

Date : 12/1/2009 11:48:38 PM
From : "Thompson, Robert"
To : "Bown, Charles W."
Subject : FW: URGENT
Attachment : Calgary Dec 2009.doc;

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Sent: Tuesday, December 01, 2009 9:38 PM
To: Paddon, Terry; Burrage, Don; 'EMartin@nalcorenergy.com'; Thompson, Robert; Crawley, Brian; Dutton, Sean; Nolan, Andrea; Dinn, Stephen
Subject: URGENT

Hi all. Attached is the latest of many drafts of the Premier's speech for the Calgary Chamber of Commerce on Thursday. You will be simply delighted to know that I need feedback by tomorrow at no later than 9:30 AM. Please fact check sections relevant to your area of expertise. Thanks!

em

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PREMIER DANNY WILLIAMS
CALGARY CHAMBER OF COMMERCE
DECEMBER 3, 2009
(PLEASE CHECK AGAINST DELIVERY)

DRAFT

Thank you so much for that kind introduction and for the very warm welcome we have received here in Calgary.

I am only disappointed that I couldn't be here last weekend, as I hear you threw quite a Grey Cup party. That had to be one of the most exciting Grey Cup finishes of all time, and I certainly regret missing it live!

Since I last visited your great province, much has happened on the local, national and international scene.

Just over a year ago the price of oil starting dropping like a stone and both of our provinces felt the repercussions. Dealing with climate change has become increasingly more prevalent as jurisdictions struggle to find the necessary balance to protect economies. And in the past year, a global recession hit the world with a powerful and deep impact that left no one untouched.

Fortunately, Newfoundland and Labrador was one of the few jurisdictions in North America, and perhaps most of the world, that weathered the economic storm with a fairly healthy level of resilience.

When the global recession hit, unlike most we were ready for it. In fact, Global News said that Newfoundland and Labrador has weathered the recession better than any Canadian province or territory.

Corporate Research Associates reported that consumer confidence in our province ranked possibly the highest in the western world. This, of course, came upon the heels of one of the most significant moments in our history; when we became a "have" province back in November of last year.

When the recession did hit **full on**, we faced it **head on**.

Our first step was to take our already aggressive infrastructure strategy from four years earlier and expand it. "Stimulus spending" was well underway in our province long before they became the new buzz words of 2009.

A four billion dollar infrastructure plan in a province of our size is substantial to say the least, and has not only helped to create jobs and boost consumer confidence; it is also rebuilding communities so that we have the economic foundations necessary to succeed.

We have also reduced net debt by approximately four billion dollars over a four year period which gave us the flexibility to weather an economic downturn.

For the first time in decades, we have seen a reversal of outmigration and experienced population growth.

Our housing market has been so robust that prices are at an all time high and trades workers are impossible to find. In fact, housing prices over the past year are up 18 per cent.

This year, retail sales increased by 1.5 per cent and labour income increased by 4.8 per cent. And capital investment spending has been particularly strong in 2009 and in the latest forecast it is expected to increase by an impressive 17 per cent.

Respondents to a recent survey by our St. John's Board of Trade show that an astonishing 94 per cent of members said present local economic conditions were good or excellent; nearly half said their company's financial position mid-way through 2009 was better than last year; and more than half predicted employment growth within the next year.

And in a year when tourism is generally suffering everywhere else all around the world, we are once again bucking the trend with the internationally acclaimed tourism marketing that you just watched.

Overall, Newfoundland and Labrador has undergone a dramatic transformation in less than a decade.

We have embraced a new attitude and a new approach. Self-reliance is our goal and we will settle for nothing less than prosperity, success and the respect of others. And it is a respect that I believe we have earned.

Our university, Memorial, is at the forefront of marine technology innovation and has positioned the province as a world leader in ocean technology research with world-class facilities.

We have the lowest personal income tax rates in Atlantic Canada and extremely competitive corporate tax regimes, tax credit programs and student benefits.

Major global companies including ExxonMobil, Chevron, Husky, Suncor, Shell, Schlumberger, Halliburton, ConocoPhillips, Vale Inco, Rio Tinto and others have chosen to invest in our province and enjoy very healthy returns.

In the iron ore industry, economic conditions are steadily improving, and existing producers are restoring production levels in preparation for stronger current and future demand for iron ore products.

Our nickel hydromet facility is now at an advanced earthworks stage with about 500 workers employed on site, and is on track for completion in early 2013.

Of course, one of the most significant reasons for our robust economy has been the development of offshore oil and gas which has been a major boost particularly during the last six years.

My vision for that industry has always been quite simple, if not controversial: it was for a future that placed us as a government at the table as players so that we could work hand in hand with our industry partners in helping to shape our province today and tomorrow.

We went through some tough times and some hard nosed negotiations this sometimes painful process had a result that was well worth it for all concerned.

We persevered and we were persistent. In the words of Robert Half, "Persistence is what makes the impossible possible; the possible likely; and the likely definite."

Not only did we as a government achieve a historic and ground breaking agreement worth billions of dollars and thousands of jobs for the people of the province in the Hebron offshore development; we also proved to our critics that Newfoundland and Labrador is indeed a great place to do business.

We have also signed off on agreements on the extension of existing offshore fields at White Rose and Hibernia. In all three of these agreements the province has taken an equity stake and increased royalties for our people.

I have heard directly from our industry partners that they are equally pleased with the result of those agreements and are excited to be moving forward with the people of Newfoundland and Labrador as their partners.

And our relationship with oil companies has evolved into one of mutual respect and admiration.

Now, there is a saying in the oil patch that "big fields get bigger." And that has certainly proven to be the case in the Newfoundland and Labrador offshore.

Last month, Husky Energy Inc. announced additional oil resources in the White Rose extension area. Husky's current estimate of the newly-discovered resource is 30 - 85 million barrels of light crude oil.

The value of our equity stake in the additional oil alone is more than equivalent to our original equity purchase price for both the White Rose Extension and the Hibernia South extension, and depending on recovery rates and development costs, may even pay for our equity stake in Hebron.

This demonstrates how equity works for our province and our people.

In April, Statoil announced that hydrocarbons were encountered while drilling in deepwater located in the Flemish Pass Basin. Statoil has since made an application for a Declaration of Significant Discovery License.

Exploration continues in the Orphan and Laurentian basins and we also have some promising exploration work onshore on the west coast of the province.

So, needless to say I am very proud that our oil and gas industry is maturing and we are now seen as a serious and significant player on the international stage.

Not only do we have the resources, we have the skilled workers, we have the post-secondary institutions, we have experience, we have the world-class fabrication facilities, and most importantly we have developed the strategic partnerships between government, business and labour to ensure we are a place where folks like you will want to do business.

And of course, our greatest natural asset of all is our energy.

As an energy warehouse, Newfoundland and Labrador is clearly a jurisdiction that can help our neighbours address real problems related to energy supply and demand, and climate change targets that need realistic solutions.

We currently export the output from more than 5,000 megawatts of stable, clean, green, renewable hydroelectricity. In total, we have almost 13,000 mega watts of developed and waiting to be developed hydro power.

In terms of electricity, Newfoundland and Labrador produces more electricity per capita than anywhere else in the world and 85 per cent of it comes from hydro.

As well last year, we hit production of our one billionth barrel of oil and produced about one-third of Canada's light sweet crude.

As a province, we produce far more electricity and petroleum than we consume. In fact, with a population of just over 500,000, we are among the largest per capita crude oil producers on the planet.

And we have even more to offer. Newfoundland and Labrador has more than 3,000 megawatts of undeveloped hydroelectricity in the Lower Churchill project. It is without question, the best undeveloped large-scale hydroelectric asset in North America.

These 3,000 megawatts would reduce green house gas emissions by 16 million tones, the equivalent to taking 3.2 million cars off the road. This is enough power

to light up one and a half million homes and greatly assist Canada in reaching its climate change targets for 2020.

It is an outstanding green project and low hanging fruit in the world of clean energy.

I also believe strongly that as governments tackle the issues of clean energy and green solutions, we need to build partnerships and work together.

And it is critically important that jurisdictions like Newfoundland and Labrador who have great green energy projects, do not use it to the detriment of those facing challenges like Alberta. As a country, we need to make sure that we do not play off one against another when it comes to climate change. Our green projects should benefit the entire country.

And so, our government's crown corporation, Nalcor Energy is moving forward to develop the Lower Churchill project.

And we were looking at a couple of transmission options. The Quebec route - straight through Quebec into markets in Canada and the US; or the sub-sea Maritime route which would bring our power into Nova Scotia, New Brunswick and US markets.

It all sounds quite simple and straightforward, particularly in light of open access regulations which are a critical and fundamental tool for a competitive marketplace. Newfoundland and Labrador on the face of it would be ideally positioned to be an energy powerhouse and a welcome competitor in the marketplace. Well, not so simply due to Hydro Quebec.

To wheel our power through the Quebec route, Nalcor Energy rightly took the appropriate steps under open access rules and applied for transmission service through Hydro Quebec Transenergie – a non arms length subsidiary of Hydro Quebec.

By way of explanation, the rules of open access mean that we request service, pay a fair rental to the transmission owner for use of the transmission infrastructure and we also pay for any upgrades which are not covered in the basic usage fees.

Essentially, we get transmission, Quebec ratepayers get a hefty rental fee which reduces their rates and upgrades beneficial to their system. In addition, destination markets get more competition with resulting better rates.

The regulatory process in Quebec has been cumbersome to put it politely and has slowed our progress to an unacceptable pace. Hydro Quebec has not only

refused to accept the jurisdiction of the regulator, but refused to provide to us the most basic information on available capacity in its system.

In fact, Nalcor is now in its fourth year of the application process in Quebec. This is a process that should take about nine months. And as our applications grind through the Quebec bureaucracy, Hydro Quebec's own projects speed along.

And we now have a situation where Hydro Quebec has decided that their current stranglehold on power in Eastern Canada is not quite strong enough. They have decided they need even more control over the power and the prices that are available to the Eastern seaboard.

In their latest move, they have convinced the Government of New Brunswick to sell its utility company New Brunswick Power, to Hydro Quebec; and they are negotiating with PEI and they have also approached Nova Scotia.

Unfortunately, the deal between Hydro Quebec and New Brunswick Power has meant that our province has had to step back re-evaluate plans to go through New Brunswick.

Under this proposed deal, New Brunswick will be eliminating the independent system operator and changing its applicable laws to be the same as those governing Quebec. These are the same laws that have left our open access applications languishing in the Quebec system for four years.

If this deal moves forward, Quebec will be in a position where it essentially has control over all energy routes for Atlantic Canadian energy.

The irony of course, is that Quebec who receives approximately 16 billion dollars in federal transfers every year, generously funded in part by Albertans, has the money to turn around and buy the energy assets of other provinces. All the while they are moving forward with extremely aggressive climate change policies.

The long term danger of these aggressive moves is that if successful and Quebec gets its wish, they will control the supply and price of energy into the Maritimes thereby controlling the large industrial future of that region.

At the same time they can strand significant competitive power from Newfoundland and Labrador as a major supplier of power to the Eastern Seaboard. Now take that scenario and place it in the hands of a charismatic separatist leader in Quebec who manages to convince Quebecers to vote for separation.

We then have a country with everything east of Manitoba as significant customers of green energy supplied by the new country of Quebec. Jacques

Parizeau was quoted as recently as a month ago referring to a separation referendum as, “third time lucky.” I can only hope that he is wrong.

Needless to say, our province’s experience with Hydro Quebec has not been a good one, mainly as a result of the lopsided agreement on our Upper Churchill River. This contract which was negotiated in the 60’s and does not expire until 2041, sees Hydro Quebec reap extraordinary and unconscionable profits from our province’s resource.

Last year alone, Quebec made 1.7 billion dollars from the Upper Churchill project while our province made approximately 63 million dollars. Just do the math for another 31 years which is when the contract finally expires. Power which is bought from us by Hydro Quebec for a quarter of a cent per kilowatt hour is flipped by them and sold for as high 36 times more than what they pay for it.

It sounds unbelievable, yet that is the reality our province has been facing for years. And despite numerous entreaties to renegotiate a fairer deal, Quebec Hydro will have no part of it.

The gross inequity of this agreement cannot be denied. It is without a doubt considered the biggest give away of resources by our province; in fact, I would venture to say there are no other similar agreements of such a disproportionate magnitude in our country.

You can imagine how strongly the sentiment is in our province where we built, and now run and operate the Upper Churchill project, pay for all maintenance and upgrades, then receive a pittance while Quebec makes a fortune.

Enough is enough. It is time for the tail to stop wagging the dog in Canada. Our province for one will not stand for Quebec assuming it can do what it wants in the country. In my opinion we should all be equal partners in this confederation.

You likely have heard this week that the Churchill Falls Labrador Corporation has requested that Hydro Quebec renegotiate this contract – but NOT in the context of the Lower Churchill. This is being done based on some of the best expert legal opinions in Quebec as a result of Quebec’s own civil law code.

This very legitimate and compelling legal argument has not yet been tested in relation to the Upper Churchill Contract. Essentially, under Quebec’s civil code there is an obligation imposed **by law** for parties to act in good faith in all legal relationships, including the negotiation and ongoing performance of contracts.

It is a very important and fundamental underpinning of the Quebec civil code, and one we feel is very relevant to the Upper Churchill contract. We are confident that our legal opinions support that Hydro Quebec must affirm their desire to renegotiate this lopsided contract based upon the moral principles of fairness and

more importantly upon the legal obligations under Quebec's own law which ensures that both parties in an agreement enjoy equity.

Rene Levesque once said Hydro Quebec could not live without Churchill Falls if it wanted to, quote, "live the easy life." Unfortunately, their easy life comes at the expense of Newfoundland and Labrador.

The time has come for Hydro Quebec to start dealing fairly and equitably with our province.

I have said many times before that my province and our people do not wish anything for our sister province and territories but success and prosperity. Nor do we have a desire to unfairly pit provinces and territories against one other. Nor do we begrudge federal government largesse to other jurisdictions.

I have far too busy a job running my own province to concern myself with such things. And I firmly believe in the adage that a rising tide lifts all boats.

But I do have a very serious problem with one province consistently being the beneficiaries of substantial federal government assistance, while at the same time reaping an inordinate and extraordinary benefit from my province and then to add insult to injury, doing everything in its power to inhibit our moving forward.

As I said earlier, Quebec receives enormous transfers from the Federal Government every year. In 2005, Quebec received 44 per cent of all money in the equalization program. Today – four short years later – they now receive 58.6 per cent of that pot of money.

And they are permitted to take the money but opt out of rules governing federally funded programs such as health care, immigration and Canadian Pensions.

At the same time that they are receiving approximately 16 billion in federal transfers, they are cutting taxes, have the best child care program in the country, have the lowest post-secondary tuition for their own residents only, and they as a province have satellite offices – or mini embassies - in approximately 26 countries including Barcelona, Taipei, Munich, Mumbai, Vienna, Santiago and Damascus to name just a few.

Again, I don't begrudge any province or territory from running their jurisdictions, from promoting their interests, for getting a hand out from the federal government and for generally getting ahead in the game.

But I have a huge problem with an uneven playing field that disadvantages others.

Furthermore, I would lend a word of caution to the people of Alberta about climate change and ensuring your province is protected against the goals of others who may act in a way that threatens your economy.

When Al Gore comes to Toronto to state that oil sands jeopardize the “survival of our species” or “the future of human civilization is at stake” we need to circle the wagons as a country and find realistic and practical solutions that create a win-win for everybody. Not a gang up on Alberta, the goose that has for so long been laying the golden egg and significantly funding a portion of transfer payments and social transfers for the country.

For many, many years Alberta has been the economic driver in this country. You have provided countless of thousands of Canadians employment – many from my province; you have contributed enormously to the overall wealth of the federation; and your success has been our success. And we thank you for that.

Now, with changing times you are experiencing some challenges.

And the cost of climate change should not come at the expense of Alberta. In times of difficulty, we must unify and work together as a country to ensure that one province is not severely disadvantaged. My province has been in that position and it is not enviable, nor do I support it.

I know that I have a bit of a reputation in this country for being perceived as confrontational and stirring up trouble on the odd occasion. But I want people to understand that I have very simple goals as the Premier of Newfoundland and Labrador; and that is to ensure that our province succeeds on our steam, that we become self sufficient and masters of our own destiny, and that we do so not only for our own benefit but also for the benefit of a stronger, more prosperous Canada.

And sometimes folks, to achieve your goals you have to take stands. You have to take risks. You have to differentiate yourself and stand up for what you believe, come what may. And sometimes, you just have to tell it like it is.

You may be surprised to hear me say this, but the people of our province have a great affinity with the people of Quebec. And for me a strong Canada includes a strong Quebec. It also includes a strong Ontario and a strong Northwest Territories and so on, and it certainly includes a strong Alberta.

But we must start treating all jurisdictions fairly and equally and with respect. That will ultimately make this greater country even greater for all.

And on the far east of this country is Newfoundland and Labrador; the new Atlantis rising; a centre of bold new resurgence of culture and education; industry

and ingenuity; wealth and promise; and full of energy with equal opportunity for all.

Thank you.