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As discussed...

Hansard – March 5 – June 26, 2012
Loan Guarantee

March 7, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

As I said yesterday, one of the things that our government has set out to do since 2003 is maximize the benefits for the people of our Province; that includes being equity stakeholders in our offshore and it also includes, Mr. Speaker, the insuring that we get maximum benefits from the Lower Churchill Project. There will be, over the next five years, Mr. Speaker, an equity investment of the Province of approximately \$2 billion. There will be \$3 billion which Nalcor will borrow from the markets, and contrary to what the Leader of the Opposition seems to think, Mr. Speaker, the banks are looking upon this very favourably, as are the industry out there, and we do not foresee any difficulty in obtaining money. Also, with the federal loan guarantee, that will reduce cost.

March 8, 2012

PREMIER DUNDERDALE: Thank you, Mr. Speaker.

Mr. Speaker, I have checked, I am not aware of any documentation that the Department of Natural Resources federally has requested that has not been provided. I will follow this up with the minister this afternoon.

Mr. Speaker, a loan guarantee is not critical to the Muskrat Falls project. We have defended this project and the financing of this project and the cost to ratepayers without inclusion of the federal loan guarantee. If we get a federal loan guarantee, and there is no reason to believe that we would not, Mr. Speaker, then that just helps ratepayers in the long run.

March 14, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

As I indicated to the Leader of the Opposition last week, Nalcor is in the middle right now of finalizing its Decision Gate 3 numbers. The Decision Gate 3 numbers will give us a better idea of the capital cost of the project and also, Mr. Speaker, the federal loan guarantees; once that is finalized, we will be out in the markets looking for the money. What is going to happen, Mr. Speaker, we will have the final numbers and we need to have those final numbers before we will know the full cost.

Mr. Speaker, in terms of the question, last night I indicated that the \$1 billion of interest during construction that was referred to last week is built into the \$232 per month that I have been referring to, which includes capital cost, operating expenses, debt servicing charges and other costs.

MR. KENNEDY: Thank you, Mr. Speaker.

I think I can safely say to the Opposition House Leader there is no indefinite delay. Things are moving along quite nicely. I have met with the Minister of Natural Resources in Ottawa to talk about the federal loan guarantee. The Premier has met with the minister to talk about the federal loan guarantee. We are moving ahead, Mr. Speaker, prudently and cautiously, towards our decision on sanction. Mr. Speaker, we see the Maritime Link as a great opportunity to gain a billion-dollar asset for our children and grandchildren, Mr. Speaker, an asset that will continue to produce revenue, which opens up the ability to move power when needed, Mr. Speaker, to the Maritime Provinces, but also it allows us to bring power back; that is something you can never forget here, when you talk about the integrity and reliability of a system, is that certainly helps us.

March 15, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

We have certainly looked at all of the materials that were in the environmental assessment report. There is an interesting quote, though, I would outline to the member opposite in the federal government release where they indicate that they have done their own economic analysis and that they agree that Muskrat Falls is the lowest cost option, and that is something that will be taken into account in the federal loan guarantee.

We have looked at all options, Mr. Speaker. The environmental assessment panel looked at the environment. Navigant did a report, and Manitoba Hydro did a report. We are satisfied, as is the federal government obviously, that Muskrat Falls is the lowest cost option. I think that is pretty obvious.

MR. KENNEDY: Some facts, Mr. Speaker, we are going to need energy in this Province, we need power. It is going to cost money. We need more power; the price of oil is going up. Holyrood costs more money, so we refurbish Holyrood at a cost of \$600 million to \$800 million, it does nothing for the environment. We develop small hydro and wind, Mr. Speaker, seventy-seven megawatts of small hydro and we develop wind. Mr. Speaker, it costs \$2.2 billion more than the Muskrat Falls option.

Muskrat Falls is clean, renewable energy. It has the support of the Premier of Nova Scotia, has the support of the federal government who have conducted their own economic analysis, Mr. Speaker, and concluded that the loan guarantee is appropriate, not just from a political whim but from an economic analysis. What more does she want?

March 26, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

I realize I have to keep it simple. Mr. Speaker, we are waiting for the PUB report. We are also waiting, Mr. Speaker, for the final Decision Gate 3 numbers from Nalcor. We are in the process of finalizing the loan guarantee in the deal and the negotiations with Emera.

Mr. Speaker, once all of that information is in, as a government - and as I said last week, I was hoping for more fruitful debate in the House of Assembly to inform the decision. As we move ahead, Mr. Speaker, we will look at all the information and we will make a decision on sanction. That is what we were elected to do and that is what we will do.

June 5, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

In response to the question asked by the Member for Cartwright – L'Anse au Clair on March 28 regarding a formal review of the projected cash flow of the Muskrat Falls projects to confirm whether or not it provides significant long-term financial returns to the Province, Mr. Speaker, I will refer to Dr. Wade Locke's January 17, 2012 presentation for the Memorial Presents Lecture at the Harris Centre.

Dr. Locke's presentation confirmed that the average net cash flow for the project is approximately \$550 million per year, not including the extra revenue from selling the residual energy. Dr. Locke concludes that the level of cash flow could support \$5 billion in debt at an 8 per cent interest rate and still have over \$100 million in additional funds to allow for the retirement of the provincial debt, to fund other public services or to reduce taxes.

Dr. Locke indicates that a loan guarantee that reduce the interest rate by two percentage points would add \$80 million to the project's annual net cash flow and sales of the residual energy could add an extra \$60 million to the project's annual net cash flow. Our forecast shows that in the years leading up to 2017, electricity rates will increase because of the increasing cost of oil and the increasing use of Holyrood to meet our growing electricity demand. In fact, fuel costs make up over 40 per cent of the total cost in that period.

June 6, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

Discussions with the federal government and Nova Scotia are ongoing on almost a weekly basis as to the finalizing of the federal loan guarantee. Mr. Speaker, I think one thing that has to be looked at is the \$6.2 billion we talk about does not include any of the impacts of the federal loan guarantee. The federal loan guarantee, Mr. Speaker, could result in a percentage reduction of 2 per cent to 3 per cent and could save anywhere from \$600 million to \$900 million on the project cost. The costs are still fluid.

As we move along, Mr. Speaker, the loan guarantee would be for the \$6.2 billion we are talking about now, but that could reduce costs and ensure that ratepayers in Newfoundland and Labrador pay fair and reasonable electricity rates.

June 20, 2012

MR. BALL: I will remind the minister that this has been well over a year now when we looked at the prices that are actually trending much higher.

After months and months, there is still no finalized term sheet with Emera or final arrangements with the federal government on the loan guarantee.

I ask the Premier: Why have these aspects of the Muskrat Falls project been delayed so long and when do you expect to see them finalized?

MR. SPEAKER: The hon. the Premier.

SOME HON. MEMBERS: Hear, hear!

PREMIER DUNDERDALE: Thank you, Mr. Speaker.

Mr. Speaker, both these instruments that are drawn up for signing by both parties, contractual agreements between both parties, are complicated pieces of work. I am happy to report to the House and to the people of the Province that both pieces of this work are progressing extremely well, Mr. Speaker, and we hope over the next number of weeks that there will be official announcements made on both.

June 26, 2012

MR. KENNEDY: Thank you, Mr. Speaker.

I am pleased to announce there has been great progress on the Emera agreements. There is something like thirteen agreements in all, Mr. Speaker. They are very complicated and they cover all of the issues outlined in the term sheet.

The second issue, Mr. Speaker, in relation to the federal loan guarantee, there are weekly meetings going on with the federal government. Minister Oliver in a conversation with me last week confirmed the federal government's commitment to provide a loan guarantee.

As for the missed date, Mr. Speaker, let me correct the member opposite. The Public Utilities Board had an extra three months given. They were supposed to have the report by December 31. What we got at the end of day, Mr. Speaker, was nothing. Therefore, we have no intention of going back to the PUB. They had their opportunity to participate in this process and to offer and play a crucial role. They chose not to.

Premier Kathy Dunderdale
Municipalities Newfoundland and Labrador (MNL) Appreciation Dinner
October 6, 2012

Last year, the Government of Canada announced its willingness to support such a project given its national importance both economically and environmentally.

During my recent meeting with the Prime Minister, he reiterated his commitment to the project and the Loan Guarantee.

Simultaneously, we have engaged the team of independent professionals at MHI to undertake an analysis of the project and determine if it remains the least cost option. We believe it is.

Honourable Kathy Dunderdale,
St. John's Board of Trade luncheon
October 3

In the time since then, the most knowledgeable people in the energy sector have been engaged in working out the fine details of this significant project, and the result of that fine-tuning will soon be made public and debated in the House of Assembly. Last year, the Government of Canada announced its willingness to support such a project given its national importance both economically and environmentally.

During my recent meeting with the Prime Minister, he reiterated his commitment to the project and the Loan Guarantee. Politicians and officials at both levels are working on the details, which I expect to be made public in the coming weeks.

Premier Kathy Dunderdale
Northern Lights 2012 Business and Cultural Showcase in Ottawa
February 07, 2012

Muskrat Falls is a region-building and nation-building project, promoting cooperation while opening a new route for clean energy trade among provinces. At the same time, it will bolster Canada's international reputation with the significant reductions in greenhouse gas emissions. It is not surprising then that the federal government has committed to a loan guarantee to facilitate this project in recognition of its importance to the Atlantic region and to the country, both economically and environmentally. This is indeed an important step forward for Canada, and it is a sign that Canada's north is on the vanguard, advancing the frontier of growth.

Premier Kathy Dunderdale
St. John's Board of Trade
January 31, 2012

The Government of Canada has also reviewed the Muskrat Falls project and has concluded the proposal is in the national interest, worthy of warranting national support through the provision of a loan guarantee or equivalent financial support, in effect making a project that was already deemed cost-effective even more so. Work is progressing well in finalizing the guarantee.