

Deal frees N.L. from Quebec: Williams

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Premier Danny Williams seized at least part of what has become a political holy grail in the province with a \$6.2-billion deal to develop the Lower Churchill hydroelectric project in Labrador with help from Nova Scotia.

A beaming Williams touted the joint venture Thursday as an economic breakthrough for Newfoundland and Labrador, Atlantic Canada and the country as a whole.

It's also a chance to break Quebec's grip on his province's renewable energy resources, he said.

"On this day the people of this province are realizing a dream," Williams said. "Giveaways are a thing of the past. ... Quebec will no longer determine the fate of Newfoundland and Labrador and one of the most attractive, clean energy projects in North America."

Williams left no doubt that his drive to bypass Quebec and bring power through Nova Scotia using subsea cables was fuelled by the 1969 agreement to develop Churchill Falls power.

He said the woefully lopsided terms of that deal also drove him into politics.

Quebec has reaped more than \$19 billion in profits while Newfoundland has pocketed only \$1 billion, according to the Newfoundland and Labrador government. The deal doesn't expire until 2041.

The Lower Churchill development won't repeat those mistakes, Williams said.

"Several decades after that deal was signed, it remains as a defining moment in our history that has served as a warning to the generations who followed of what not to do."

The proposal is a scaled-back version of the premier's long-promised Lower Churchill development. It must also clear regulatory hurdles and could be scuppered unless Ottawa approves a compensation deal that must then be ratified by the Innu people of Labrador.

"One of the key outstanding issues now is the consent of our Innu people," Joseph Riche, grand chief of the Innu Nation, said as the deal was announced in a St. John's hotel ballroom.

But such details were for another day.

"This is our CPR (Canadian Pacific Railway)," Nova Scotia Premier Darrell Dexter said of a project that would mean thousands of jobs. "This strengthens us as a region, but ultimately in so many categories it builds the country."

Under the agreement, Nova Scotia would receive 170 megawatts of energy annually — about eight to 10 per cent of the province’s total power needs — for 35 years.

Emera would also have an option on an additional 330 megawatts that could go to other provinces and New England.

In June, Nova Scotia and Newfoundland and Labrador made a joint request to Ottawa for \$375 million to help build a subsea power cable connecting the two provinces. The federal government has not made any funding commitments, but Dexter said he believed it would have “little hesitation” in supporting the proposal.

Dexter said he gave the broad outlines of the deal to Peter MacKay, the federal minister responsible for Nova Scotia, and Keith Ashfield, the minister for the Atlantic Canada Opportunities Agency.

“I can say there was unreserved enthusiasm among them for this project,” Dexter said. “My firm desire is that they would respond in an expeditious fashion.”

Williams said the project would proceed with or without the requested federal assistance.

"This strengthens us as a region, but ultimately in so many categories it builds the country."
- Nova Scotia Premier Darrell Dexter

“The beauty is that the province does have the financial capacity in order to be able to undertake this — which is something that we could not have done years ago,” he said. “The project is a go.”

Still, if Ottawa provided loan guarantees, that would shave “hundreds of millions of dollars” off borrowing costs, Williams said.

“We’ve made application to the federal government because ... this is not only a great regional project, it’s a great national project,” Williams said. “I would suggest it’s a no-brainer, although we can’t take it for granted.”

Quebec is against federal funding for the subsea cable, and Quebec Premier Jean Charest said he reiterated that concern to Dexter on Thursday.

Riche said Innu leaders are to meet with the federal Indian Affairs minister next week in Ottawa. Williams urged the federal government to step up talks to settle compensation and land issues that could become major hurdles. Innu people who oppose the development say it will flood cherished traditional territory and hunting grounds, wiping out animal habitats.

The Lower Churchill agreement is subject to approval by regulators in Nova Scotia and Newfoundland and Labrador as well as the boards of directors for Emera and Nalcor Energy.

New Brunswick's energy minister said his province stands to benefit from the deal by transmitting Lower Churchill's energy to the lucrative, energy-hungry markets of the northeastern United States.

"With a significant portion of the power intended to be going to New England through this deal, we're going to benefit from the transmission side of that," Craig Leonard said.

"Secondly, clearly, it gives us a new source of clean, emission-free power that we'll be able to utilize."

Leonard said there was some capacity in his province to carry Lower Churchill's power. But he added that the New Brunswick government would want a partnership to build new transmission lines if they are needed.

Emera has been in negotiations to develop Lower Churchill power since a memorandum of understanding was signed in January 2008. The company said it hopes to have power flowing in 2017.

Last month, Williams announced he was pursuing the Lower Churchill project in two phases. He said his plan was to build a generating station at Muskrat Falls, followed by a larger facility upriver at Gull Island.

The multibillion-dollar project has been on the drawing board in one form or another for decades. In 1980, it passed an environmental assessment but was set aside due to concerns over market access and financing.

Concerns over the loss of habitat that would result from the development of the project have also stalled its progress in the past. But Nalcor has promised to develop a compensation plan to make up for that.

The desire to build more power plants on the Churchill River in central Labrador can be traced back to 1972, when the Churchill Falls hydroelectric dam was finished with Quebec's help.

\$6.2-billion hydro deal

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Rob Antle
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Two premiers heralded a new era of Atlantic co-operation Thursday, announcing a \$6.2-billion power deal expected to see electricity flow via subsea cable from Muskrat Falls in Labrador to Newfoundland and Nova Scotia within six years.

“I guess we need to make it clear: this project is a go,” Newfoundland and Labrador Premier Danny Williams said at a media briefing Thursday.

“This is not only a great regional project; this is a great national project.”

Nova Scotia Premier Darrell Dexter said increased co-operation on energy issues will strengthen the economic foundation of the Atlantic region.

“I have always said that what is good for Newfoundland is good for Nova Scotia; what is good for Nova Scotia is good for New Brunswick,” Dexter told reporters in St. John’s.

“Having success on the East Coast benefits us all.”

In making the deal, Newfoundland and Labrador avoided Quebec — something Williams stressed was a priority.

The province instead found support — in the form of transmission assistance and bundles of cash — in its Maritime neighbour.

The deal will see the smaller of two dams developed on the Lower Churchill river.

Muskrat Falls has a capacity of 824 megawatts (MW). The larger Gull Island site, at 2,250 MW, is on the shelf — at least for now.

Officials said Muskrat Falls power is expected to be online by 2016.

About 40 per cent of the energy generated by the turbines will replace domestic needs on the island of Newfoundland.

The oil-burning Holyrood generation plant will be shuttered.

Emera Inc. will build a \$1.2-billion subsea power link to Nova Scotia. In return, Emera gets 20 per cent of the power generated by Muskrat Falls.

The remaining 40 per cent of the power will be available for potential sale to other clients in Atlantic Canada or the northeastern U.S.

Emera — which has existing infrastructure throughout the region — will assist Nalcor with those sales, in return for a transmission tariff.

Emera will also pick up a portion of the cost to build the transmission line within Newfoundland and Labrador, along with a share of the profits it generates.

All told, Emera will foot \$1.8 billion of the overall Muskrat Falls project cost.

Newfoundland and Labrador will be on the hook for the remaining \$4.4 billion.

The province's taxpayers will backstop that \$4.4 billion, either through Crown-owned Nalcor Energy or borrowings by the provincial government.

Williams said recent reductions in the provincial debt give the government flexibility to pay for Muskrat Falls.

“The beauty is that the province does have the financial capacity in order to be able to undertake this, which is something that we could not have done (before),” he said.

Five years ago, Newfoundland and Labrador's net debt ticked in at nearly \$12 billion. Thanks mostly to booming oil revenues, the amount dropped to \$7.9 billion in 2009, before creeping up again this year.

The two provinces are also looking to Ottawa for help, although Williams said the project is a go with or without that assistance.

An application is pending to a federal infrastructure program for \$375 million. The cash would defray the costs of the subsea link between the provinces.

And Williams noted that a federal loan guarantee would mean hundreds of millions of dollars in reduced interest costs.

Williams suggested it's a “no brainer” for Ottawa to provide the guarantee, but acknowledged that the Harper administration has not made a binding commitment on the issue.

And he rejected allowing the feds to take on any form of equity in the project in return for assistance.

“You've got to be kidding,” Williams said.

There are three separate aspects to the \$6.2-billion megaproject:

‰ the first is construction of the Muskrat Falls generating station and transmission lines between the dam and the existing Upper Churchill facility. That is expected to cost \$2.9 billion, and will be 100-per-cent owned by Nalcor.

‰ the second is a Labrador-to-Newfoundland transmission link, which will carry Muskrat Falls power to the island. That connection will span approximately 1,100 kilometres, running all the way to Soldiers Pond on the Avalon Peninsula, and cost \$2.1 billion. Nalcor will take a 71 per cent stake in this line, with Emera owning the remaining 29 per cent.

“I have always said that what is good for Newfoundland is good for Nova Scotia; what is good for Nova Scotia is good for New Brunswick,” - Nova Scotia Premier Darrell Dexter

‰ the final piece in the puzzle is a maritime link to hook up to the Nova Scotia grid. The line will run from Bottom Brook, near Stephenville, down to Cape Ray before going underwater to connect at Lingan, N.S. Emera will pick up the entire \$1.2-billion price tag for that project. In return, the Nova Scotia company will get 20 per cent of the power generated by Muskrat Falls for a term of 35 years.

Developing the Lower Churchill has been a priority for a series of premiers since the 1970s.

In 2006, Williams announced the province would “go it alone” on the project after rejecting a series of other proposals.

He dismissed the suggestion that Thursday’s deal fell short of that.

“There’s nothing wrong with a good partnership,” Williams noted. “It strengthens us.”

The Muskrat Falls project is expected to hit peak employment levels in 2013, creating 2,700 direct jobs in Newfoundland and Labrador that year alone.

There are, however, several hurdles remaining.

The leadership of the Innu supports the project, but a final ratification vote on the so-called New Dawn agreement has been delayed several times.

The various aspects of the project must also pass environmental reviews.

The premier said he hopes Thursday’s announcement will exorcise the demons of the disastrous Upper Churchill contract, which runs until 2041.

“It’s a huge milestone,” Williams said. “It’s the day, hopefully ... when Newfoundlanders can finally let go of the Upper Churchill and say, ‘Done. It’s over.’”

Newfoundland and Labrador officials have contended the province nets only \$63 million a year from the lopsided arrangement, while Quebec receives an estimated \$1.7 billion annually.

Williams added that the province continues to push legal action in Quebec seeking redress for that contract.