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Subject: Exec Summary Wording
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I will be merging both documents. The suggested executive summary wording is below. It still needs some word-smithing, but this is the gist. Following the Exec Summary will be numbered Key Findings. I will bring in the Comparisons chart to the front of the document, right below the Exec Summary, - subject to having the Power Plant unit cost to add to the Pipeline and LNG feed costs (will be furnished by Jim K from Nalcor) - this is slide 14 from this morning's PowerPoint.

EXECUTIVE SUMMARY

Pipeline supplied natural gas for power generation is not a viable alternative to the current oil fired Holyrood generation of electricity. The Government of Newfoundland and Labrador cannot compel the sale of Grand Banks natural gas to the power generation market, nor can it mandate a price that the Operator(s) must accept for the gas. The Government of Newfoundland and Labrador has no legislative authority to order a non-economic development of offshore natural gas.

While natural gas is available in abundant supply offshore Newfoundland and Labrador, it is not available on commercially viable terms for power generation purposes. Oil and gas companies have evaluated natural gas monetization opportunities both to use gas domestically in Newfoundland and Labrador and for export and have yet to find an economic project. Analysis of the economic potential for natural gas concludes that Island's demand for natural gas is so small that any investment in offshore infrastructure (facilities, wells, and pipeline) plus associated operating costs cannot bear the returns on capital required for oil and gas companies.

LNG supplied natural gas for power generation is not a viable alternative to the current oil fired Holyrood generation of electricity. In order to address utility supply risks, LNG supply should be sourced under long term contract. Long term contracts are predominantly oil-indexed. Oil-indexation suggests pricing between 80-90% of World Oil Prices (Brent). Despite the abundance of shale gas in North America, oil indexation will be a sustaining commercial model going forward. The low and variable volumes of gas required to produce power at Holyrood would be a challenging economic barrier to securing long-term firm LNG Supply. LNG supply costs will likely be similar or likely exceed that of the current oil generated power production at Holyrood.

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