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Economic Self-Reliance and Environmental Sustainability Cornerstones of the Province's Energy Plan

A clear and strong vision for the development of the province's Energy Warehouse is the foundation of the Government of Newfoundland and Labrador's first ever Energy Plan.

Focusing Our Energy is a comprehensive document that will guide the energy policy of the province in the coming years, said the Honourable Danny Williams, Premier of Newfoundland and Labrador, as he released the plan today. The Premier was joined by the Honourable Kathy Dunderdale, Minister of Natural Resources. The plan will chart a course for the province to achieve self-reliance and prosperity, as well as develop sustainable green energy solutions for the 21st century.

"Newfoundland and Labrador is blessed with an abundance of natural resource wealth, matched by few jurisdictions in North America," said Premier Williams. "Our Energy Warehouse of oil, gas, hydro, wind and other energy sources positions our province as a significant energy player on the international stage. The only way to ensure we are properly prepared to seize every opportunity for maximum economic benefit from these resources is with the implementation of a comprehensive, long-term plan.

"History reveals the price we have paid for lack of proper planning, and *Focusing Our Energy* will enable us to capitalize on the opportunities related to our energy resources in a meaningful and powerful way," the Premier said. "Sound planning and strong leadership built on the strength of our convictions and principles will further our ultimate goal of becoming self-reliant and prosperous as a people."

The plan also takes into account the important role that Newfoundlanders and Labradorians will play in the development of the province's Energy Warehouse, in particular the people of Labrador and the Aboriginal peoples of the province. The Provincial Government recognizes the importance of the availability of electric power to facilitate economic development in Labrador.

The vision of *Focusing our Energy* is: *To ensure our energy resources contribute to a vibrant and sustainable Newfoundland and Labrador where people are proud to live and work, the standard of living is high, and the environment is protected now and into the future; and to ensure that the people of Newfoundland and Labrador take pride and ownership in our energy resources and strategically develop them in such a way that returns maximum benefits to the province for generations to come.*

The plan will see the province investing revenues from non-renewable resources into developing a renewable resource economy, powered by hydro, wind and other green energy

sources. This approach is based on economic and environmental sustainability and ensures the benefit from non-renewable resources is shared with future generations. The plan also outlines principles of ownership of resources, including taking an equity stake of 10 per cent in the development of oil and gas projects where it fits with the strategic long-term directions of the province.

“This Energy Plan will help ensure that our legacy is a sustainable economy powered by renewable, clean energy,” said Minister Dunderdale. “Through this plan we envision a future that will provide our people and industries both in Labrador and on the island with reliable, competitively-priced green energy, while exporting our valuable surplus to help meet energy demands elsewhere. It is built on the firm belief that to achieve our goals and realize our potential, we need to have a plan that reflects the views, hopes and aspirations of all those who have a stake in our energy resource future.”

In addition to laying out principles of ownership and environmental leadership, the plan also focuses on how the energy future of the province will impact the overall economy including employment, potential industry attraction and other related local benefits.

Another area of focus is the goal of preparing for 2041 when Newfoundland and Labrador will be in a position to take full advantage of the Upper Churchill project.

“It is critical for the province to have a strategy in place to develop our energy resources for the coming decades, but also to prepare for the day when we will finally become the real beneficiaries of the Upper Churchill development,” the Premier said. “In many ways, this project marked the genesis of our energy economy, yet we have never been in a position to take full advantage of the related financial revenues. This plan anticipates that day, while developing other resources in the meantime.”

Focusing Our Energy addresses the Provincial Government’s plan for the potential development of the Lower Churchill Project – one of the most exciting green energy projects in North America today. In conjunction with this development, a transmission link will be built between the island and Labrador. The plan also commits to addressing environmental concerns at the Holyrood Generating Station by replacing Holyrood with electricity from the Lower Churchill development by 2015. In the event the Lower Churchill Project does not proceed, scrubbers and precipitators will be installed at the Holyrood facility by 2013 which will greatly reduce sulphur dioxide and particulate emissions.

Once the Lower Churchill Project begins producing power and the transmission link is complete, 98 per cent of Newfoundland and Labrador’s energy will come from renewable clean sources, ensuring a reliable, competitively-priced supply of power for development in this province with the surplus exported to markets in North America to assist in the reduction of global Greenhouse Gas (GHG) emissions. The province acknowledges that power for economic development in Labrador is a priority.

Focusing Our Energy includes several new targeted initiatives to: encourage oil and gas exploration and development; increase export-based petroleum fabrication and

manufacturing opportunities; and improve benefits requirements in areas where local companies have the potential to create or capitalize on competitive advantages. As a part of the plan, a task force on innovation will be created to make recommendations on planning, implementing and financing energy innovation. In addition, all companies that plan to extract oil and gas will be requested to provide a detailed assessment of the feasibility and provincial benefits of landing gas or refining oil in Newfoundland and Labrador.

“Our government recognizes the valued role that industry plays in the development of our energy resources and our Energy Plan speaks to the opportunities for partnership in developing our energy economy through exploration, development and innovation,” said Premier Williams. “We developed our plan using a comprehensive strategic and consultative process. The plan will guide us in the continued development of policy and management of the energy sector to ensure the benefits to this province are optimized and decisions are made based on long-term strategic planning and investments.”

Environmental sustainability and the development of innovative energy conservation initiatives are important components of *Focusing Our Energy*. The plan was developed to complement, and in some cases build on, other government initiatives, such as the Climate Change Action Plan, Skills Task Force, Innovation Strategy and the Northern Strategic Plan for Labrador.

As part of the Energy Plan, the Provincial Government also released a draft of the new Natural Gas Royalty Regime for broader industry consultation. Targeted consultations have already taken place with companies with a specific interest in natural gas development in Newfoundland and Labrador. Once complete, it will also form the basis of a new Generic Offshore Oil Royalty Regime. These new regimes will strike a balance that will provide maximum benefits to the people of the province and a fair return to, and certainty for, industry partners.

Focusing Our Energy is available at www.gov.nl.ca/energyplan/EnergyReport.pdf.

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BACKGROUNDER

Energy Plan Highlights

Focusing Our Energy represents Newfoundland and Labrador's first-ever Energy Plan. Through the Plan, the province will achieve self-reliance, prosperity and sustainable green energy solutions for the 21st century.

With the release of *Developing an Energy Plan for Newfoundland and Labrador: Public Discussion Paper* in November 2005, the Government of Newfoundland and Labrador officially began the process of developing a comprehensive, long-term Energy Plan for the province. Following the release of the discussion paper, the province embarked on an extensive consultation and research effort, ensuring it had the best information upon which to build this Energy Plan.

Focusing our Energy is built on two objectives – economic self-reliance and environmental sustainability. It embraces developments currently on the horizon and reaches out to the period beyond the expiration of the current Upper Churchill power contract in 2041 when the province will be in the position to receive the full benefit from this resource. It minimizes uncertainty and creates a climate attractive to investment partners interested in maximizing growth. It will help ensure that the province's legacy is a sustainable economy powered by renewable, clean energy.

Our Vision

To ensure our energy resources contribute to a vibrant and sustainable Newfoundland and Labrador where people are proud to live and work, the standard of living is high, and the environment is protected now and into the future; and to ensure that the people of Newfoundland and Labrador take pride and ownership in our energy resources and strategically develop them in such a way that returns maximum benefits to the province for generations to come.

Our Principles

1. **Sustainability.** Energy developments must be environmentally and economically sustainable. We will protect and enhance our environment. We will also ensure the economic benefits from the development of our energy resources will be shared with future generations.
2. **Control.** We will exercise appropriate control over the development of our resources to ensure they are managed and used in the best interest of the people of Newfoundland and Labrador. We will assume an ownership interest in the development of our energy resources where it fits our strategic long-term objectives.
3. **Cooperation and Coordination.** We will add value to our resource development through effective cooperation and coordination with key stakeholders and partners.

Our Goals

1. **Environmental Leadership.** We will ensure our environment is continually protected

and improved, through the responsible development of clean, renewable sources of energy, including, but not limited to, hydroelectric and wind generation, investing in energy efficiency and conservation programs, and funding energy innovation.

2. **Energy Security.** We will ensure we have a secure, reliable and competitively-priced supply of energy for current and future needs of the people of Newfoundland and Labrador.
3. **Sustainable Economic Development.** We will develop our energy resources to help meet our social and economic responsibilities. We will reinvest the value we receive from our energy sector to secure our prosperity today and for future generations. We will ensure energy developments capitalize on our competitive advantages: our people, our industrial infrastructure, our geographic location and our political stability.
4. **Maximizing Electricity Export Value.** We will ensure we are positioned to maximize value over the long term from any electricity available for export and to invest the proceeds strategically.
5. **Maximizing Long Term Value of Oil and Gas.** Oil and gas, once produced and consumed, are depleted forever. We will maximize and effectively invest the value received from these resources to ensure current and future generations benefit from their development, while still providing a fair return to oil and gas companies that participate in the development of our resources.
6. **Effective Governance.** We will ensure that we have an effective and efficient regulatory and governance structure to properly manage the development of our energy resources. We must ensure there are no unreasonable impediments to development and establish rules and regulations that are prudent and clear. We will strive to establish certainty and stability for our energy sector investors provided the needs of the province are not compromised.

SELECT ACTIONS

Managing Our Energy Warehouse

- Ensure that any future fiscal regimes provide maximum returns to the people of this province and are designed to respond to changing circumstances.
- Assume an ownership interest in the development of our energy resources where it fits our strategic long-term objectives.
- Leverage our non-renewable oil and gas wealth into a renewable future by investing a significant portion of our non-renewable resource revenues in renewable energy infrastructure and development.
- Actively seek resource development partners and work with those partners, other governments and customers to develop these resources for our mutual benefit.
- Increase strategic investment in information gathering on our energy resources and options for their development.
- Ensure that our policies and legislation provide us with the tools to responsibly control the pace of development and benefits we receive from our resources.

- Plan and make decisions between now and 2041 to ensure Upper Churchill's success in the future as well as organizing our current and future energy resource developments to maximize benefits while minimizing fluctuations in our economy.
- Ensure the Energy Corporation takes a lead role in the development of our energy resources.

Oil and Natural Gas

- Make an initial investment of \$20 million over the next three years through the Energy Corporation to purchase existing proprietary seismic data for reevaluation and acquire new data to fill in gaps.
- Make an initial investment of \$5 million over the next two years through the Energy Corporation in a Petroleum Exploration Enhancement Program to boost new onshore petroleum exploration in western Newfoundland.
- Establish a policy to obtain a 10 per cent equity position in all future oil and gas projects requiring a Development Plan approval, where it fits our strategic long-term objectives. The Energy Corporation shall negotiate payment of its share of the historic exploration and pre-development costs incurred by the licence co-venturers as well as contribute its share of subsequent development and operations costs.
- Implement the Offshore Natural Gas Royalty Regime when industry consultations are complete.
- Establish an internationally competitive Generic Offshore Oil Royalty Regime in line with the principles and structure of the Offshore Natural Gas Royalty Regime.
- Establish a fund with an initial \$5 million investment to provide financial incentives for export-based petroleum fabrication and manufacturing opportunities. These financial incentives will be based on clear guidelines, targets and program parameters.
- Aggressively pursue refining, petrochemical, and other value-added secondary processing opportunities.

Electricity

- Lead the development of the Lower Churchill Hydroelectric Project, through the Energy Corporation. The Energy Corporation will coordinate all new hydro and wind developments
- Explore opportunities for Upper Churchill to make a greater economic contribution to the province.
- Address environmental concerns related to the Holyrood Generating Station by either:
 - A. Replacing Holyrood Generating Station with electricity from the Lower Churchill through a transmission link to the Island; or
 - B. Installing scrubbers and precipitators, and maximize the use of wind, small hydro and energy efficiency programs, to reduce reliance on Holyrood.
- Build a transmission link between Labrador and the Island in conjunction with the Lower Churchill development and seek Federal Government financial assistance in the context of Green House Gas (GHG) emission reduction initiatives.
- Work with other governments and industry to establish an effective national

electricity transmission system.

Energy and Our Environment

- By 2015, target the elimination of 1.3 million tonnes of GHG emissions per year, as well as all other pollutants from Holyrood, by building Lower Churchill and the Labrador-Island Transmission link. This will ensure more than 98 per cent of electricity generated for the province's use comes from renewable sources. Work with industry and other stakeholders to develop a GHG strategy for the energy sector.
- Ensure that renewable and non-renewable resources are developed in a manner which both maximizes benefits for the province while at the same time protects the natural environment, including the land, water and wildlife, to the greatest extent possible.
- Release an updated Climate Change Action Plan by 2008 incorporating specific targets and commitments which build upon initiatives being undertaken by the province through the Council of the Federation and the New England Governors and Eastern Canadian Premiers.
- Establish an Energy Conservation and Efficiency Partnership (ECEP) to develop a coordinated and prioritized, five-year Energy Conservation and Efficiency Plan by March 2008.

Energy and Our Economy

- Support and implement the recommendations of the Skills Task Force.
- Require large-scale energy project proponents within our jurisdiction to include employment plans for women that address employment equity and work with other governments to accomplish the same goal where resources are jointly managed.
- Invest \$5 million to provide detailed advice and recommendations on planning, implementing and financing energy innovation.
- Ensure our energy resources, where appropriate, are used as a tool to promote economic development, particularly in rural areas and Labrador.

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