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NLIS 5  
August 1, 2002  
(Executive Council)

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### Premiers Grimes and Landry announce continuance of discussions on development of Gull Island hydro resource in Labrador

Roger Grimes, Premier of Newfoundland and Labrador, and Bernard Landry, Premier of Québec, announced today they have reached consensus on the fundamentals of any agreement that may be reached between the two governments on development of the Gull Island hydro resource project in Labrador. The premiers have directed their respective officials to continue discussions over the coming weeks to determine if an agreement can be reached based on these fundamentals. An update on the discussions is expected by early fall.

The premiers said any agreement must be based on the following:

- Development of a 2,000 MW Gull Island project.
- Newfoundland and Labrador ownership of the production and transmission facilities in Labrador.
- A long term contract that reflects fair value and sharing of project risks, including an escalation provision that will ensure that the price reflects the value of electricity as it changes over time.
- All electricity produced by the project sold to Hydro-Québec with recall rights to Newfoundland and Labrador.
- Maximizing the economic and employment benefits for both Newfoundland and Labrador and Québec.
- Meaningful partnership with the Innu in the development.
- Development in an environmentally sensitive manner.

The two governments share a common interest in the development of this project, on the basis of terms that are fair to the people of both Newfoundland and Labrador and Québec, and in a manner that is sensitive to both environmental and aboriginal issues. "We all stand to benefit from the economic, employment and environmental benefits to be derived from this very significant, renewable energy project," said the premiers.

"We also recognize that meaningful aboriginal participation is an essential element to the success of the project." In addition to restarting discussions, both governments will continue their consultations, within their respective territories, with the Innu.


"Although the project involves many complex issues, we are confident that if we adhere to the principles of fairness and transparency in our discussions, we have sufficient common interests that an agreement can be reached," said the premiers.


Premier Grimes said: "We have the benefit of the knowledge gained during our previous negotiation with Québec and our assessment of development options in the interim period since 2000. Based on this knowledge, I am very encouraged by what I heard from Premier Landry today."

Premier Landry said: "This is an opportunity for a new partnership between Newfoundland and Labrador and Québec. We recognize that we are both in the unique position to bring to the table the

key elements that can make this development happen."

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### BACKGROUNDER

#### Gull Island Hydroelectric Project

- The Gull Island hydroelectric project is located on the Churchill River in Labrador, 225 km downstream from Churchill Falls and approximately 300 km from the Labrador/Qu  bec border.

#### Project Concept

- 2,000 MW1 generating station with four generating units, a rockfill dam (height 100 m) and spillway at Gull Island.
- estimated reservoir size 200 sq km, new flooded area approximately 85 sq km.
- The estimated cost of the dam and transmission in Labrador is \$4 billion.
- The project will be developed in an environmentally sensitive manner and subject to environmental assessment in accordance with statutory and regulatory requirements (requires approximately three years).
- Estimated construction period six years.

2002 08 01

4:55 p.m.



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