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To: [Matthews, Elizabeth](#); [Morrissey, Ken](#)
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Attachments: [churchill-08Dec2004-QA.doc](#)
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Elizabeth, Ken:

Josephine suggested it might be useful to pull together some Q&As on Churchill in anticipation of a pending news conference on the call for expressions of interest (Dec 13, I believe). I have attached a lengthy list of Qs with some As. Would it be okay to forward these to Josephine for follow-through?

Jeff

DRAFT FOR REVIEW
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Additional possible questions (with some possible answers)
on Lower Churchill Development and Energy Policy
(draft dated December 8, 2004)

Expressions of Interest in Developing the Lower Churchill

Q: Who do you hope to lure through this process? Are there really people or companies out there who may have the interest and ability to do this but who don't already know about Churchill?

Q: Is this a news conference of substance, or an attempt to pacify the restless public?

A: The public is naturally restless as it waits patiently for Lower Churchill development and wonders how to achieve economic expansion when, for years now, the province has lacked a comprehensive energy plan to show how this growth can be fueled. Developing an energy plan was one of our most important commitments, and following through on it is one of our most important initiatives. Talking the bull by the horns on Churchill development is also a significant step that we are now fully ready to take. We are following through on the new approach by putting in place a new team that will apply our approach, ultimately for the greater benefit of Newfoundland and Labrador.

Q: Why have you waited a year before initiating the Expressions of Interest process? Wouldn't we be better off now if we were already a year into the process? Isn't there any progress to report on this file from your first year in office?

A: There are three main reasons that this is the optimum time to begin, in earnest, to move ahead vigorously on the Churchill file. 1) Last November, the province had the first wholesale change in government in about 15 years. Much of our first year has been spent focusing on reviewing and renewing government functions, and it has occurred in the context of the fiscal crisis we inherited. 2) We were waiting for the election in Quebec because it is difficult to discuss long-term plans with a government at the end of its mandate. 3) We were waiting for the federal election for the same reason, knowing that Prime Minister Chrétien was exiting.

Q: Why has there been so little disclosure to date, or has there been nothing to report?

Q: Surely there is tremendous interest abroad in new electricity sources. What is there to report from the Boston energy conference and from First Ministers' meetings?

Q: Having demanded and promised openness, can you now give an update on any talks or informal discussions on Lower Churchill development that you may have held already with any prospective partners? When have you talked with, and what have you been told by:

- the Prime Minister and federal officials?
- our cabinet representative John Efford?

- the federal Conservative, New Democrat and Bloc Québécois leaders?
- other provinces?
- the American national government and Ambassador Cellucci?
- American governors?
- American businesses and utilities?
- other Canadian utilities?
- other businesses and prospective developers?
- such companies as Inco, IOC, Wabush Mines, Alcoa, Alcan, etc., with mining, smelting or manufacturing interests?
- forestry companies?

Q: Premier Charest, at his recent Liberal convention, spoke of a bright future for his province from exporting his province's energy bounty. He seemed to include Churchill power as if it constituted a part of his province's resource profile. Does that concern you?

Q: Have you spoken with Charest about his speech and intentions? When did you last speak with Charest about Lower Churchill development?

Q: Does the government still consider it a priority to seek reparations for the Upper Churchill deal?

Q: Have there been any talks with Hydro-Québec, Premier Charest or the Government of Canada regarding Upper Churchill reparations? Is there anything to report?

Q: Is Charest open to reparations or compensatory considerations in view of the unbalanced Upper Churchill contract? Does he acknowledge the unfairness of that contract?

A: I cannot speak for Premier Charest. But I believe everyone in the country, knowing the facts, would agree the contract was lopsided. Had Ottawa intervened at the time to help us get wheeling rights with fair wheeling tariffs (comparable to petroleum transmission rights that other provinces enjoyed), the benefits likely would not have been as lopsided. We are looking to Ottawa to acknowledge its error then and help us make up for that loss with a Lower Churchill agreement from which we will be the principal beneficiaries.

Q: Didn't you say no deal with Quebec unless Upper Churchill reparations and federal participation were in the picture? Have you shifted from that position?

A: Ottawa's inaction in the sixties cost our province billions of dollars. Ottawa is not off the hook for that grave injustice. It is our position that Ottawa must come to the table to facilitate a Lower Churchill agreement from which we will be the principal beneficiaries.

Q: Where does Charest stand on wheeling rights and wheeling tariffs?

A: I cannot speak for Premier Charest, but Quebec, in recent years, has acknowledged that others should be able to purchase wheeling rights on its territory. I believe the Americans have insisted on this. Implicit in this should be an understanding that wheeling tariffs must be

reasonable.

Q: Is Charest firmly in control of Hydro-Québec's decision-making on such matters? Or is Hydro-Québec operating with a measure of autonomy from the Premier?

A: Hydro-Québec is a Crown corporation in Quebec, so Premier Charest is ultimately responsible for its decisions.

Q: Isn't Charest pursuing other energy projects that could divert his government's attention and money from the Churchill file, or reduce its priority?

A: I believe Quebec is indeed pursuing other energy opportunities, just as our province and others are. That is only to be expected. But the Lower Churchill is the Cadillac of untapped energy reserves, and there is a great deal of interest in bringing that power to market. The challenge is not getting people excited about it, but securing the capital to proceed.

Q: Would Ottawa be more likely to support an arrangement with Quebec than one that bypasses Quebec to the east, given the relative political clout of these regions?

A: Ottawa should be ready to participate on the Lower Churchill on the basis that it is an economical source of a tremendous amount of clean energy that will benefit the people of Newfoundland and Labrador, and ultimately Canadians, for untold generations to come.

Q: Why develop the Churchill with Quebec when they continue to use Churchill power to lure manufacturing and investment opportunities away from our province where they are needed?

A: We are interested in reaching an agreement that will allow Churchill power to be used to attract industrial and investment opportunities to Newfoundland and Labrador. If an agreement involves selling power and returning a share of the power in return for a share of the capital startup costs, then obviously our customers will use that power to their own advantage. That is only to be expected. Labrador and the Island have tremendous resources in which to build our own successes. I am not afraid of healthy competition. We have to start believing in our capacity to compete with the best and to succeed and prosper right here in Newfoundland and Labrador. That's the attitude that I have adopted in life.

Q: Where is the much-touted and long-awaited comprehensive energy plan that is supposed to ensure we can supply our domestic needs and foster industrial growth in all areas?

Q: Where will the Island get power in the years ahead? Burning more crude? Natural gas? Wind? Co-generation? A link from Labrador (with or without a fixed transportation link)?

A: This is why we have long needed an energy plan. We need a strategy that reaches decades ahead. Ultimately, I want to see inexpensive, clean power replace crude-burning at Holyrood. I would like to see a transmission line from Labrador to the Island in the long run. But I believe there may also be a great deal of promise in natural gas, wind power and perhaps other sources. Developing a comprehensive energy plan means answering this question based on a thorough

assessment of the facts and opportunities.

Q: Where will eastern, northern and southern Labrador get power in the years ahead, if not from Churchill?

A: The energy plan will investigate this as well.

Q: Do you want the Lower Churchill developed primarily so you can sell the power or primarily so you can use it to attract local investment? And would arrangements with development partners bind us to export much of the power that we would like to use locally?

A: Our first aim is to use that power for development opportunities at home. In the interim, while our demand is relatively low, we would be willing to export excess power for a fair monetary return. And, of course, there would likely also be arrangements to export power in return for initial capital investments under a development agreement. The challenge that will require our brightest minds and toughest bargainers is to obtain the best agreement for Newfoundland and Labrador.

Q: How much work has been done on the once-named “Anglo-Saxon route” bypassing Quebec? Is that contingent on a fixed link channeling power through the Island?

A: It is one of the options to be explored. It would be wrong to dismiss it without weighing the costs and opportunities.

Q: How is the fixed link study proceeding? Do you hope to channel a transmission line through this fixed link?

A: (update?) It was envisioned that a fixed link would carry a transmission line to the Island. This idea will be part of many ideas that will be on the table as we seek ways and means of developing the Lower Churchill, addressing questions of energy supply, and bringing maximum benefits to Newfoundlanders and Labradorians.

Q: Would you have to bind prospective Lower Churchill customers to long-term contracts in order to finance this project? Is that a major hurdle? Can you figure out a way to do this without such customer commitments?

A: That is one of the challenges that has been put before us and one of the reasons that we are interested in involving many players and pursuing a great number of options and potential partners in pursuit of a feasible arrangement. We are also, of course, looking at public participation that offsets the costs with public investments. Fundamentally, we believe developing the Lower Churchill is a sound idea, and sound prospects like this “beg” to be developed. It is just a matter of working out how, when and with whom.

Q: Have you rejected the option of merging Newfoundland Power and Hydro?

A: I do not favour this option. Nationalizing a private utility would not look good on us as we

seek external investment.

Q: Did you ever support Hydro privatization? Where do you stand on it now?

A: I reject Hydro privatization. Hydro's belongs to the people, and we will continue to manage this Crown gem in a way that brings maximum advantage to our people.

Q: Is government planning to privatize any functions of Hydro, after having advocated so strongly for Petro-Canada divestiture?

Q: Did the former government significantly hurt Hydro by drawing down dividends or by any other policies, as you suggested while in opposition? Has it undermined Hydro's capacity to participate in Lower Churchill development? How will you remedy the situation? Will you stop drawing down dividends?

A: The former government created a structural deficit by drawing down Hydro dividends to cover off the consequences of their own mismanagement. Instead of addressing the brewing fiscal nightmare, they masked the problem with these draw-downs, leaving it to our government to address the disaster that built up. It is fair for the people to reap the benefits of Hydro, as long as the approach does not undermine the tool we are trying to use to promote greater economic growth. I am not interested in working with "could-have-beens". Our government will put Hydro to work for our province, just as it now is, in order to achieve the gains we are seeking.

Q: Where do you stand on private power projects feeding into the provincial power grid?

A: It is already happening. But instead of leaping into further developments on a piecemeal basis as the former government did, we are taking the responsible approach of developing a comprehensive energy plan to investigate our needs and opportunities and to develop a sound strategy that will guide us to a more-secure future.

Q: How might Lower Churchill development talks be affected by outstanding land claims involving the Innu Nation?

Q: Would you also have to deal (separately) with the Innu people of Quebec who may have claims on Labrador land?

Q: How will you deal with the Métis people of Labrador? Do you anticipate legal wrangling, civil disobedience or other disruptions from Métis people upset by the government's position on land claims?

Q: Does the Labrador Inuit Land Claims Agreement have no relevance to these matters?

Q: Do you anticipate challenges by environmentalists, and will they disrupt any development initiatives? What about the coalition established some time ago to protect the Grand River, as they call it?

Q: There was once talk of archeological materials in the prospective flood basin area. Are you concerned about that?

Q: Would Lower Churchill development affect the Trans-Labrador Highway route?

Q: Would you enforce a local preference hiring policy for Lower Churchill development? Under interprovincial agreements, could you?

Q: Are you insisting on developing Gull Island and Muskrat Falls concurrently, given concerns that isolating the former could make the latter uneconomical as a stand-alone project?

Helps / Hurdles

Q: Is interest in Churchill development high or low; growing, waning or not really changing? What is your evidence?

A: Interest is high and growing, particularly given growing concerns about world oil markets and pollution. The challenge is working out arrangements and bringing on partners to cover the capital startup costs.

Q: Does Atlantic Accord discord hurt the Churchill's development chances?

A: The two are independent of one another. We want Churchill development to proceed on its merits because it is good for our province economically, good for Canada economically and good for the world environmentally. We are working to build our economy on many fronts and are working with the Government of Canada on many fronts. Dealings on one issue must not hinder dealings on other issues, and I really don't believe they do. (We discount comments by the one or two in the federal bureaucracy who suggest vindictiveness is at play.)

Q: You are demanding Atlantic Accord changes, equalization reform, extra health money and so forth. Is it unreasonable to also expect federal participation in a costly Churchill venture? Would there have to be tradeoffs?

A: Canada is about allowing all of its partners to take maximum advantage of local opportunities to create wealth. Alberta has taken full advantage of Canada's generosity in granting oil rights to provinces and has used that advantage to create unequalled wealth. We have traditionally faced huge hurdles as we have sought to achieve self-sufficiency (such as health delivery costs), but we too have tremendous resources and potential, and we believe Canada is the kind of country that wants to help us surmount those hurdles in order to realize prosperity here too. When we are standing on our own feet, we won't need to be as reliant on equalization.

Q: As you seek federal help for such a venture, does a federal minority government situation create more barriers or advantages?

A: Our government has enjoyed a great deal of success in presenting our case for fairness and the need for economic renewal to the leaders of the Liberal, Conservative and New Democratic

parties. I believe we can make the case that developing Churchill falls right in line with the policies of all federal parties, because it promotes clean energy, regional development and economic self-sufficiency in an economically-disadvantaged region.

Q: Does the Kyoto Accord strengthen your case for federal participation? Is Ottawa more favourably inclined because of Kyoto?

A: Yes. Kyoto is all about reducing our reliance on fossil fuels and shifting towards cleaner energy. Hydro power is clean, and the Lower Churchill is one of the continent's richest gold mines of clean power.

Q: With instability in the oil-rich Middle East and high oil prices, has the province been able to turn the situation to its advantage in pressing for Churchill power development?

A: President Bush has repeatedly stressed his government's insistence on finding energy sources closer to home to reduce their country's reliance on OPEC oil in turbulent times. Senator Kerry's party favours clean energy. Both approaches work to our advantage in the continent's largest market place. I like to press this point with Ambassador Cellucci and American governors. It is also an argument that carries considerable weight here in Canada, where we continue to rely on costly oil for power that hydro projects could supply cheaper in the long run.

Q: Where does Ottawa stand now on a Manitoba/Ontario hydro development proposal, and would that help or hinder your efforts to secure federal participation at Churchill?

A: (?) No doubt Ottawa's participation on one would set a positive precedent that the other could turn to its advantage.

Sino Energy

Q: Why did you give the go-ahead to Sino Energy without fully knowing who they were?

Q: Why did you give the go-ahead for Sino Energy's unsolicited business proposal when, after receiving an unsolicited proposal on Bell Island mineral development, you opened up that process to seek other proposals? Why did Sino merit preferential treatment?

Q: Why were you reluctant to disclose that you had reached an agreement with Sino, leaving the Opposition and others to speculate on the identity of the proponent and the nature of the arrangement?

Q: How little investigation was done if you did not discover the widespread fact that Sino partner CMEC (China National Machinery and Equipment Import and Export Corporation) is on a US sanction list for dealing weapons?

Q: Why did the Premier rush to judgment in saying there was a leak in the bureaucracy when in fact the CMEC information was publicly available on the web?

Q: Did the Sino study lead to anything useful?

Q: Was Sino privy to any information that could be used against us?

Q: Would the Sino partners qualify as lobbyists under pending legislation?

Q: Can you say with certainty that the Sino process did not cost the province anything in terms of wasted money, wasted time, or damaged reputation?

Q: Are there any potential conflicts of interest associated with the government's arrangement with Sino Energy? Did you determine this before entering into the arrangement?

Q: Does the Premier or any Minister have personal or business connections with Sino Energy or any of its principals?

Q: Did any of Hydro's current or former people express concern about the arrangement with Sino Energy?

Q: Why did you hide and refuse earlier to disclose this arrangement with Sino Energy, given that you promised openness? Would anything have been jeopardized by revealing it?

Q: Do you understand how your earlier refusal to disclose created suspicions? In retrospect, did you err?

Q: Have you now disclosed everything about the arrangement with Sino Energy, or is some information still being withheld?

Q: Did you breach the Freedom of Information Act by not responding to the Official Opposition's request within the prescribed period?

Q: Would you have been obligated to disclose the information had the new Access to Information Act (ATIPPA) been proclaimed?

Q: Have any parties other than Sino expressed interest in studying this?

Other issues

Q: Fortis is involved in generating power in the Caribbean. Some of the infrastructure may have been damaged by recent hurricanes. Will customers in this province be affected as they deal with the repair costs, insurance costs and other implications of this?

Q: Have you released all relevant information on all the previous government's dealings on the Churchill (Wells, Tobin, Tulk, Grimes)? Is there more that you feel you cannot release even if you would like to?

Q: Do you have anything more to say on the Dumaresque allegations of waste and lack of

accountability?