

Date : 1/11/2012 11:49:24 AM

From : "Paddon, Terry"

To : "Thompson, Robert"

Subject : FW: Why Newfoundland Should Hold Off on Lower Churchill: C.D. Howe Institute

I presume you saw this.

Terry Paddon

Deputy Minister of Finance

Province of Newfoundland and Labrador

P.O. Box 8700

St. John's, NL

A1B 4J6

(709) 729-2947 (O)

(709) 729-2232 (F)

From: C.D. Howe Institute [mailto:notify@cdhowe.org]

Sent: Wednesday, January 11, 2012 11:43 AM

To: Paddon, Terry

Subject: Why Newfoundland Should Hold Off on Lower Churchill: C.D. Howe Institute



Why Newfoundland Should Hold Off on Lower Churchill: C.D. Howe Institute

Toronto, Jan. 11 - Newfoundland should hold off on plans to develop a power project on the Lower Churchill River in Labrador, according to a report released today by the C.D. Howe Institute. In "Newfoundland's Electricity Options: Making the Right Choice Requires an Efficient Pricing Regime," Memorial University economist James P. Feehan says the province should first reform electricity prices to better reflect costs and reduce consumption.

The Government of Newfoundland and Labrador, notes the author, is assessing whether to authorize the multi-billion dollar Muskrat Falls hydroelectricity project on the lower Churchill River. Proponents, who include the provincial Crown electricity corporation, favor immediately developing the Muskrat Falls site and bringing its electricity to the island and the Maritime Provinces.

A better first step, says Professor Feehan, would be to reform provincial regulations that set artificially low prices for electricity and support excessive power consumption, which is a problem in Newfoundland as it is in other provinces. Changing regulatory regimes so that the price of electricity reflects underlying costs would make economic sense and promote energy conservation, says the author, lessening the need for the expensive electricity produced by the Holyrood oil-fired plant, which currently supplements existing on-island hydro-electric generation.

Newfoundland should proceed with a second investment strategy that would involve adding a mix of new capacity, as needed, including new wind and small on-island hydro facilities. "Proceeding now with Muskrat Falls is premature at best," concludes Feehan, "Instead, the Newfoundland government should reform its pricing regime and then reconsider the options."

For the study click [here](#)

For more information contact:

James Feehan,

Professor of Economics,

Memorial University;

Finn Poschmann,

Vice President Research,

C.D. Howe Institute.

416-865-1904

e-mail: cdhowe@cdhowe.org.



This email was sent to tpaddon@gov.nl.ca by notify@cdhowe.org |
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).
C.D. Howe Institute | 67 Yonge Street | Suite 300 | Toronto | Ontario | M5E 1J8 | Canada