same calendar year.

We have included the Financial Statements as an accompanying document in this annual report.

Petroleum Variances

Petroleum Variance: % of Total Litres Sold over the past 10 years

FISCAL YEAR	PETROLEUM VARIANCE (Dollars)	PETROLEUM VARIANCE (Litres)	TOTAL SALES BY VOLUME (Litres)	VOLUME WRITTEN OFF AS % OF TOTAL LITRES SOLD
2013-14	$ 287,317.40	309,275	190,547,890	0.16%
2014-15	$ 87,213.00	53,257	196,957,656	-0.03%
2015-16	$ 175,720.17	189,755	206,716,344	0.09%
2016-17	$ 168,600.70	244,067	196,167,072	0.12%
2017-18	$ 172,825.74	103,153	204,074,499	-0.05%
2018-19	$ 699,031.50	820,284	203,705,509	0.40%
2019-20	$ 820,901.41	957,798	210,977,974	-0.45%
2020-21	$ 398,155.80	635,610	196,884,952	0.32%
2021-22	$229,725.55	371,538	205,391,102	0.18%
2022-23	$ 76,466.19	305,744	215,366,459	0.14%

In fiscal year 2022-23, PPD experienced an inventory variance of $76,466.19, equivalent to 305.744 litres of fuel. The petroleum industry faces various factors contributing to fuel variance, such as physical fuel loss from evaporation, meter inaccuracies, theft, leakage, and adjusted losses arising from inaccurate data, like missing sales or accounting errors.

PPD has implemented several internal measures to minimize these potential losses. However, some minimal variance remains inevitable, particularly in cases involving the impact of evaporation. The variance observed in 2021-23 amounts to approximately 0.14% of the total sales volume. It's important to note that despite these challenges, PPD remains committed to maintaining the highest standards of accuracy and efficiency in its operations.

Audited Financial Statements

Nunavut Petroleum Products Revolving Fund

Financial Statements
March 31, 2023

Building Nunavut Together
Nunavuliuqatigilingniq
Bâtir le Nunavut ensemble

Department of Community and Government Services
Nunalingni Kavamatkunnilu Pivikhaqautikkut
Ministère des Services Communautaires et gouvernementaux

Management Responsibility For Financial Reporting

February 29, 2024

The preparation of these financial statements for the Nunavut Petroleum Products Revolving Fund (the "Fund"), and related information, is the responsibility of the Fund's management.

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS), which represent generally accepted accounting principles for government organizations as recommended by the Public Sector Accounting Board of Canada. When PSAS permits alternative accounting methods, management has chosen those it believes are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these financial statements.

Management fulfills its accounting and reporting responsibilities by maintaining systems of financial management and internal control. These systems are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are maintained, and the fund conducts its affairs in accordance with Nunavut's Financial Administration Act.

The Department of Community and Government Services is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control.

The Fund's independent external auditor, PricewaterhouseCoopers LLP, conducts an annual audit of the financial statements in order to express an opinion as to whether the statements present fairly, in all material respects, the financial position, results of operations and accumulated surplus, change in net financial assets and cash flow for the year. Their opinion is included with these financial statements.

Nathaniel Hutchinson
Director
Feb 29, 2024

Joseph Yohou FEB 2 9 2024
Comptroller

P.O. Box 590
Rankin Inlet, Nunavut
X0C 0G0

Petroleum Product Division

(867) 645-8419
(867) 645-3554
www.gov.nu.ca

Independent auditor's report

To the Deputy Minister of Community and Government Services of the Government of Nunavut

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nunavut Petroleum Revolving Fund (the Fund) as at March 31, 2023 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The Fund's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial debt for the year then ended;
- the statement of cash flow for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T: +1 780 441 6700, F: +1 780 441 6776, ca_edmonton_main_fax@pwc.com

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
February 29, 2024

Nunavut Petroleum Products Revolving Fund
Statement of Financial Position
As at March 31, 2023
(thousands of dollars)

		2023		2022
FINANCIAL ASSETS				
Accounts receivable (Note 3)	$	105,759	$	70,899
Inventories for resale (Note 4)	$	263,712	$	176,053
TOTAL FINANCIAL ASSETS	$	369,471	$	246,952
LIABILITIES				
Bank indebtedness	$	2,886	$	1,132
Accounts payable and accrued liabilities (Note 5)	$	74,388	$	50,371
Employee leave and termination benefits	$	223	$	155
Due to the Government of Nunavut (Note 1&11)	$	294,396	$	198,592
TOTAL LIABILITIES	$	371,893	$	250,250
NET FINANCIAL DEBT	$	(2,422)	$	(3,298)
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 8)	$	2,422	$	3,298
TOTAL NON-FINANCIAL ASSETS	$	2,422	$	3,298
Accumulated surplus - end of the year	$	-	$	-

Commitments and contingencies (Note 12)

Approved by: **Management** **Director**

The accompanying notes and schedules are an integral part of the financial statements.

Nunavut Petroleum Products Revolving Fund
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2023
(thousands of dollars)

	Unaudited 2023 Budget	2023 Actual	2022 Actual
Revenues			
Sale of petroleum products (Note 6)	$ 236,115	$ 243,834	$ 185,763
Rent and other revenue (expense) (Note 7)	$ -	$ 390	$ 2,560
Total Revenue	$ 236,115	$ 244,224	$ 188,323
Expenses			
Supply and delivery of petroleum products (Schedule A)	$ 238,263	$ 256,133	$ 187,968
(Deficit) Surplus for the year	$ (2,148)	$ (11,909)	$ 355
Accumulated surplus - beginning of the year		$ -	$ -
Charge (Transfer) to Government of Nunavut (Note 11)		$ 11,909	$ (355)
Accumulated surplus - end of the year		$ -	$ -

The accompanying notes and schedules are an integral part of the financial statements.

Nunavut Petroleum Products Revolving Fund
Statement of Changes in Net Financial Debt
For the year ended March 31, 2023
(thousands of dollars)

		2023 Actual		2022 Actual
(Deficit) Surplus for the year	$	(11,909)	$	355
Tangible capital assets				
Additions	$	(477)	$	(1,511)
Amortization	$	1,353	$	1,254
	$	876	$	(257)
Change in prepaid expenses	$	-	$	-
Charge (transfer) to Government of Nunavut (Note 11)	$	11,909	$	(355)
Change in net financial debt	$	876	$	(257)
Net financial debt - beginning of the year	$	(3,298)	$	(3,041)
Net financial debt - end of the year	$	(2,422)	$	(3,298)

The accompanying notes and schedules are an integral part of the financial statements.

Nunavut Petroleum Products Revolving Fund
Statement of Cash Flow
For the year ended March 31, 2023
(thousands of dollars)

		2023		2022
Cash used for operations				
Sale of petroleum products	$	207,649	$	174,793
Rent and other revenue	$	390	$	2,560
Supply and distribution of petroleum products	$	(316,990)	$	(198,118)
	$	(108,951)	$	(20,765)
Cash used for capital activities				
Tangible capital asset acquisitions	$	(477)	$	(1,511)
Cash used for financing activities				
Net borrowings from Government of Nunavut	$	107,674	$	22,049
Net decrease in cash	$	(1,754)	$	(227)
Bank indebtedness - beginning of the year	$	(1,132)	$	(905)
Bank indebtedness - end of the year	$	(2,886)	$	(1,132)

The accompanying notes and schedules are an integral part of the financial statements.

Nunavut Petroleum Products Revolving Fund
Notes to the Financial Statements
March 31, 2023
(in thousands of dollars, unless otherwise stated)

1. Authority and Operations

The Nunavut Petroleum Products Revolving Fund (the "Fund") operates under the authority of the *Financial Administration* Act and regulations and the *Revolving Funds Act* (the "Act"). The Petroleum Products Division of the Department of *Community and* Government Services of the Government of Nunavut (the "Government") is responsible for the administration of the Fund.

Under the Act, the Fund receives working capital advances from the Government's Consolidated Revenue Fund (the "CRF") to finance inventory, accounts receivable and operating expenses. The Fund's purchases of petroleum products and operating expenses are paid from the CRF and funds received by the Fund are deposited in the CRF. The authorized maximum amount of working capital advances which could be made to the Fund was $250 000 as at March 31, 2023. That limit was exceeded during the fiscal year.
Before the finalisation of these Financial Statements, the increase of the Authorized Limit of the Fund to $350 000 has been enacted on November 9, 2023.
The continued operations of the fund are dependent on continued funding of the Government of Nunavut provided by the advances noted above

The prices for the Fund's petroleum products are approved by the Government. It is the expectation of the Government that the Fund's cost of goods sold and operating expenses will be recovered through the price structure to achieve a break-even operation. Under the Act, there is a special account in the Government's CRF called the Petroleum Products Stabilization Fund to which profits of the Fund shall be credited and losses shall be charged.

Budget

Generally accepted accounting principles (GAAP) for public sector in Canada requires a government to present in its financial statements a comparison of the results of operations and changes in net financial assets (debt) for the year with those originally planned.

The Fund did not prepare a budget of changes in net financial assets (debt) for the year and as such it has not been presented in these financial statements. The unaudited budget figures included in the Statement of Operations and Accumulated Surplus are in accordance with page J8 of the approved 2022-23 Main Estimates.

2. Significant Accounting Policies

a. Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), as recommended by the Public Sector Accounting Board of Canada.

b. Inventories for resale

Inventories held for resale consist of petroleum products and are valued at the lower of weighted average cost and net realizable value. Inventories which are held with third parties are carried at the lower of cost and net realizable value.

c. Cash and bank indebtedness

Cash is comprised of the Fund's bank account balance net of outstanding cheques.
In line with the Revolving Funds mechanism, PPD is obligated to transfer most of its cash collection to the Consolidated Revenue Fund (CRF), in order to continue to enjoy the CRF funding facility
Bank indebtness referred to a net negative cash situation, taking into account oustanding cheques
Most outstanding cheques at year end were related to tax payments

d. Non-financial assets

Non-financial assets, including tangible capital assets, are accounted for by the Fund only if they are expected to be used to provide services in future years. These assets would not normally be used to provide financial resources to discharge liabilities of the Fund unless they were sold. Non-financial assets are amortized or charged to expenses in future periods as they are used to provide or support the provision of Fund services.

e. Tangible capital assets

Tangible capital assets are non-financial assets whose useful life exceeds one fiscal year and are intended to be used on an ongoing basis for delivering Fund services. Tangible capital assets with a cost of less than fifty thousand dollars are fully expensed in the year of acquisition. The Fund's tangible capital assets are fuel delivery vehicles which are recorded at cost and amortized on a straight line basis over their estimated useful life of 5 years.

f. Services provided without charge

Tangible capital assets
The Fund does not record the value of certain tangible capital assets used in its operations. The tangible capital assets include fuel storage facilities owned by the Government which are provided without charge to the Fund. The Fund is responsible for any minor maintenance costs related to these tangible capital assets.

Financing costs
The Fund receives working capital advances from the CRF to finance its inventory, accounts receivable and operating expenses. The working capital advances from the CRF are provided without charge to the Fund by the Government.

Environmental remediation costs
The Government has assumed responsibility for funding any environmental remediation costs associated with the Fund's operations that incurred prior to the formation of the Territory of Nunavut in 1999 and for remediation and asset retirement costs associated with Tangible Capital assets owned by the Government.

Other services provided without charge
The Fund does not record the following services provided without charge by the Government: the procurement of goods and services, the processing of payroll, personnel services, and legal counsel.

g. Pension plan

The Fund and its employees, who are deemed to be employees of the Government, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. This multi-employer plan is a defined benefit pension plan for which the Fund and the employees are both required to contribute to the cost of the plan. The general contribution rate multiple effective at year end was 1.02 times for members enrolled prior to January 1, 2013 and 1.00 times for members enrolled beginning January 1, 2013
As the plan is accounted for as a multi-employer plan and actuarial information on the plans surplus/deficit is not readily available, the plan is measured using the defined contribution, contributions are charged as an expense on a current year basis and represent the total pension obligation.
The Fund is not required under present plan legislation to make contributions with respect to actuarial deficiencies to the Public Service Superannuation Account.

h. Employee leave and termination benefits

Under the terms and conditions of employment, employees may qualify and earn employment benefits for termination and removal costs based on years of service. The estimated liability for these benefits is based on an actuarial valuation prepared for this purpose and is recorded as the benefits are earned by the employees.

i. Measurement uncertainty

Financial statements prepared in accordance with Canadian public sector accounting standards require management to make estimates and judgments that affect the amounts and disclosures reported in the financial statements.
The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce inventories to their net realizable value. Actual results may differ from those estimates, although management does not believe that any differences would materially affect the Fund's financial position or reported results of its operations.

Significant uncertainty about the impacts of geopolitical tensions, oil supply and oil supply chain disruptions continue to pose risks to the global economic outlook. The war between Russia and Ukraine still continues, sanctions Russia increase, making it harder for them to market their crude oil and gas. As we write these lines, there are also tensions in Red Sea, which add more disruptions to the oil trade shipping routes. This seems to bode that oil prices will remain high, adversely impacting our weighted average costs

j. Revenues

Unless otherwise stated, all revenues are reported on an accrual basis in the period in which transactions or events give rise to the revenues. For the sale of petroleum products, revenue is recognized when the product is delivered to the customer and collection is reasonably assured.

Revenue related to services and products received in advance of being earned are deferred and recognized when the services are performed and products delivered.

Recoveries of prior years expenditures, including reversals of prior years expenditure over-accruals, are disclosed in note 7, Rent and other revenue. Pursuant to the Financial Administration Act, these recoveries cannot be used to increase the amount appropriated for current year expenditures.

k. Expenses

Expenses are recorded on an accrual basis.

l. Contractual obligations and contingencies

The nature of the Fund's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. Contractual obligations pertain to fuel resupply and delivery agreements with fuel suppliers, wholesale customers and community contractors. Contractual obligations are not accrued until the terms of those contracts or agreements are met.

The contingencies of the Fund are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements and no liability is accrued. Contingent liabilities result from among other things, potential environmental contingencies.

m. Financial instruments

Financial instruments include cash, accounts receivable, due to the Government of Nunavut, and accounts payable and accrued liabilities.

These financial instruments are measured at amortized cost. Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when these financial instruments are derecognized due to disposal or impairment.

Transaction costs related to the acquisition of these financial instruments are included in the cost of the related instruments.

The fair values of the Fund's cash, accounts receivable, due to the Government of Nunavut and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

n. Adoption of new accounting standards and future changes in accounting standards

A number of new and amended standards issued by PSAB are effective from 1st April 2022 and have been applied in preparing these financial statements. The following standards for governments will become effective as follows:
The Fund has adopted these new and amended standards on their effective dates.

PS 1201 Financial Statement Presentation, PS 3400 Revenue, PS 3280 Asset Retirement obligations (effective April 1, 2022) do not have a different impact on our financial statements

PS 2601 - Foreign Currency Translation (effective April 1, 2022), replaces PS 2600 with revised guidance on the recognition, presentation and disclosure of transactions and balances that are denominated in a foreign currency.
Foreign exchange gain and losses have been reported (see Disclosure note 7)

3. Accounts receivable

Below is the analysis of the Account Receivable balances based on Ageing buckets
Please note Amounts reported under column "Current Column" are not past due
The "Total Account Receivable (Net)" represents the balance that is not impaired

	Current	31-90 Days	91-180 Days	181-365 Days	Over 1 year	Total 2023	Total 2022
Commercial/Private	$ 12,595	$ 9,765	$ 3,051	$ 2,936	$ 13,874	$ 42,221	$ 36,757
Territorial Municipalities	$ 3,707	$ 2,206	$ 394	$ 484	$ 104	$ 6,895	$ 5,668
Nunavut Housing Corporation	$ 7,646	$ 5,167	$ 63	$ 67	$ 697	$ 13,640	$ 15,812
Qulliq Energy Corporation	$ 28,034	$ 5,306	$ 5,624	$ 3,598	$ 5,906	$ 48,468	$ 17,494
Government of Nunavut - Community and Government Services Department	$ 3,001	$ 1,186	$ 267	$ 153	$ 1,120	$ 5,727	$ 6,114
Government of Canada	$ 1,892	$ 860	$ 1	$ 128	$ 59	$ 2,940	$ 1,913
Fuel and sales taxes receivable	$ -	$ 6,642	$ -	$ -	$ -	$ 6,642	$ 1,327
Total Account Receivable (Gross)	**$ 56,875**	**$ 31,132**	**$ 9,400**	**$ 7,366**	**$ 21,760**	**$ 126,533**	**$ 85,085**
Less: Allowance for doubtful accounts	$ -	$ (2,805)	$ (2,395)	$ (3,331)	$ (12,243)	**$ (20,774)**	**$ (14,186)**
Total Account Receivable (Net)	**$ 56,875**	**$ 28,327**	**$ 7,005**	**$ 4,035**	**$ 9,517**	**$ 105,759**	**$ 70,899**

Allowance for doubtful accounts

	Commercial / Private	Nunavut Housing Corporation	Territorial Municipalities	Total 2023	Total 2022
Balance, Beginning of the year	$ 13,060	$ 290	$ 836	**$ 14,186**	**$ 14,830**
Increase of Bad debt allowance in current year	$ 5,873	$ 58	$ 657	**$ 6,588**	**$ (644)**
TOTAL	**$ 18,933**	**$ 348**	**$ 1,493**	**$ 20,774**	**$ 14,186**

4. Inventories for resale

	2023	2022
Heating fuel	$ 177,860	$ 115,595
Other fuel	$ 48,768	$ 27,397
Gasoline	$ 37,084	$ 33,061
	$ 263,712	$ 176,053

Inventories of $76 were written-off in 2023 to reflect the correction of fuel movements during the annual discharge and dispensing of fuel (2022 - $230). Inventories include $176,070 of fuel products held by a third party and carried at cost (2022 - $116,193 of fuel products held by a third party and carried at cost).

5. Accounts payables and accrued liabilities

	2023	2022
Accrued liabilities	$ 71,807	$ 48,592
Accounts payable	$ 2,581	$ 1,779
	$ 74,388	$ 50,371

6. **Sale of petroleum products**

	2023	2022
Wholesale	$ 74,861	$ 47,414
Commercial/Private	$ 67,571	$ 58,088
Territorial Municipalities	$ 13,146	$ 11,299
Nunavut Housing Corporation	$ 25,075	$ 20,780
Qulliq Energy Corporation	$ 47,818	$ 36,303
Government of Canada	$ 4,608	$ 3,571
Government of Nunavut	$ 10,755	$ 8,308
	$ 243,834	$ 185,763

A private contractor in Iqaluit is charged the landed cost of the fuel. The Fund pays or receives the price differential between the approved selling prices set by the Government and a negotiated selling price which would permit the private contractor to earn a fair return on fuel sales.

7. **Rent and other revenue (expense)**

	2023	2022
Rent and other revenue		
Rent and other income	$ 1,361	$ 1,800
(Expense) recovery from prior year	$ (1,016)	$ 752
Interest income	$ 45	$ 8
	$ 390	$ 2,560

Rent includes leasing fees received from private contractors who are leasing fuel storage facilities in Iqaluit. Interest income includes financing charges on accounts receivable and bank interest.
The total amount of $390 amount includes $(1 161) of foreign exchanges losses, incurred as a result of
* Remaining portions of fuel purchases settled at a defavorable exchange rate than the initial order
* as well as non settled fuel purchase, converted at the closing exhanged rate

8. **Tangible capital assets**

	2023	2022
Fuel delivery vehicles		
Cost of tangible capital assets		
Opening balance	$ 21,316	$ 19,805
Additions	$ 477	$ 1,511
Closing balance	$ 21,793	$ 21,316
Accumulated amortization		
Opening balance	$ (18,356)	$ (17,115)
Amortization	$ (1,340)	$ (1,241)
Closing balance	$ (19,696)	$ (18,355)
Net book value	$ 2,097	$ 2,960
Building Storage		
Cost of tangible capital assets		
Opening balance	$ 390	$ 390
Additions	$ -	$ -
Closing balance	$ 390	$ 390
Accumulated amortization		
Opening balance	$ (52)	$ (39)
Amortization	$ (13)	$ (13)
Closing balance	$ (65)	$ (52)
Net book value	$ 325	$ 338
Total Net Book Value of Tangible Capital Assets	**$ 2,422**	**$ 3,298**

9. Financing costs

Management estimated that the financing costs relating to its working capital advances from the Government were $7,091 for 2023 (2022: $154). The financing cost is based upon the average monthly balances due to the Government at a monthly average borrowing rate applicable to the Government. The borrowing rate ranged from 1.00% to 4.87% the year (2022: 0.53% to 0.78%). These financing costs are not charged to the Fund by the Government.

10. Related party transactions

The Fund is controlled by the Government of Nunavut and related to Qulliq Energy Corporation and Nunavut Housing Corporation through common control. The Fund enters into transactions with these entities in the normal course of operations.
In addition to the significant transactions with related parties disclosed elsewhere in the financial statements the Fund is related in terms of common ownership to all Government created departments, agencies and Crown corporations

A portion of the total annual sales to Qulliq Energy Corporation are priced at cost; the per-litre cost of fuel and associated freight with no added margin. These are referred to as, "bulk sales" and represent fuel purchased by Qulliq Energy Corporation for generating power throughout the Territory. In 2022-23, bulk sales to Qulliq Energy Corporation totalled 19,952 litres at a value of $21,274 (2022: 17,557 litres at a value of $12,022). The Fund also incurred expenses totalling $1,212 (2022: $1,165) from Qulliq Energy Corporation.

11. Transfer to Government of Nunavut

The Fund operates under the authority of the "Consolidation of Revolving Funds Act R.S.N.W.T. 1988, c. R-7" and subsequent amendments, simply referred to as the Revolving Funds Act.

As a general principle laid out in section 60 of the Financial Administration Act, at the end of each fiscal year, each Deputy Minister whose department administers a revolving fund shall

a) prepare a balance sheet and statement of operations for the revolving fund and any other information that the Comptroller General may require,
b) transfer any profit in a revolving fund to the Consolidated Revenue Fund (CRF) as public revenue ; and
c) charge any loss in the revolving fund to an appropriation

However the Revolving Funds Act lays out (in section 8) an exception for the Petroleum Products Revolving Fund (PPRF): Under this act, at the end of a fiscal year, any profit shall be credited or loss shall be charged to the Petroleum Products Stabilization Fund hereafter referred to as the Stabilization Fund

The accumulated surplus or deficit in the Stabilization Fund limit is $20,000
Where the accumulated surplus exceeds $20,000, the excess of the surplus balance shall be credited into the CRF
Where the accumulated deficit exceeds $20,000, the excess of the deficit balance shall be charged to an appropriation.

As at March 31, 2023, the Stabilization Fund accumulated balance was a deficit was $24,718 (2022, deficit of $12,809). It has exceeded the Stabilization Fund Authorized Limit. In respect of this overage, no appropriation has been approved so far for PPD to bring back the Stabilization Fund within the authorized limits.

Documents have been prepared to request an appropriation of $ 4,719 for 2024 winter session to bring back the accumulated deficit to $(20,000)

The Department of Finance, who has stewardship over the CRF, has issued a discharge letter in January 2024, confirming it was aware of PPD non-compliance with the PPRF and with the Stabilization Fund, and will not stop or reduce this working capital facility
Effective January 2024, PPD got authorized by the Financial Management Board to increase its base sales prices by $0.15/L , following a previous increase by $0.05/L in October 2023. These are expected to restore PPD profitability by 2024-25 fiscal year.

12. Commitments and contingencies

a. Fuel supply and transportation contracts

After the 2017 re-supply season, multiple contracts with Woodward's Oil Limited for the supply and transportation of petroleum products expired. Following the RFP procurement process, AV Nunavut Fuels Inc., in partnership with Woodward's Oil Limited, was selected as the successful proponent to provide fuel supply and transportation services throughout Nunavut under a single contract expiring on 30th November 2022. GN exercised its extension right on 21st October 2022 for a first extension from 1st December 2022 to 30th September 2023. In June 2023, GN exercised a second extension which is still in force till 30th November 2024.

b. Wholesale resupply contracts

Iqaluit
The Government entered into a five-year contract, which expired in November 2017, with Uqsuq Corporation ("Uqsuq") where Uqsuq will lease and operate the fuel storage facility in Iqaluit. Under this contract Uqsuq buys fuel from the Government through the Fund at the landed cost and resells fuel products at prices approved by the Government to residents and businesses of Iqaluit. Following Cabinet approval, several extensions with Uqsuq were granted via negotiated contract which expire by end of November 2031.

Under this contract, PPD is obligated to sell all the fuels volumes requirements of Iqaluit to UQSUQ at landed costs and receives in return a mark-up equivalent to lease revenue, based on volumes sold by UQSUQ

The volumes under this contract account for 25% of overall PPD's annual volumes

c. Community fuel delivery contracts

The Fund provides fuel delivery services in 25 communities in Nunavut. These services are carried out through formal fuel delivery contracts which are awarded by the Government to local individuals or businesses residing in the respective communities. Contracts were awarded for 23 communities on November 1, 2016 and will expire October 31, 2026. In the prior year the contract for Pangnirtung was amended and has effective dates of December 8, 2019 until October 31, 2026.

Of the remaining two communities, one was awarded for Rankin Inlet on November 1, 2017 and will expire November 30, 2027. The final community; Iqaluit, received a one year contract contract extension which expires in November, 2031. Under the contracts, private contractors are paid a commission for services rendered on a, "cents per litre" basis.

d. Environmental site assessments and remediation costs

In the course of normal operations the Fund may become responsible for certain remediation costs related to it's tank farms. The cost of such remediation work is not accrued until either a decision to remediate by the entity occurs or the contamination exceeds current environmental health standards, and the cost and timing of the remediation work can be reasonably estimated.

The Fund's accrued estimated cost of remediation is as follows:

		2022		2023
Location	Nature of the Environmental Liability	Accrued Liability	Work Completed/ Change in Estimated Accrued Liability	Accrued Liability
Baker Lake	Gasoline leak	$ 580	$ (158)	$ 422
		$ 580	$ (158)	$ 422

The above liabilities are based on the contractors' quotes for remediation of the respective sites. The amounts are undiscounted and net present value technique has not been used since the Fund expects to do the remediation work in the near future. The above figures do not include any recoveries. If they exist, the Fund expects to collect them via insurance or from the fuel delivery contractors in the respective communities.

In prior years, an Environmental Protection Compliance Order (EPCO) was issued to the Fund for deficiencies in Rankin Inlet. The Fund has not included a liability associated with the EPCO as it relates to assets owned by the Government and hence the Government has taken responsibility for the EPCO through its capital projects.

13. Contingent Assets

The Fund has no contingent assets at March 31, 2023

14. Contractual Rights

Contractual rights are rights to economic resources steming from agreements that will generate future asset and revenue to the entity. These contractual rights can be classified into four categories: sales of goods and services, leases of property, royalties and revenue/profit-sharing arrangements and others

GN on behalf of PPD has signed effective December 1st 2021 a 10-year agreement with UQSUQ Corporation to operate a bulk storage facility and pipeline distribution system at Iqaluit.
GN owns the bulk storage facility and the pipeline distribution system

The contract expires on November 30th, 2031, GN has the right to renew the contract for another 5-year term provided GN gives written notice to UQSUQ on or before Novermber 30, 2030

PPD has 2 main revenue categories of contractuals right: Sales of goods and services and leases of property
PPD sells the refined petroleum products at landed costs to UQSUQ who in turns operate the facility and pays a bulk price for the product and a throughput fee (rent based on volume)

15. Financial risk management

The fund has exposure to the following risks from its use of financial instruments: liquidity risk and credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty meeting obligations associated with financial liabilities. The Fund's financial assets and liabilities, with the exception of amounts due to the Government of Nunavut are expected to be settled in less than 6 months. The Fund enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Fund's future net cash flows for the possibility of a negative cash flow. The Fund manages the liquidity risk resulting from its accounts obligations by maintaining sufficient cash resources and available working capital advances payable from the Government of Nunavut. This is achieved by keeping Account Receivable and Inventories under control and within the limits of the working capital advances enjoyed from the Consolidated Revenue Fund of Nunavut

b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund maximum exposure to credit risk is the carrying value of its accounts receivable. A significant amount of the Fund's accounts receivable is due from government entities and, as such, has low credit risk. The Fund manages credit risk through monitoring of the outstanding balances. As at March 31, 2023, an allowance for doubtful accounts of $20,774 was recorded.

Nunavut Petroleum Products Revolving Fund **Schedule A**
Schedule of Expenses by Type
As at March 31, 2023
(thousands of dollars)

	2023 Supply & Delivery of Petroleum Products	2022 Supply & Delivery of Petroleum Products
Expense type:		
Cost of goods sold	$213,900	$156,461
Commissions	$17,794	$15,180
Bad debt expense (recovery)	$6,588	-$644
Contract and consulting services	$5,917	$5,510
Salaries, wages and employee benefits	$5,290	$4,723
Operations and maintenance	$3,491	$4,712
Travel and relocation	$1,801	$807
Amortization	$1,353	$1,219
Total expense	$256,133	$187,968