

PM makes loan promise to Newfoundland

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A re-elected Conservative government will provide loan guarantees to the Newfoundland government to support the construction of the Lower Churchill hydroelectric project, Conservative leader Stephen Harper announced Thursday.

Harper said there could be assistance in future for other projects in the country -an apparent bid to soothe complaints from other regions that Newfoundland is getting special treatment.

"We will consider financial support to projects that are of national or regional importance, have economic and financial merit and significantly reduce greenhouse gas emissions," said Harper. "We will do this in a way that is equitable across every region of Canada."

Newfoundland and Nova Scotia have been seeking federal loan guarantees for the \$6.2-billion project that would send power from Labrador's Lower Churchill River to Newfoundland, and onto Nova Scotia via underwater cables across the Gulf of St. Lawrence.

Quebec, which said it is studying the Harper announcement, had warned their hydroelectric infrastructure projects have never received federal support. By giving funds to a hydroelectric competitor in Atlantic Canada that will also sell its energy to the same markets in the United States, Harper has given an unfair trade advantage to them, they complain.

Harper made the announcement at a rally of Conservative supporters in Newfoundland early Thursday evening. The Tories are trying to win back seats they lost in the province to the Liberals and NDP in the last election and are hoping Harper's announcement will swing votes their way on May 2.

The announcement comes after a long period of lobbying from Newfoundland Premier Kathy Dunderdale, who has pressed for federal loan guarantees for the project. In the last election, Dunderdale and her fellow provincial Tories campaigned against Harper's party because they said it had ignored the province.

She said people in the province are the most "politically astute" in the country and predicted that the announcement will mean more votes for the Tories in this election.

Harper said Dunderdale has persuaded him that the project will reduce carbon emissions by 4.5 million tonnes each year -the equivalent of taking 3.2 million cars off the road. The hydroelectric project is being proposed by Newfoundland, Nova Scotia and a private consortium.

They have raised \$2 billion in equity and will borrow another \$4.2 billion. Through a loan guarantee, the federal government is essentially co-signing that \$4.2-billion loan and guaranteeing that if either province ever defaults, the federal treasury would be responsible for the bank payments.

Because that latter scenario is deemed highly unlikely, the loan guarantee is considered cost-free, although officials said that a small percentage of the loan guarantee would have to be recorded in the federal books.

Bloc Quebecois leader Gilles Duceppe reacted angrily, taking his message to Twitter: "Harper wants to finance a hydroelectric project, transmission for Newfoundland.. A slap in the face for Quebec."