

## Mémoire à la Commission de l'économie et du travail du Québec

### Le secteur énergétique au Québec Contexte, enjeux et questionnements

L'Erreur boréale de Richard Desjardins a réveillé et sensibilisé les québécois sur une situation presque catastrophique concernant l'exploitation forestière au Québec. Cette situation est maintenant devenue une préoccupation importante de notre gouvernement.

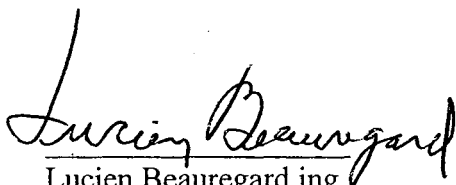
La sécurité de l'avenir énergétique du Québec pose un problème semblable touchant l'énergie issue de la centrale hydroélectrique de Churchill Falls. Cette énergie qui représente environ 17% de toute l'énergie vendue par Hydro Québec est achetée des terre-neuviens à un tarif ridicule de ¼ de ¢ (oui, 0.0025 \$) le kilowattheure et ce depuis 1969 jusqu'en l'an 2041 sans aucune variation de prix. Une vraie mine d'or pour Hydro Québec qui revend cette énergie aux américains à 30, 50, et même 100 fois ce prix.

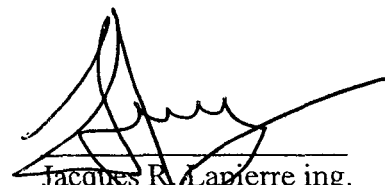
Cependant, il y a un hic, les terre-neuviens ont déjà manifesté leur intention de déchirer le contrat les liant à Hydro Québec et la pression monte sans cesse particulièrement en regard des hausses des prix de l'énergie et des tarifs de revente aux américains. À notre avis, la nature obscène, humiliante et injuste du contrat devrait suffire à elle seule pour justifier son annulation immédiate.

Il y a un proverbe qui dit « *On peut tromper tout le monde quelquefois, on peut tromper certaines personnes tout le temps mais on ne peut pas tromper tout le monde tout le temps* ». Le temps des contestations légales est révolu, le temps des négociations sur le projet de Gull Island (Lower Churchill – 2 200 Mégawatts) est aussi révolu, viendra le temps où les terre-neuviens, par désespoir, débrancheront tout simplement la centrale de Churchill. Ce jour là ce sera la catastrophe au Québec où l'équivalent de 10 alumineries devront fermer (5 000 Mégawatts).

Certains diront que nous crions au loup mais le caractère obscène et injuste du contrat a fait son œuvre et, en toute logique, le Québec se doit d'envisager la possibilité très réelle de ce débranchement. À cet égard, la position de la tête d'autruche dans le sable nous apparaît très risquée.

Nous vous invitons donc instamment à inclure cette problématique dans vos enjeux et questionnements pour au moins saisir la nature et l'envergure du problème, mesurer sa réalité en toute transparence et réfléchir sur les moyens à prendre pour sécuriser la mine d'or et par conséquent, l'avenir énergétique du Québec.

  
Lucien Beauregard ing.  
Ste. Julie

  
Jacques R. Lapierre ing.  
St. Hubert

# **L'énergie Non Équitable**

**Énergie achetée par Hydro Québec  
à la Churchill Falls Labrador Co.**

**(Près de 16% du grand total de l'énergie vendue par HQ)**

**Complément d'informations annexes à  
notre mémoire du 4 janvier 2005 présenté à la  
Commission de l'économie et du  
travail du Québec**

**Par**

**Jacques R. Lapierre ing.**

**et**

**Lucien Beauregard ing.**

**1 mars 2005**

## **Annexe 1**

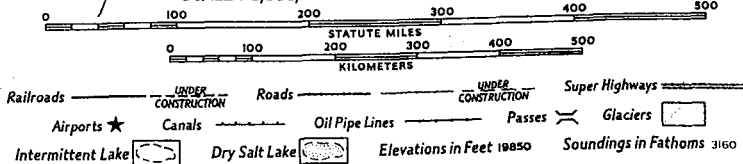
### **Contexte géographique et quantitatif**



# CANADA

Compiled and Drawn in the Cartographic Division of  
The National Geographic Society

Chamberlin Trimetric Projection  
SCALE 1:9,395,000 OR 148 MILES TO THE INCH



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Longitude West 65° of Greenwich

# Contexte géographique et quantitatif

Churchill Falls  
5 428\* MW  
~ 30 Twh au Québec  
~ 5 Twh au Labrador

■ Déjà construit  
■ En projet depuis 35 ans  
(Deux centrales aux conséquences  
écologiques minimales)

Réservoir  
Smallwood  
6698 kilomètres<sup>2</sup>

Gull Island  
2 000\* MW  
12 Twh

Muskrat  
824\* MW  
5 Twh

Rivière Churchill

Océan  
Atlantique

Upper  
Churchill

Lower Churchill

\* Excluant les déviations possibles des rivières  
St. Jean et Romaine vers le réservoir Smallwood.





# 2003 Installed Generating Capacity

Megawatts (MW)

## THE HYDRO GROUP

### CEILICO

#### LABRADOR

Interconnected  
Hydraulic  
Churchill Falls 5,428

#### LABRADOR

Interconnected  
Thermal (Diesel)  
Happy Valley-  
Goose Bay 11.7  
Mud Lake 0.2  
Thermal (Gas Turbine)  
Happy Valley-  
Goose Bay 27.0

### HYDRO

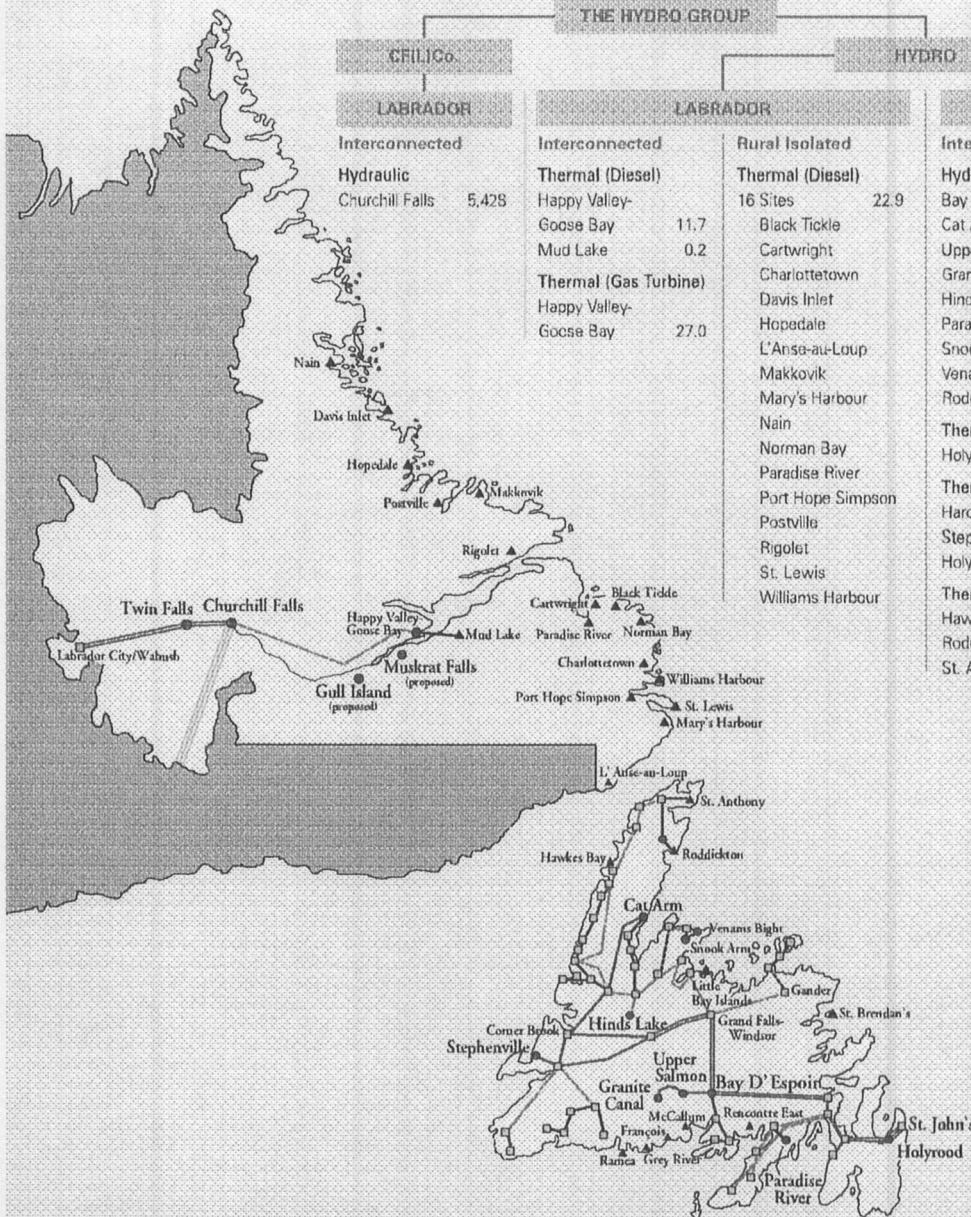
#### LABRADOR

Rural Isolated  
Thermal (Diesel)  
16 Sites 22.9  
Black Tickle  
Cartwright  
Charlottetown  
Davis Inlet  
Hopedale  
L'Anse-au-Loup  
Makkovik  
Mary's Harbour  
Nain  
Norman Bay  
Paradise River  
Port Hope Simpson  
Postville  
Rigolet  
St. Lewis  
Williams Harbour

#### ISLAND

Interconnected  
Hydraulic  
Bay D'Espoir 604  
Cat Arm 127  
Upper Salmon 84  
Granite Canal 40  
Hinds Lake 75  
Paradise River 8  
Snooks Arm/  
Venams Bight 1  
Roddickton 0.4  
Thermal (Oil)  
Holyrood 490  
Thermal (Gas Turbine)  
Hardwoods 54  
Stephenville 54  
Holyrood 15  
Thermal (Diesel)  
Hawke's Bay 5  
Roddickton 1.7  
St. Anthony 8

Rural Isolated  
Thermal (Diesel)  
7 Sites 7.4  
Francois  
Grey River  
Little Bay Islands  
McCaigum  
Ramea  
Rencontre East  
St. Brendan's



### LEGEND

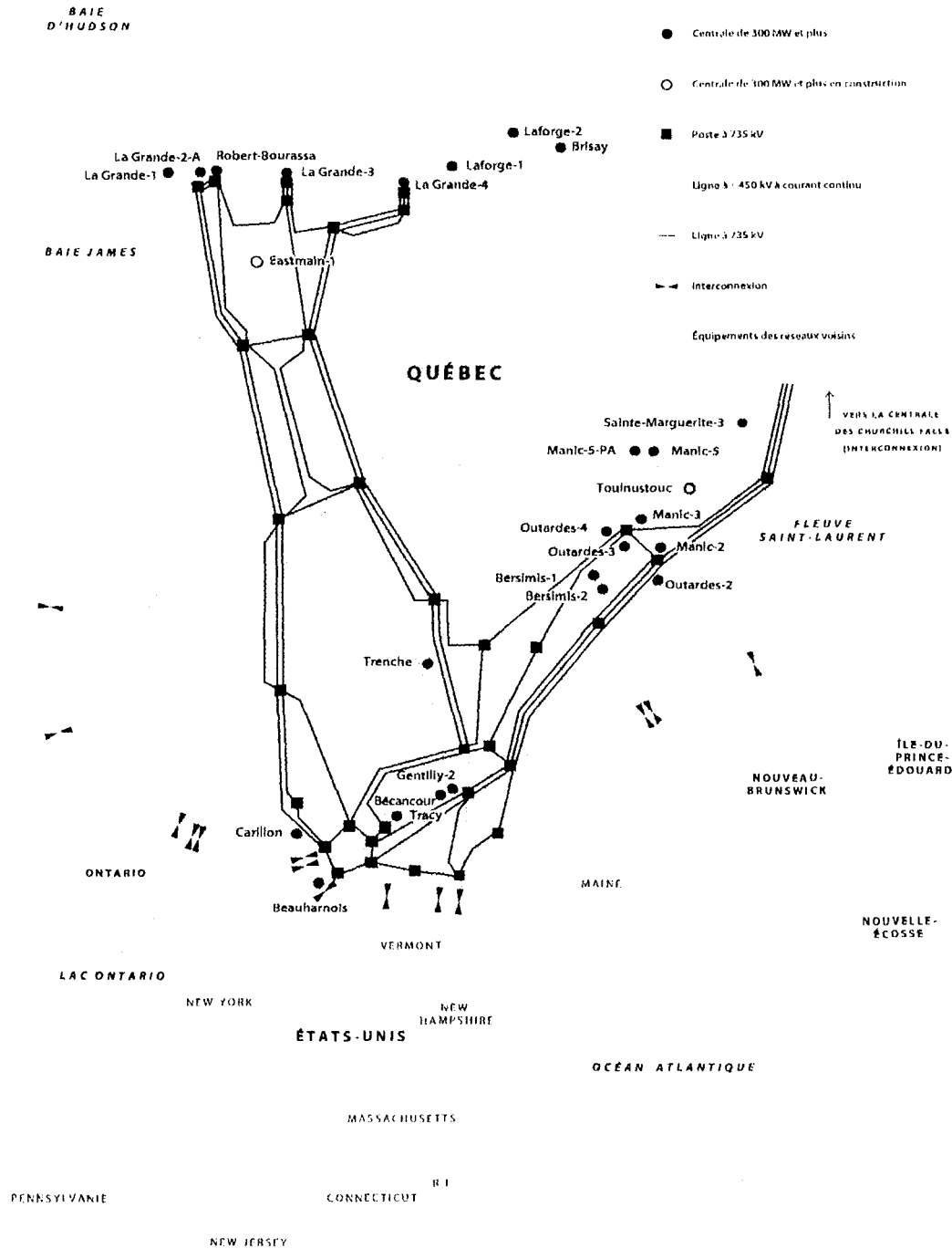
- Generating Station
- Terminal Station
- ▲ Diesel Plant
- Transmission Lines
  - 735-kV
  - 138-kV
  - Low Voltage
  - 230-kV
  - 69-kV
  - Customer-Owned

### 2003 GROSS ISLAND INTERCONNECTED ENERGY SUPPLY

Gigawatt hours (GWh)	
Hydraulic Generation	
Bay D'Espoir	2,505
Cat Arm	818
Upper Salmon	520
Hinds Lake	341
Granite Canal	116
Paradise River	32
Mini Hydro	5
	4,337
Percentage of Total Energy Supply	65%
Power Purchases	295
Percentage of Total Energy Supply	4%
Thermal Generation	
Holyrood	2,061
Gas Turbine and Diesel	2
	2,063
Percentage of Total Energy Supply	31%

QUÉBEC

## Grands équipements



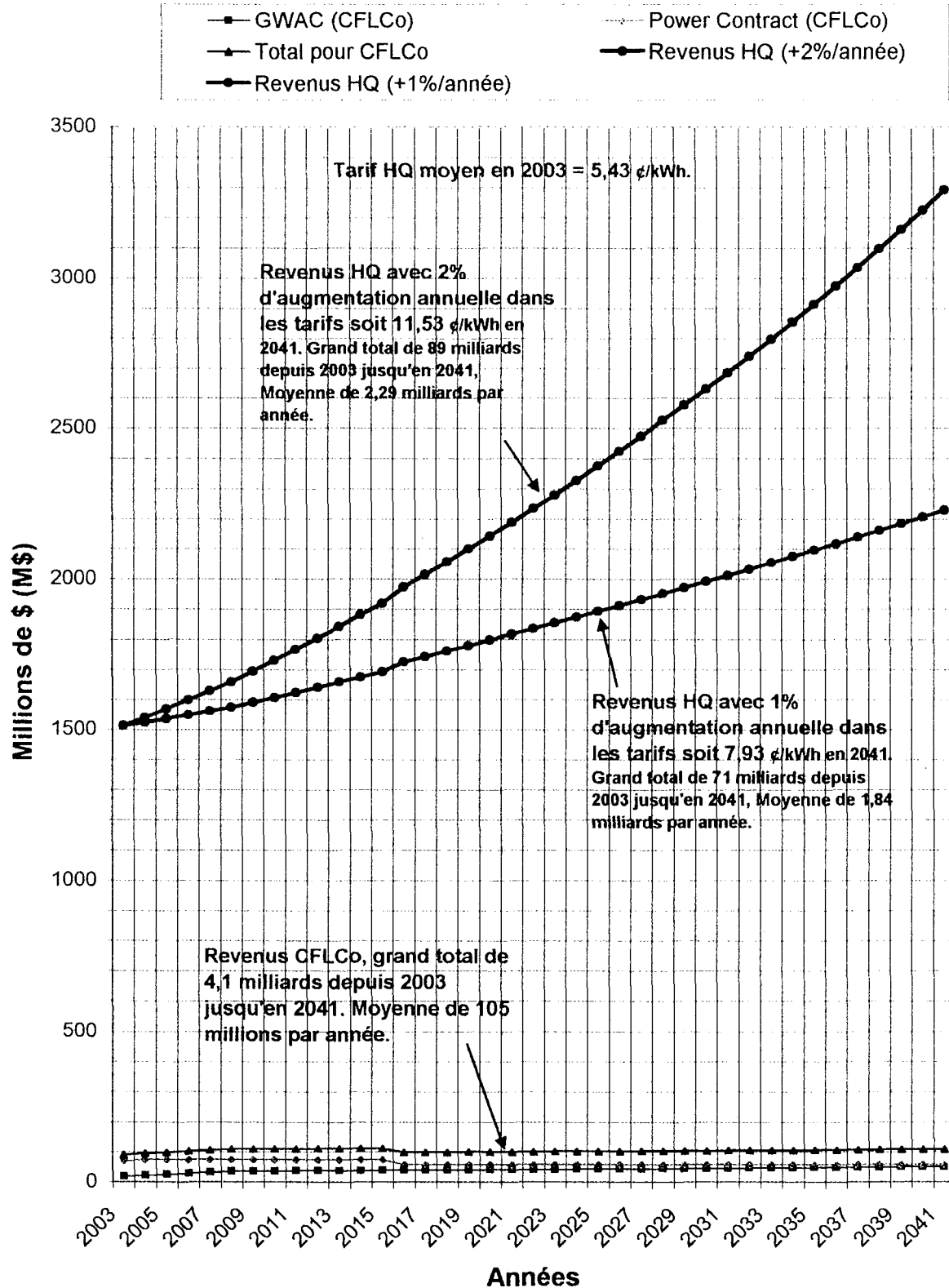
## **Annexe 2**

### **Graphique et notes explicatives**



# Revenus bruts pour HQ et CFLCo

(CFLCo = Churchill Falls Labrador Corporation)



Par Jacques R. Lapierre  
et Lucien Beauregard,  
Février 2005

## Légende et notes explicatives au sujet du graphique intitulé « Revenus bruts pour HQ et CFLCo »

**HQ = Hydro Québec**

**CFLCo = Churchill Falls Labrador Corporation, actionnaires 34,2% à Hydro Québec et 65,8% à Newfoundland Hydro.**

**GWAC = Guaranteed Winter Availability Contract signé en 1998 pour une garantie de 682 MW de puissance additionnelle disponible en hiver de novembre à mars.**

**Power Contract = Contrat de base signé le 12 mai 1969.**

**Tarif moyen HQ en 2003 = Produit totaux des ventes d'électricité par HQ en 2003 soit 9 960 millions de dollars divisé par les ventes totales d'électricité par HQ en 2003 soit 183,361 TWh = 5,43 ¢/kWh. Voir rapport annuel HQ 2003.**

### Base de calculs :

Énergie importée de CFLCo en 2003	28,647 TWh	Π
Moyenne de l'énergie importée de CFLCo depuis 5 ans	29,506 TWh	Π
Comprenant l'énergie du GWAC, soit environ	1,881 TWh	Ж
Moyenne estimée de puissance utilisée du GWAC	519,04 MW	Θ
Puissance maximale du GWAC	682,00 MW	α
Facteur d'utilisation calculé du GWAC	76,11%	Θ
Coût de l'énergie dans le "Power Contract" (Contrat de base)		
Depuis 2003 jusqu'en 2016	0,0025 \$/kWh	Π
De 2016 jusqu'en 2041	0,0020 \$/kWh	α
Ventes totales d'électricité par HQ en 2003	183,361 TWh	*
Produit totaux des ventes d'électricité HQ en 2003	9 960 M\$	*
Tarif moyen de ventes HQ en 2003	0,0543 \$/kWh	Θ
Augmentation projetée des tarifs Hydro Québec jusqu'en 2041	2,00 %/Année	Φ

Π Dans le rapport annuel 2003 de Newfoundland Hydro

\* Dans le rapport annuel 2003 de HQ

α Dans le contrat du GWAC

α Dans le contrat "Power Contract"

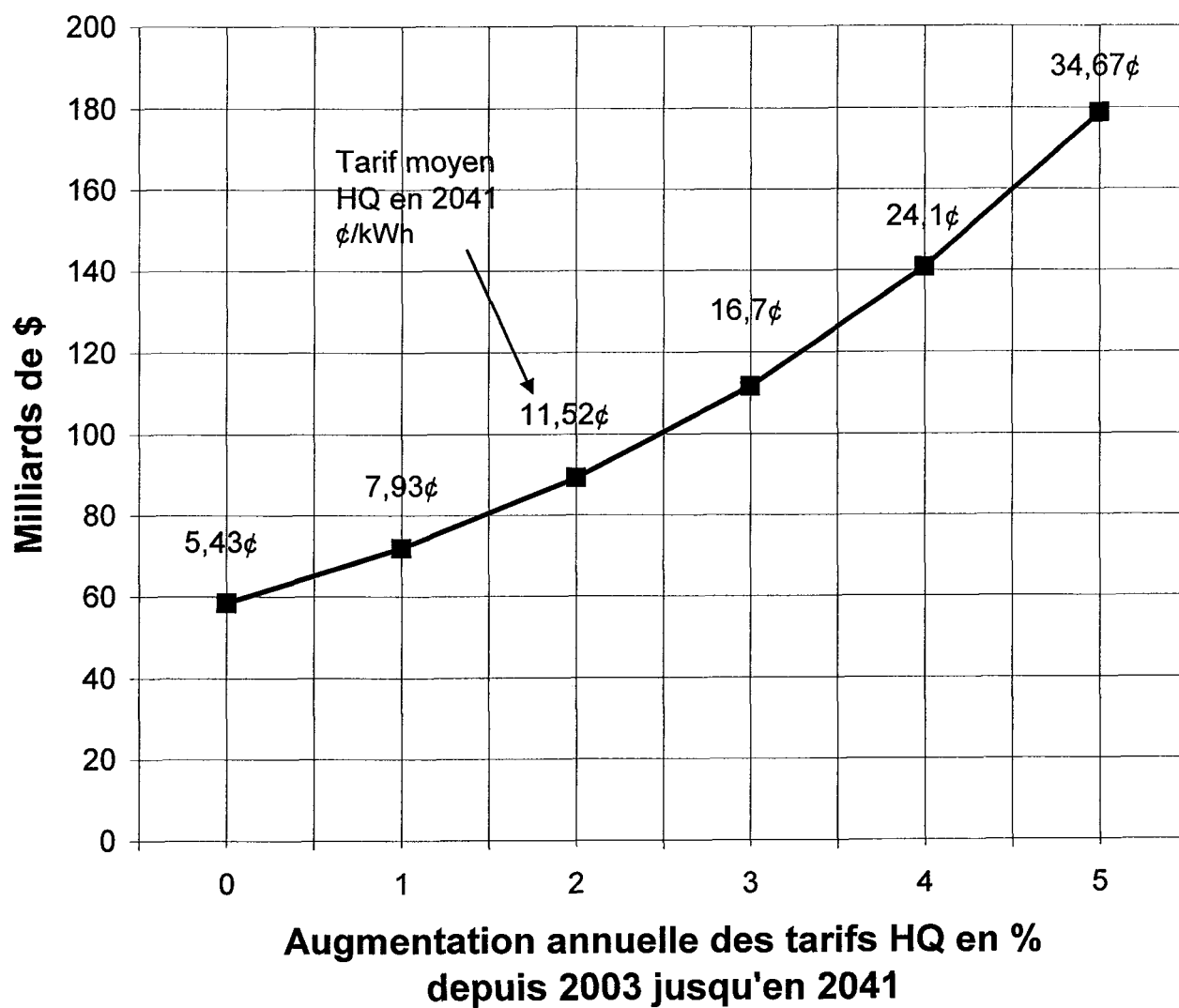
Ж Donnée calculée sur la base des revenus du GWAC pour 2002 et 2003

Φ Donnée estimée (approche conservatrice)

Θ Données calculées sur la base des données voisines

**1 TWh (terawatt heure) = mille millions de kilowatt heures**

**Somme des revenus bruts HQ pour la revente  
de l'énergie de Churchill Falls  
depuis 2003 jusqu'en 2041**



# CHURCHILL FALLS

Le prix à payer

27-févr-05

No	Référence de Prix	Prix / kWh		Quantité TWh	Coût Total Million \$ par année
		en ¢	en \$		
1	Selon le Power Contract de 1969 ( Jusqu'en 2016 )	0,25	0,0025	29,5	74
2	Selon le Power Contract de 1969 ( À partir de 2016 )	0,20	0,0020	29,5	59
3	<b>Avec le GWAC: Le prix en vigueur aujourd'hui</b>	<b>0,31</b>	<b>0,0031</b>	29,5	91
4	Au prix de un cent du kilowattheure	1,00	0,0100	29,5	295
5	<b>Selon prix du bloc d'énergie Patrimoniale ( 165 TWh )</b>	<b>2,79</b>	<b>0,0279</b>	29,5	823
6	Selon prix de vente moyen de H-Q ( Tout client confondu )	5,43	0,0543	29,5	1 602
7	Prix domestique et agricole au Québec ( Avril 2004 )	6,90	0,0690	29,5	2 036
8	Prix domestique à St John's, Terre-Neuve ( Avril 2004 )	9,55	0,0955	29,5	2 817
9	Prix domestique à Boston ( Avril 2004 )	16,98	0,1698	29,5	5 009
10	Coût de remplacement par production hydraulique ( La Romaine )	7,70	0,0770	29,5	2 272
11	Coût de remplacement par production éolienne	8,70	0,0870	29,5	2 567
12	Prix de vente moyen à l'exportation vers les USA	8,51	0,0851	29,5	2 510

Importation annuelle moyenne de Churchill Falls..... 29,5 TWh  
Vente totale de Hydro-Québec en 2003..... 183 TWh  
1 TWh = 1 000 000 000 kWh

# Augmentation de 1,2 % de la facture d'électricité en avril

HÉLÈNE BARIL

La Régie de l'énergie avait une

bonne et une mauvaise nouvelle à annoncer aux Québécois hier. La

1,2 % à compter du 1<sup>er</sup> avril. La bonne, c'est que les tarifs

hausse deux fois moins élevée que celle demandée par Hydro, qui voulait 2,7 %.

C'est la troisième augmentation du prix de l'électricité depuis le 1<sup>er</sup> janvier 2004. La facture moyenne augmentera de 1,63 \$ par mois pour une maison unifamiliale chauffée à l'électricité, soit 20 \$ par année.

» Voir FACTURE en page A8

## Augmentation de 1,2 % de la facture d'électricité en avril

### FACTURE

suite de la page A1

Les deux hausses précédentes, soit 3 % le 1<sup>er</sup> janvier 2004 et 1,41 % le 1<sup>er</sup> avril 2004, avaient fait grimper la facture moyenne de 4 \$ et de 1,92 \$ par mois, pour la même maison chauffée à l'électricité. Autrement dit, ce type de clients paiera à compter du 1<sup>er</sup> avril 7,55 \$ de plus par mois ou 90 \$ de plus par année pour l'électricité.

La décision de la Régie de l'énergie a été accueillie avec soulagement par tous ceux qui ont combattu la requête d'Hydro-Québec. « On est relativement satisfaits, a commenté le porte-parole de l'Union des consommateurs, Charles Tanguay. Entre ce qu'on demandait, 0 %, et ce qu'Hydro voulait, 2,7 %, la Régie a tranché de façon satisfaisante. »

Du côté de la section québécoise de la Fédération canadienne de l'entreprise indépendante, le porte-parole Richard Fahey estime qu'une hausse de 1,2 % sera plus facile à assumer par les entreprises. « Tout le monde aurait voulu qu'il n'y ait pas d'augmentation,

mais 1,2 %, c'est en deçà de l'inflation et ça s'assume plus facilement que 2,7 % », a-t-il dit.

Dans sa décision qui fait 163 pages, la Régie estime qu'Hydro-Québec Distribution a surestimé les revenus jugés nécessaires en 2005. Les régisseurs ont ainsi retranché 15 millions au poste des dépenses et 30,8 millions au poste des investissements prévus.

Par ailleurs, la Régie ne s'est pas rendue aux arguments de l'Association des stations de ski du Québec, qui réclamait un tarif préférentiel pour tenir compte du caractère saisonnier des activités de ses membres. « Ces clients ne justifient pas un traitement différent de celui applicable aux autres clients de la même catégorie tarifaire », ont décidé les régisseurs.

Déçu, le président de l'Association des stations de ski du Québec, Claude Péloquin, garde toutefois espoir parce que la décision de la Régie ouvre la porte à une réforme de la structure tarifaire d'Hydro. « On va pouvoir faire valoir nos points et convaincre Hydro du bien-fondé de nos arguments », a dit M. Péloquin.

En plus des stations de ski, l'Union des municipalités et les sociétés de transport en commun, qui réclamaient un traitement particulier, se sont fait répondre par la Régie de l'énergie qu'elles n'ont pas à se plaindre parce qu'elles paient l'électricité à un bon prix.

La décision de la Régie ouvre la porte à des tarifs différents selon les heures de la journée et à des modifications de la structure des tarifs « qui mèneront sur une base graduelle à un meilleur signal de prix et à un juste reflet des coûts ».

Chez Hydro-Québec, les premières réactions à la décision de la Régie sont plutôt positives. Même si la hausse demandée n'a pas été accordée, il y a « de bonnes avancées » dans la décision, a commenté la porte-parole Josée Morin.

Ainsi, Hydro avait demandé qu'une partie de l'augmentation des tarifs serve à combler le manque à gagner entre l'année tarifaire, qui commence le 1<sup>er</sup> avril, et le 1<sup>er</sup> janvier. La Régie a refusé, mais a reconnu l'existence de ce manque à gagner, qu'Hydro pourra combler dans les prochaines années.

Il reste que la société d'État voulait obtenir des revenus supplémentaires de 232 millions et qu'elle devra se contenter de 102 millions de plus, soit un trou de 130 millions.

Le porte-parole de l'Union des consommateurs a souligné hier que les clients d'Hydro-Québec ne sont pas au bout de leurs peines, puisque la division Transport d'Hydro-Québec a elle aussi déposé une requête devant la Régie pour augmenter ses tarifs rétroactivement au 1<sup>er</sup> janvier 2005. « Le cadre actuel de réglementation, qui accorde un petit profit au distributeur et un petit profit au transporteur, peut nous réserver des surprises », a dit Charles Tanguay.

Par ailleurs, le chef de l'opposition officielle à l'Assemblée nationale, Bernard Landry, trouve l'augmentation des tarifs d'électricité trop rapide. « Il y a des raisons économiques et environnementales pour des augmentations normales de tarifs, mais ce qu'on voit maintenant est trop rapide », a commenté hier M. Landry.

Avec la collaboration de Denis Lessard

## **Annexe 3.1**

### **Communiqués de presses**

#### **Le discours de Brian Tobin en octobre 1996**

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October 15, 1996  
(Executive Council)

*The following is an address by Premier Brian Tobin, delivered today to the Montreal Rotary Club:*

"The art of government at the end of this century is the art of reconciling contraries." Those are the words of the late Robert Bourassa. He practised the art of government with great skill for more than two decades.

Today, it is not my task to reconcile two contraries. Rather, it is to explain a common problem. That problem is the Churchill Falls agreement.

I am not here today in Montreal to confront. I am here to increase understanding. I am not here to argue the law. I am here to speak about justice. More than anything else, I am here to challenge us to work together.

I must begin with some hard truths. There are three things we should all realize about the Churchill Falls agreement:

- (1) It was arrived at in an unfair way;
- (2) Under it, Quebec has reaped unconscionable windfall profits; and
- (3) The Churchill Falls project is not viable under the current contract.

For all these reasons, the contract must be re-negotiated. It is not a question of whether. It is a question of how and when.

The Churchill Falls agreement was arrived at in an unfair way. Geography made that possible. To get Churchill Falls power to market, it had to cross Quebec. But, Hydro Quebec in the 1960s said 'no' to the free movement of power.

Hydro Quebec said, you can sell the power to no one but us. You cannot 'wheel' Churchill Falls power through the Hydro Quebec power grid. And, you cannot build a power line to reach markets in the US.

Once this was clear, Hydro Quebec could ... and did ... dictate the terms of the Churchill Falls agreement. A letter of intent was signed between Hydro Quebec and the developer, Churchill Falls (Labrador) Corporation ... CFLCO ... in 1966.

Based on the 1966 letter of intent ... and Hydro Quebec's demand for first delivery of power in four years ... CFLCO began construction at Churchill Falls in 1967. By 1969, CFLCO had spent \$150 million ... \$668 million in today's dollars ... but had no contract with Hydro Quebec.

CFLCO faced financial ruin without a power contract. At that point, Hydro Quebec realized its immense bargaining power. It used that power mercilessly.

As Eric Kierans ... a Minister in Jean Lesage's Cabinet ... recently said, a contract for 20 years would have been adequate to secure the risk and investment that Hydro Quebec was making. Such a contract would now be coming to an end.

But, Hydro Quebec demanded, and ... according to Eric Kierans, to their astonishment ... got,



agreement for a 40 year contract, with a 25 year renewal. On top of this, the price for power went down throughout the 65 years.

CFLCO was ready to sign anything to avoid financial ruin. Quebec knew this and exploited it. The Churchill Falls agreement was arrived at in an unfair way.

In 1969, the Churchill Falls agreement was a good business deal for Hydro Quebec. It took risks. It made investments. For these, Hydro Quebec would receive a handsome profit ... if the price of power and the cost of operating the project had remained stable. But, they did not.

By 1973, the first oil crisis had caused the price of energy ... including electricity... to skyrocket. New regulatory arrangements for petroleum were put in place by the Canadian government ... but not for electricity.

World-wide, contracts for petroleum and for many other energy sources were re-negotiated to fit radically changed circumstances. But, there was no such re-negotiation of the Churchill Falls agreement.

Instead, Hydro Quebec began to reap massive windfall profits ... profits far beyond those contemplated when the agreement was entered in 1969.

Let's see how much Hydro Quebec pays for Churchill Falls power. In 1976, it paid 3 mills, or 3 tenths of a cent, per kilowatt hour. Today, it pays 2.7 mills, or just over one quarter of a cent. By 2016, the price will drop to 2 mills, or one fifth of a cent.

Let's compare that with how much Hydro Quebec gets when it sells power. Today, domestic consumers pay almost 60 mills, or 6 cents per kilowatt hour. Industrial consumers pay 35 mills, or 3.5 cents.

Today, Hydro Quebec pays only about 1/4 of a cent for something it resells for 5 to 6 cents. That's like buying oil at \$1.65 a barrel and re-selling it at the world price, which is over \$20.00 a barrel. Put another way, this equates to 1 cent per litre of gasoline or 4 cents per gallon.

After 2016, this drops to \$1.22 a barrel for oil or 0.7 cents per litre ... that is, 3 cents a gallon ... for gasoline.

And, the energy from Churchill Falls is equal to a great deal of oil. Since 1976, Churchill Falls has exported the equivalent of 1.0 billion barrels of oil. That's equivalent to the massive Hibernia and Terra Nova oil fields combined.

Over the 65 year term of the agreement, the export of energy from Churchill Falls will equal 3.3 billion barrels of oil. This is more than 3 Hibernias and 3 Terra Novas combined.

Hydro Quebec is buying Churchill Falls power at 1969 prices and re-selling it at 1996 prices. The windfall profits are immense ... and unconscionable.

The Economic Council of Canada published a study entitled "Blue Gold: Hydro-Electric Rent in Canada." The study estimated that Quebec received benefits of \$583 million in 1979 from Churchill Falls power.

In 1996, the Dominion Bond Rating Service published a report entitled, "The Public Electric Utilities in Canada." It estimated that Hydro Quebec received benefits of \$536 million in 1994 from Churchill Falls power. Both these studies take into account Hydro Quebec's transmission and other costs.

Since full power came on stream from Churchill Falls in 1976, Hydro Quebec has received benefits averaging about \$600 million a year. Newfoundland and Labrador has received benefits that averaged \$23 million a year. Recently, that has slipped to \$16 million a year.

From 1976 to 1996, Hydro Quebec received 96% of the benefits, while Newfoundland and Labrador got only 4%. To put this in perspective, in 1995, while Hydro Quebec received benefits of \$1.4 million a day from Churchill Falls, Newfoundland and Labrador received just \$45,000 a day.

This will become even more lop-sided in the next 20 years. From 1996 to 2016, Newfoundland and Labrador's share of the benefits will shrink to 2%, while Hydro Quebec's will increase to 98%.

This is a significant and fundamental injustice. It should be a matter of concern to all fair-minded Quebecers and, indeed, all Canadians.

The Churchill Falls agreement must be re-negotiated because it has yielded unconscionably large benefits for Quebec and unconscionably small benefits for Newfoundland and Labrador. For the people of Newfoundland and Labrador ... the resource owners ... the situation will become far, far worse.

Costs have gone up to operate and maintain the 64 kilometres of dykes, the massive power house with its 11 turbines, the huge transformers, and the 200 kilometre power line to the Quebec border. Costs have gone up because of inflation ... something else not taken into account in the 1969 contract.

Because of this, by 2001, CFLCO will run out of money. Cash shortfalls will follow in various years thereafter. When that occurs, there will be three options to make up the shortfalls:

- (1) CFLCO can borrow the money;
- (2) Newfoundland and Labrador can make cash gifts; or
- (3) Hydro Quebec can make cash contributions.

Newfoundland and Labrador can make cash gifts to CFLCO ... for which it would receive nothing ... or Hydro Quebec could make the cash contributions.

The twist is this: if Hydro Quebec makes cash contributions, then it gets CFLCO shares in return. If Hydro Quebec makes enough cash contributions, then it would gain a majority of CFLCO shares and take control of the Churchill Falls project.

In addition, the benefits to Newfoundland and Labrador will continue to shrink. That is because the major benefits to Newfoundland and Labrador are dividends from CFLCO. But, beginning in 2002, CFLCO will have to forego the payment of dividends in some years and pay reduced dividends in most others.

The benefits that Newfoundland and Labrador now receive find their way into the province's revenues. When those revenues are greatly reduced ... as they will be early in the next century ... then the province will be forced to raise taxes or cut spending for things like hospitals and schools. Meanwhile, Hydro Quebec would continue to reap immense windfall profits.

But even this lamentable situation will worsen. In 2016, the price paid for Churchill Falls power will go down again, from one quarter of a cent per kilowatt hour to a fifth of a cent. Massive cash shortfalls will follow. For the remaining 25 year term of the contract, these would total more than \$340 million.

To keep CFLCO from financial collapse, Newfoundland and Labrador would be forced to close more hospital beds, close more schools, abandon more public services, all so that we could subsidize the production of power from Churchill Falls.

Meanwhile, Hydro Quebec would be reaping even more billions of dollars in windfall gains. We can not do this. We will not do this.

We cannot accept this situation where for the remainder of the contract for future holds a \$340 million dollar cash shortfall for CF(L)Co and a \$56 billion gain for Hydro Quebec.

The Churchill Falls contract must be re-negotiated because it is simply not viable. Declining prices for power over 65 years, and increasing costs for operating the project for that period just don't add up. The project simply will not be able to pay its way. And so the contract must be re-negotiated.

But, Hydro Quebec says "a contract is a contract" and that is that. Well, it isn't. Contracts are re-negotiated all of the time when a fundamental change of circumstances calls for it.

The circumstances of the Churchill Falls contract make the case for its re-negotiation utterly compelling.

And Hydro Quebec has recognized this. Twelve years ago, it recognized the need to re-negotiate the price paid for Churchill Falls power.

I have here today a document signed 12 years ago by Mr. Jean Bernier the Secretary General of Hydro Quebec that does this. This document has never before been released.

Today I am going to release this document, even though it includes a secrecy clause. Those who signed this agreement did not break its secrecy ... but I will. Its contents are too important to be hidden any longer.

The document was signed by both Hydro Quebec and Newfoundland and Labrador Hydro in 1984. The document was turned up when I ordered a complete review of the files on Churchill Falls.

A few weeks ago, in Jasper, Alberta, I gave a copy of this document to Premier Bouchard. He was not aware of it. However, as I pointed out to Premier Bouchard, the record of negotiations leading up to this document shows that former Premier Levesque approved this initiative.

Today, it is time that we all knew the contents of this document. It is entitled, "Statement of Intent Regarding Churchill Falls Negotiations." There is a covering letter, written by Jean Bernier, then General Secretary of Hydro Quebec. The letter is dated February 1, 1984. The letter was sent to the Chairman of Newfoundland and Labrador Hydro.

The document is a signed statement of intent to re-negotiate the Churchill Falls agreement signed by both Hydro Quebec and Newfoundland and Labrador Hydro.

As its starting point the "Statement of Intent" recognized the need for, as is stated in Article 1, the preamble, for:

"a fair and equitable return to Newfoundland as the owner of the Churchill Falls resource".

The document - sent by Hydro Quebec to Newfoundland and Labrador Hydro - went on to state in Article 2:

"Bearing in mind the need to reach a compromise approach to a more equitable return to Newfoundland as the owner of the hydraulic resources of the Upper Churchill, the parties agree to devise a formula whereby Newfoundland would receive a fair and equitable return for the electricity produced, taking into account the need to adapt the terms of existing arrangements to the new reality which has arisen since the original arrangements were entered into."

Article 2 also stated:

"The parties agree that there exists a basis for recapture of a significant block of power and energy from the existing Churchill Falls plant for use in Newfoundland and Labrador"

The rest of the document goes on to set out a framework for that re-negotiation.

What happened to this statement of intent? It became buried and forgotten, as it was not acted on. But the document shows clearly that Hydro Quebec ... with the knowledge of the Levesque government ... recognized that this is a contract that needs to be re-negotiated.

The statements by Hydro Quebec ring as true today as they did 12 years ago. Today, what we need, in the words of the Secretary General of Hydro Quebec, is a "fair and equitable return" that takes into account "the new realities".

Why am I bringing up the Churchill Falls contract now? The answer is straight-forward. Because it is the right thing to do. Justice and equity have been too long denied to the people of Newfoundland and Labrador. Tens of thousands remain out of work because of the collapse of cod stocks. Unemployment ... officially ... is 19%.

We have the lowest expenditure per capita in Canada for health care and education ... yet we must cut these services again and again as provincial revenues fall. Our population is going down as people leave the province.

Faced with this and the monumental injustice of the Churchill Falls agreement, what would you do if you were in my position? How far would you go to get a fair share of the benefits from Churchill Falls for the people of Newfoundland and Labrador, for the owners of the resource?

The fundamental inequity of the Churchill Falls agreement remains. It is worsening. It will not go away unless we turn our minds and our consciences to solving it.

I am convinced that the people of Quebec, when they understand the circumstances of the Churchill Falls agreement, will find it just as unacceptable as do the people of Newfoundland and Labrador.

Working together in good faith we can find a solution. We can find a solution that is fair to Quebec and that is fair to Newfoundland and Labrador.

Re-negotiation of the Churchill Falls agreement, to re-balance the sharing of benefits in a fundamental way ... not a minor way ... is what is needed. Just keeping CFLCO's head above water will not do this. I expect Hydro Quebec might well be willing to do that. But, it would not solve the basic inequity that is at the heart of the agreement.

Re-negotiation of the Churchill Falls agreement is the key, as well, to unlocking the further riches of the Churchill River. Downstream from Churchill Falls there are two sites ... Gull Island and Muskrat Falls ... with immense hydro potential.

Together, these sites can produce 3,100 megawatts of power. This is a major source of electricity, though not as great as the 5,400 megawatts at Churchill Falls. These sites can produce what is probably the lowest cost hydro power as yet undeveloped in North America.

If we can overcome the problem of the Churchill Falls agreement, then we can forge a partnership to develop these additional rich resources. Development of Gull Island and Muskrat Falls will cost \$10 billion. This would boost the economies of both our provinces at a time when it is most needed.

Premier Bouchard has said his priority is to create jobs and generate economic growth. I agree.

Gull Island would create 1,200 person years of work in engineering, design and site management. It would create 6,000 persons years of work in construction.

Muskrat Falls would create 900 person years of work in engineering, design and site management. It would create 3,800 person years of work in construction.

That's 12,000 person years of work in highly paid engineering and construction jobs.

Working together, we can combine the expertise and experience of both Hydro Quebec and Newfoundland and Labrador Hydro. We can bring together the vast array of companies and suppliers needed to build these huge projects.

The benefits to Newfoundland and Labrador would also include a secure and stable source of power to Labrador and to the island portion of the province. And, because we need only a small portion of this power, most will need to be marketed, again via Quebec. Both provinces can share ... in a fair and equitable way ... the benefits from these rich resources.

That is the choice that we face. We can work together to share in an equitable way the benefits of Churchill Falls and new developments at Gull Island and Muskrat Falls. Or, we can remain locked in the rigidities of the current Churchill Falls agreement, drifting towards its financial collapse ... and some harsh consequences as we approach that collapse.

At the outset, I said that my purpose was not to reconcile two contraries. Rather, it has been to explain a common problem, the Churchill Falls agreement. By resolving that problem we can not only lift the burden of an inequitable and, eventually, un-viable agreement.

We will also open up new opportunities. We will benefit the people of both our provinces. Surely, that is the better path. I believe that is the path that Quebecers should and will choose.

NOTE TO EDITORS: The premier's address is also available in French by contacting Communications and Consultation Branch at (709) 729-3610. The address is also posted on the government's Internet site at [www.gov.nf.ca](http://www.gov.nf.ca)

1996 10 15

5:30 p.m.



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**Annexe 3.2**

**Communiqués de presses**

**FRAMEWORK IN PLACE FOR  
CHURCHILL RIVER HYDRO  
DEVELOPMENTS**

**March 9, 1998**

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March 9, 1998  
(Executive Council)

### FRAMEWORK IN PLACE FOR CHURCHILL RIVER HYDRO DEVELOPMENTS

Newfoundland Premier Brian Tobin and Québec Premier Lucien Bouchard today announced that Newfoundland and Labrador Hydro and Hydro-Québec will commence formal negotiations toward an agreement to further develop the hydroelectric power potential of the Churchill River in Labrador, and related projects in Québec.

"This is an historic occasion. We have agreed on a set of parameters to facilitate the development of a 2,200-megawatt project on the Lower Churchill, as well as adding 1,000 megawatts of capacity at the Upper Churchill," said Premier Tobin. "Having agreed on this framework, officials can now focus on the task of concluding agreements that will result in significant benefits for both Newfoundland and Labrador and Québec."

"These projects will strengthen the position of Hydro-Québec as a North American leader in the energy sector," said Premier Bouchard. "These agreements will allow both our governments to create significant economic development."

With investments of approximately \$10 billion forecast over 10 years, the projects will increase power production so that both companies can better serve their respective domestic market and the North American market. The projects will create some 49,000 person-years of employment and at peak of construction in 2004, the projects will employ an estimated 6,200 people.

Hydroelectric power supports sustainable economic development with no greenhouse gases. The 3,200 megawatts of new hydroelectric generating capacity is expected to account for up to 15 per cent of Canada's commitment at Kyoto to reduce greenhouse gas emissions.

The framework for negotiations provides for the construction of a 2,200-megawatt generating station at Gull Island, to be owned 65.8 percent by Newfoundland and Labrador Hydro, 34.2 per cent by Hydro-Québec. In addition, 1,000-megawatts of new capacity would be developed at Churchill Falls in conjunction with the partial diversions of the Saint-Jean and Romaine Rivers in Québec, into the Smallwood Reservoir. Two new 500-megawatts turbines would be added to the 11 already existing at Churchill Falls. The Churchill Falls expansion would also be owned 65.8 per cent by Newfoundland and Labrador Hydro, 34.2 per cent by Hydro-Québec. The partial diversions of rivers in Québec would be developed and owned by a Québec-based partnership of Hydro-Québec and local communities.

The framework for negotiations includes details of the construction of new power transmission infrastructure in Québec and Labrador. It establishes a joint venture to develop power transmission infrastructure in Labrador. It also provides for the completion of a feasibility study of the Muskrat Falls site.

"The expansion at Churchill Falls, combined with the sale of additional capacity from the existing units under a guaranteed winter availability contract with Hydro-Québec ensures the financial viability of CF(L)Co.," said William E. Wells, President and Chief Executive Officer of Newfoundland and Labrador Hydro. "With the additional revenues from the proposed developments, CF(L)Co will become a major contributor to the economic development of Newfoundland and Labrador."

André Caillé, President and Chief Executive Officer of Hydro-Québec said: "These projects are in line with our objective to increase our production by 25 per cent during the next 10 years. We are convinced that the Churchill River development will be profitable and environmentally acceptable. Projects of this nature will also involve local and aboriginal communities as partners."



The framework allows Newfoundland and Labrador Hydro to immediately recall 130 megawatts from current Churchill Falls production for the benefit of Newfoundland and Labrador as provided for under the Upper Churchill Power Contract.

When completed, the 3,200 megawatts of new generating capacity will supply up to 18 billion kilowatt hours of electricity -- equivalent to the annual electricity consumption of 550,000 households.

Premier Tobin also said that these developments between Newfoundland and Labrador Hydro and Hydro-Québec include the reservation of up to 1000 megawatts to meet the power requirements of Newfoundland and Labrador. This assures that the long term power needs of the province will be met.

Premier Tobin noted that separate from these arrangements with Hydro-Québec is the construction by Newfoundland and Labrador Hydro of an 800-megawatt transmission line from Labrador to the island of Newfoundland.

Both Premier Tobin and Premier Bouchard emphasized that development of these projects will proceed in a manner that is respectful of the legitimate rights, concerns and interests of Aboriginal and local communities. Both Newfoundland and Labrador and Québec wish to immediately engage in discussions with their respective aboriginal communities. The two premiers underlined the fact that these projects will be submitted to public consultation as provided for by all applicable environmental and regulatory review processes under the laws of Newfoundland and Labrador, Québec and Canada.

The parties look forward to completion of a Memorandum of Understanding by the end of 1998. Necessary technical, environmental and financial activities will commence immediately to allow the projects to be ready for the construction phase.

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**FACT SHEET**  
**Economic Impact**

**Total investment (current dollars) :**

Gull Island	\$3.2 billion
Churchill Falls Capacity Addition and Partial diversion of Saint-Jean and Romaine Rivers	\$1.3 billion
Power transmission infrastructure	\$3.0 billion
Infeed to the Island <sup>1</sup>	\$2.2 billion

Current Total:	\$9.7 billion
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Muskrat Falls (if developed) <sup>2</sup>	\$2.1 billion
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Canadian Employment (person/years) :	49,000
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Direct employment	16,900
Indirect employment	32,100

**Industrial Benefits :**

- Regional hydroelectric industries ;
- Construction management ;
- Procurement ;
- Engineering (planning, design, construction) ;
- Environmental consulting ;
- Equipment manufacturing ;
- Service industries.

1. The infeed to the Island of Newfoundland from Labrador is separate from the above joint projects, and analysis of the feasibility and joint financing is being pursued by the Province of

**Newfoundland and Labrador.**

2. **Newfoundland and Labrador Hydro and Hydro-Québec will jointly spend up to 20 million dollars for studies to assess the feasibility of building 800 megawatts of capacity at Muskrat Falls. If deemed feasible this project would proceed on a basis similar to the Gull Island project.**

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**FACT SHEET**  
**Gull Island Power development**

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**Description:**

The Gull Island power complex will be located on the Churchill River, about 200 kilometres downstream from the existing Churchill Falls station, and about 100 kilometres upstream from the community of Happy Valley-Goose Bay. The dam at Gull Island will be 100 metres high and 1.3 kilometres long. There will be minimal flooding for a project of this magnitude. Flooding will be confined to the narrow river gorge between Gull Island and Churchill Falls.

The power station will contain eight 283-megawatt generators for a total production capacity of 2,264 megawatts.

Gull Island has been ranked by the National Energy Board as the best undeveloped hydroelectric site in North America.

**Production :** Up to 13 billion kilowatt hours annually.

1,000 megawatts of capacity and 7.5 billion kilowatt hours annually will be purchased by Newfoundland and Labrador Hydro for use in Newfoundland and Labrador. Hydro-Québec will purchase the balance of the production on a market netback basis which reflects market conditions. A progressive royalty regime will be applicable.

**Partnership:** The project will be developed by a limited partnership formed by Newfoundland & Labrador Hydro (**65.8 per cent**) and Hydro-Québec (**34.2 per cent**).

**Transmission:** Power will be transmitted to the Hydro-Québec grid (operated by TransÉnergie, a division of Hydro-Québec) through a new 735 kV line from Gull Island to the Montagnais station in Québec. In addition, a 735 kV line from Gull Island to Churchill Falls will be constructed.

Power will also be transmitted from Gull Island to the Island of Newfoundland via an 800 MW HVDC line. This transmission line and associated facilities will be built and owned by Newfoundland and Labrador Hydro.

**Completion:** 2006 - 2008

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**FACT SHEET**  
**Additional Capacity at Churchill Falls**

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**Description:** A new generating station with a capacity of 1,000 megawatts will be built within a kilometre of the existing Churchill Falls generating station. Two 500-megawatt turbines will be fed by the Smallwood Reservoir. The additional water associated with this new generating capacity will come from the partial diversion of the Romaine and Saint-Jean Rivers in Québec.

**Production:** Up to five billion kilowatt hours annually. Hydro-Québec will purchase the power on a market netback basis which reflects market conditions.

**Partners:** The project will be developed by Churchill Falls (Labrador) Corporation (CF(L)Co), which is jointly owned by Newfoundland & Labrador Hydro (**65.8 per cent**) and Hydro-Québec (**34.2 per cent**).

**Transmission:** Power from the additional turbines will be delivered to the Hydro-Québec grid (operated by TransÉnergie, a division of Hydro-Québec) using the existing upgraded 735 kV lines from Churchill Falls to the Montagnais station in Québec.

**Completion:** 2006-2007

*None of these arrangements will alter the Upper Churchill Power Contract.*

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#### FACT SHEET

##### Partial Diversion in Québec of the Saint-Jean and Romaine Rivers

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**Description:** A limited portion of the flow of the Saint-Jean River will be diverted to the Romaine River basin. The level of the upper portion of the Romaine River will be raised to redirect water into the Smallwood Reservoir, which is the upper basin of the existing Churchill Falls development. This water will flow through the proposed new generating facilities at Churchill Falls and at Gull Island.

**Saint-Jean River:** A dam would be constructed on the Saint-Jean River, about 170 kilometres upstream from the mouth on the St. Lawrence River. This dam would direct between 20 and 25 per cent of the river's average annual flow, particularly the heavy spring runoff, through a bypass canal to the adjacent Romaine River. A reserved flow of water will be maintained at all times through the dam into the existing natural river bed.

**Romaine River:** A containment dam would be constructed along the Romaine River, about 190 kilometres upstream from the mouth on the St. Lawrence River. This would create a reservoir in Québec of 400 square kilometres of existing lakes and rivers and an additional flooded area of 700 square kilometres to direct the flow into the Smallwood Reservoir. This would direct approximately fifty percent of the Romaine river's average annual flow in addition to the flow from the Saint-Jean river's partial diversion, to the Smallwood Reservoir in Labrador. A reserved flow of water will be maintained at all times through the dam into the existing Romaine river bed.

**Production:** The additional water from the partial diversions will allow the production of up to approximately five billion kilowatt hours of electricity annually at the site of the new generating facility at Churchill Falls.

**Partnership:** The partial river diversion project will be developed by a limited partnership formed by Hydro-Québec. Local and aboriginal communities will be invited to participate through the partnership in the configuration, development and ownership of the partial river diversions.

**Water Flow Arrangements:** The arrangements regarding water flows from Québec will be renewable at Hydro-Québec's option at the end of the debt amortization period of CF(L)Co.'s newly installed capacity.

**Environment:** The Saint-Jean and Romaine Rivers and their watersheds have been studied for many years. Environmental analyses have also been conducted on regional ecosystems and on developments similar to the project under consideration.

- Full impact studies of the proposed projects will be conducted in compliance with applicable environmental review processes.

- The projects will also include a wide scope of environmental mitigation and protection measures and investments, planned and implemented in close consultation with local communities and aboriginal groups.

**Completion:** 2005 - 2006

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### FACT SHEET

#### Transmission Infrastructure

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**Description:** The new hydroelectric stations at Churchill Falls and Gull Island will be linked to each other, and with the Montagnais station in Québec on the TransÉnergie (a division of Hydro-Québec) transmission grid through 735 kV transmission lines. The Montagnais station and the TransÉnergie transmission grid will be equipped with additional facilities to accommodate the input from the new generating stations.

The new hydroelectric stations will also be linked to the island of Newfoundland by an 800-megawatt HVDC transmission line to be built by Newfoundland and Labrador Hydro. This transmission line and associated facilities from Labrador to Newfoundland will be built and owned by Newfoundland and Labrador Hydro.

**Québec Transmission Infrastructure:** TransÉnergie, a division of Hydro-Québec, will develop, build and own the transmission infrastructure in Québec related to these projects as part of its overall transmission grid in Québec.

**Labrador Transmission Infrastructure:** A limited partnership, formed on a 50/50 basis by Newfoundland & Labrador Hydro and Hydro-Québec will develop, build and own the transmission facilities in Labrador.

TransÉnergie, a division of Hydro-Québec, will include, in its overall cost of service, the cost of service of the new transmission facilities in Labrador under a rolled-in tolling methodology, subject to applicable filings and decisions.

The MOU will contain a "Shotgun" provision at the end of Labrador Transmission Limited Partnership's asset amortization period. Such provision, as may be modified by the parties, will provide an option to acquire, through the acquisition of partnership interests, the assets of Labrador Transmission Limited Partnership at net book value, thus allowing Newfoundland and Labrador Hydro to purchase the assets at such value.

Newfoundland and Labrador Hydro will construct the interconnection to the Island, crossing the Strait of Bell Isle through submarine cables, arriving at Soldiers Pond (near Holyrood, Nfld.)

**Completion:** 2006 - 2007

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### FACT SHEET

## Environmental Benefits

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In the context of the recent Kyoto decision, the reduction of greenhouse gases has become an important global issue. In agreeing with the Kyoto protocol, Canada accepted the target of reducing its emissions to an average of 6 per cent below 1990 levels by the 2008-2012 time frame. The contemplated projects will significantly reduce greenhouse gas emissions and would make a substantial contribution toward meeting this target.

The hydro developments on the Churchill River system in Labrador and the related developments in Québec offer the single largest block of achievable greenhouse gas emission reductions in Canada, which could account for up to 15 per cent of Canada's Kyoto commitment.

The greenhouse gas emissions reductions associated with the Churchill River developments in Labrador will range between 13 million tons annually compared to gas, to 22 million tons annually, compared to coal.

Newfoundland and Labrador Hydro will receive 100 per cent of greenhouse gas emission credits accruing from Gull Island. Newfoundland and Labrador Hydro and Hydro-Québec will share 50/50 the credits accruing from the Churchill Falls expansion.

1998 03 09

5:05 p.m.

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**Annexe 3.3**

**Communiqués de presses**

**FURTHER DEVELOPMENT OF THE  
CHURCHILL RIVER SYSTEM**

**Brian Tobin**

**March 9, 1998**



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March 9, 1998  
(Executive Council)

*The following is the text of an address to the Province by Brian Tobin, Premier of Newfoundland and Labrador:*

### FURTHER DEVELOPMENT OF THE CHURCHILL RIVER SYSTEM

Good evening, ladies and gentlemen.

As you know, earlier today in Churchill Falls, I was joined by Premier Lucien Bouchard of Quebec in putting before you a plan for the further development of 3200 m.w. of hydro electric power on the Churchill River system in Labrador.

This concept for future hydro electric development is the result of more than a year of discussions. In setting before you this plan for development we have retained the assistance of the best legal, financial and technical minds available to us.

As Premier of this province, I understand only too well the burden that falls on me and the government I lead never to repeat the resource giveaways that have denied us prosperity in the past.

When it is necessary to say no to resource proposals that do not fairly benefit our province we must never hesitate to do so. We are saying no today to Inco .... no to the development of a mine at Voisey's Bay, unless and until there is a commitment to a smelter/refinery complex for our province. That is government's position. It is my position and it will not change.

But just as we must never fear to say no when it is right and necessary .... so too, we must never fear to say yes when we have achieved a proposal for development that is fair and beneficial to Newfoundland and Labrador.

I believe that the proposals I put before you earlier today in Churchill Falls are the right proposals .. right now for Newfoundland and Labrador.

These proposals can never compensate us for what we've lost in past decades on the Upper Churchill deal. Successive governments have tried and none have been able to re-write the past... but we can and we must rewrite our future... beginning today.

In re-writing that future we must extend a full opportunity for involvement by the Innu Nation.

Any further development of the Churchill River system must also respect the right of the Innu Nation of Labrador to share in the benefit of such a development.

Now that Newfoundland and Labrador and Quebec have agreed to a set of proposals that have been referred to formal negotiations, I believe it is important to invite the appropriate participation of the Innu Nation.

This I will do on behalf of the people of this province.

Let us now examine these proposals and see how they benefit Newfoundland and Labrador. As you know if we do nothing, if we simply allow the current contract to run its course until 2041, the Upper

Churchill contract will result in a cash deficiency of \$300 million. The proposal I have outlined today will move us from that position of loss at the Upper Churchill to a gain of more than \$2.6 billion. In setting out this 2.6 billion dollar number I am dealing only with the Upper Churchill portion of the river. I will deal with the Lower Churchill in a few minutes.

The proposal before us today regarding the Upper Churchill has four important elements.

1. First, Newfoundland and Labrador has not, despite many past attempts by Quebec, has not agreed to extend past 2016 any further protection for Hydro Quebec against taxation on the export of the sale of electricity. We have preserved all of our rights in this regard.
2. Quebec has agreed effective today's date, to waive recall provisions on a block of 130 m.w. of power -which is the remainder of a block of 300 m.w. that we are entitled to receive under the original contract. The original contract required us to give Quebec three years notice of recall of this power. It also restricted us to use the 300 m.w. of power in Newfoundland and Labrador. Since we have only been able to use 170 m.w. of the 300 m.w. block in Labrador -Quebec has had the benefit of the remaining 130 m.w. of power.

Effective today, Quebec has waived recall rules and has transferred ownership of this 130 m.w. of power to Newfoundland and Labrador and has agreed to allow us to sell it for use in the North American market place.

Since we are acquiring this block at very low Upper Churchill contract rates of 2.7 mils and reselling it at today's market prices -Newfoundland and Labrador will gain an additional 23 million dollars a year in revenue from this transaction. This measure is not tied to the completion of formal negotiations. It is unconditionally provided to us effective today at our request, as a first step in building a better relationship with Quebec.

3. The third measure we have negotiated is a guaranteed winter availability contract. This is a new contract that will run beside the current Upper Churchill contract until 2041. In this new contract, Quebec agrees to pay on average an additional \$34 million a year, beginning this November for guaranteed peak power during winter months.

This measure alone adds another \$1 billion to our bottom line at the Upper Churchill.

4. The last and, I believe, most significant change to the Upper Churchill Power system is a plan to construct at the Upper Churchill Power site, a new power house and two new turbines to add 1,000 new m.w. of power to the existing 5200 m.w. of capacity at the Upper Churchill.

As you know it takes more than a new power house and two new turbines to generate new power. It takes water .... and the water will come from Quebec. Quebec has agreed to partially divert and reverse the flow of two rivers in Quebec back into Labrador. Water from the St. Jean and Romaine rivers would be diverted into the Smallwood reservoir to provide additional hydro generating capacity.

The new water from Quebec will generate 1,000 m.w. of new power at the Upper Churchill and, of course, will also help to increase the flow of water and creation

of power at the Lower Churchill.

The Upper Churchill Diversion project and construction of a new power house will be financed at a cost of \$1.3 billion by Quebec and from project revenues. Quebec will guarantee a floor price for the power. Quebec will receive no royalties for its water. The equity in the project will be 65.8% Newfoundland and Labrador - 34.2% for Quebec.

This project will provide, at today's prices, another \$1.1 billion to Newfoundland and Labrador from the Upper Churchill system.

Taken together, these new initiatives - the recall of 130 m.w. of power worth \$23 million a year; the Guaranteed Winter Availability Contract with average revenues of \$34 million a year; and a 65.8 percent equity in 1,000 m.w. of new power at the Upper Churchill will move Newfoundland and Labrador from a loss position today on the Upper Churchill system to a gain for Newfoundland and Labrador of \$2.6 billion dollars on the Upper Churchill River system.

If power rates increase dramatically over the next 30 years, then of course our share of profits increase dramatically as well. The numbers I'm giving you tonight assume an inflation rate of only 1/2 of one percent annually. I believe it is important to be prudent in our forecasting.

That completes a quick review of the Upper Churchill proposals. Let us turn now to the Lower Churchill proposals.

The Lower Churchill Project would see the development of the 2200 m.w. Gull Island site. Again, the ownership would be split 65.8% to 34.2% in Newfoundland and Labrador's favour. One thousand m.w. of the 2200 m.w. of new power from the Gull Island site will be available for use in our province - both in Labrador and on the island.

Royalties from this project would be based on a profit sensitive regime similar to our new generic offshore oil and gas regime. In other words, the more profit the project produces the higher Newfoundland and Labrador's royalties become.

In effect, if this project in future produces windfall profit then it is Newfoundland and Labrador that catches the wind and the windfall. Quebec, as a minority shareholder will be entitled to an 11.5% rate of return on this investment (the same as we will be) but the royalty regime on the new Lower Churchill development clearly favours Newfoundland and Labrador.

That is a normal reward for developing our resources, in our province. That's the way it should have been done 30 years ago on the original Upper Churchill contract.

The Lower Churchill Project, again using current market prices and a 1/2 of 1 percent inflation factor will generate another \$2.6 billion in dividends for Newfoundland and Labrador.

On both the Upper Churchill Diversion project and on the Lower Churchill Gull Island Development, Quebec will provide a floor price guarantee to ensure financing is available for both projects. In providing such a floor price guarantee Hydro Quebec assumes the vast majority of any financial risk on these projects.

On the other hand the profit sensitive royalty regime we have agreed to ensures the upside financial benefit comes to Newfoundland and Labrador.

Of the 3200 m.w. of new power produced -2200 m.w. will be sold in North American markets over the Hydro Quebec system. Quebec will receive normal tolling and marketing fees.

However, the reality is that neither the existing Quebec transmission system or the transmission system in Labrador are adequate to carry 2200 m.w. of new power to the North American markets. Three billion dollars of system upgrades or new construction will be required in both Labrador and in Quebec.

The financing of these new transmission facilities will be provided by Hydro Quebec.

Hydro Quebec has agreed to roll the \$3 billion required into their existing 30 billion dollar transmission network in Quebec. In other words, Hydro Quebec will seek a price increase from their Quebec base customers to cover the cost of new transmission facilities both in Quebec and in Labrador.

In exchange, Hydro Quebec will take a 50/50 ownership position with Newfoundland and Labrador Hydro in the \$1.4 billion of new transmission facilities to be built in Labrador from Gull Island and Churchill Falls to the Quebec border.

However, once the transmission facilities are paid for over 30 years - the ownership of these facilities in Labrador reverts 100% to Newfoundland and Labrador Hydro.

The simple fact of the matter is that because of current low prices for electricity, both the Upper Churchill Diversion and the Lower Churchill Gull Island project would not be viable without Hydro Quebec's Agreement to roll new transmission costs into their existing system. This decision, together with Quebec's decision to divert Quebec rivers into our province are significant contributions by Hydro Quebec and the Government of Quebec towards building a new relationship with Newfoundland and Labrador Hydro and with the Government of Newfoundland and Labrador.

The proposed 800 m.w. Muskrat Falls site is not a definite part of the proposal at this time. The reason is straightforward. With tight profit margins arising out of a low cost electricity market, the site at Muskrat Falls may not be viable at this time.

Muskrat Falls, with a development cost of \$2.1 billion needs further assessment. We have agreed to cost share with Quebec up to \$20 million on a further assessment on the viability of this project.

The final component of the proposal I put before you today does not involve Hydro Quebec or the Quebec government.

As part of this development proposal, as I said earlier, we insisted on recalling 1,000 m.w. of power for our use in Labrador and on the island. Quebec agreed. Now we need to study the feasibility of building a \$2 billion transmission system from Gull Island across the Strait of Bell Isle to the island portion of the province.

I have asked the Prime Minister and the Government of Canada to join Newfoundland and Labrador in a feasibility study into both the technical and financial requirements of such a project. The Government of Canada has agreed.

In the months ahead a full analysis will be made of the proposed interconnect between Labrador and the island portion of the province.

Our objective is to provide long-term stable electricity rates for the people of our province. We have reached the point where new power requirements increasingly have to be met by burning oil.

There are very few suitable hydro sites left for development on the island, and quite frankly burning oil is both expensive and runs contrary to Canada's commitment to lower greenhouse gas emissions in Kyoto, Japan.

The development of the Lower Churchill and Upper Churchill Diversions can contribute significantly to Canada's commitments to lower greenhouse gas emissions.

Hydro power is green power and already a new system of buying and selling greenhouse gas emissions credits is emerging.

Under our arrangement with Quebec, Newfoundland and Labrador is entitled to 100% of the greenhouse gas emissions credits for Gull Island and 50% of the emission credits from the Upper Churchill Diversion projects. Our intent is to use those credits to help finance a transmission line to the island portion of the province.

The question of emission credits together with further technical and financial analysis must underlie any decision to proceed with an interconnect to the island. I look forward to working with the national government in providing answers to some of the questions posed by such a proposal.

These proposals represent an agreed approach to further hydro-electric developments between Newfoundland and Labrador and Quebec. To translate these proposals into reality requires legally binding agreements.

Today I have given a mandate to our chief negotiator, Jim Thistle, and to our legal, technical and financial team to formally begin negotiations with Hydro Quebec. These negotiations may require all of 1998 and part of 1999 to complete. It's important we make a start without delay.

In the meantime, my Cabinet colleagues and I, and officials of Newfoundland and Labrador Hydro will answer every question raised of us.

I know you will want a full opportunity to discuss and debate these proposals. They will be submitted for the full range of all applicable public regulatory review.

I want to assure you that government is particularly concerned about the impact on the environment and we will spare no expense to ensure as full an environmental assessment as possible under both federal and provincial legislation.

These projects are important and they are valuable; but so is our environment, and we must not squander it in haste.

Finally, you may have noticed that I haven't focused this evening on jobs. I haven't because I believe these projects must stand on their own merits in terms of long term benefits to our province. It is true these proposals will create thousands of construction jobs for Newfoundlanders and Labradorians for the projects in our province and thousands of jobs for Quebecers for the projects in Quebec.

The proposals I have put before you constitute one of the largest mega projects in the world today. This government will ensure maximum benefits for Newfoundland and Labrador workers and for our business community as well.

However, the thousands of jobs alone are not reason enough to go forward. We should only go forward if the long term benefits for this generation and future generations, are there.

I believe the benefits are there or I wouldn't be putting these proposals forward at this time.

I believe that when these proposals receive objective analysis by those who are neither friends nor foes, it will become clear that we now have the basis for moving forward with pride and dignity.

These proposals are solid. They are good for our province - I'm proud to be associated with the government that has negotiated them.

Tonight, I undertake to provide you with all the information you need to judge what government has done. An information brochure will be delivered to every home in the province.

I, Ministers of the government, and officials of Hydro, will be available to respond to every legitimate enquiry made of us.

With your support - I and the government I lead will work hard to make these proposals for development of our natural resources, for our benefit, a reality.

Thank you.



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**Annexe 3.4**

**Communiqués de presses**

**Critics question Québec-Newfoundland  
hydro deal**

**August 2, 2002**



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## Critics question Quebec-Newfoundland hydro deal

Last Updated Fri, 02 Aug 2002 11:21:30

HALIFAX - Critics are questioning the hydro deal between Quebec and Newfoundland and Labrador before the ink is dry on the tentative agreement signed Thursday by the premiers of the two provinces.

- BACKGROUNDER:  
Hydroelectricity

The Gull Island hydroelectric dam would be built on the Churchill River in Labrador. But even if the provinces reach a final agreement on the \$4 billion project, the dam could take 10 years to complete.



Bernard Landry

The project could generate 2,000 megawatts of electricity.

But John Hickey, mayor of Happy Valley-Goose Bay, fears Quebec will benefit at Labrador's expense.

That's what happened when the two provinces signed a Labrador hydro deal in the 1960s. Quebec made all the gains as prices rose. Newfoundland fought to rewrite the deal for years, without success.

But this time, there will be a built-in price escalator, so that Newfoundland and Labrador will get more money as prices rise.

Environmentalists don't like the idea that Gull Island will flood 85 square kilometres, and Innu Nation president Peter Penashue says there will be no development until land claims are settled.

But in a joint statement, the premiers said "meaningful aboriginal participation is an essential element to the success of the project."

Quebec's Bernard Landry says the final signing of the deal may happen before Christmas. "We are hopeful that the lawyers - within six or eight weeks - will give us a document ready to sign," he said.

The proposed deal will see Newfoundland and Labrador own the facility and transmission lines. All the power must be sold to Quebec.

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AUDIO: Stephen Puddicombe reports for CBC Radio (Runs 1:27)

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- FROM JUNE 6, 2002: Grimes eyes US to help Lower Churchill development

Neither Landry nor Grimes would say how the project will be financed. But Grimes says that shouldn't be an issue. "We know it can be accomplished."

Written by CBC News Online staff

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## Grimes eyes US to help Lower Churchill development

*Last Updated Wed, 06 Jun 2001 16:30:50*

ST. JOHN'S, NFLD - Newfoundland premier Roger Grimes says the province will have to find a financial partner, to make the Lower Churchill hydro development a reality.

Grimes met yesterday with his Quebec counterpart, Bernard Landry, to discuss the project.

Grimes said even though the \$4-Billion Gull Island development is smaller and cheaper than the deal Brian Tobin wanted, it's still too expensive for Newfoundland to go it alone. Grimes said his government could borrow that money, but he really doesn't want to.

"It's highly unlikely that we would take a decision to maximize our credit card for the next 30 to 35 years to build the Lower Churchill," Grimes said.

Grimes said the province also needs a customer to sign on for at least 30 years before the government could get its bankers on side. He suggested the U-S might be willing to invest in the development, as a way to meet its own energy needs.

Written by CBC News Online staff

### CHOOSE YOUR MEDIA

David Cochrane reports

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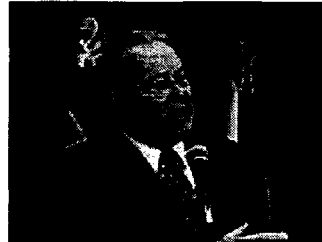
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Written by CBC News Online staff

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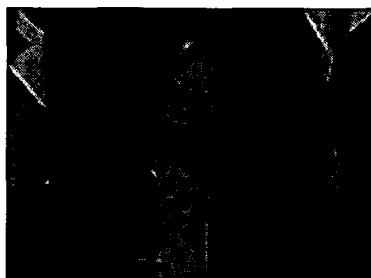
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DOSSIERS

TOUS

## Entente sur le projet des chutes Churchill

Mise à jour le vendredi 2 août 2002, 8 h 27.



Québec et Terre-Neuve s'entendent pour développer le projet hydroélectrique de Gull Island, au Labrador. Les deux premiers ministres, Bernard Landry du Québec et Roger Grimes de Terre-Neuve, ont convenu jeudi des principes qui serviront de base à la négociation d'une entente. Le projet de Gull Island produira 2000 mégawatts (MGW). On construira un barrage de 100 mètres

de haut qui sera muni de quatre turbines. Le projet est estimé à quatre milliards de dollars. Il sera financé par Hydro-Québec et sa construction fournira 8300 emplois par année.

Les détails de l'entente seront négociés au cours des prochains mois mais les directives données par les deux premiers ministres aux négociateurs sont précises. Terre-Neuve aura la propriété exclusive des installations et Hydro-Québec achètera la totalité de la production. Terre-Neuve aura le droit de récupérer une partie de l'énergie produite quand ses besoins internes le justifieront. Le prix de l'électricité sera fixé par un mécanisme permettant de le faire varier selon la valeur du marché.

Les collectivités autochtones locales formées d'Innus seront également impliquées de près dans le développement du projet. Les deux chefs de gouvernement se sont aussi engagés à respecter l'environnement.

### Les travaux débiteront dans trois ans

Les autorités terre-neuviennes avaient déjà entrepris l'an dernier des négociations avec le Québec dans ce dossier mais les avaient suspendues après avoir commencé à négocier avec une entreprise privée, Alcoa, qui est intéressée à se procurer du courant pour ses projets d'aluminerie. M. Grimes a cependant confirmé jeudi avoir mis fin aux pourparlers avec Alcoa, qui ne se révélaient pas suffisamment avantageux. Les pourparlers ont donc repris avec le Québec et ont abouti à l'entente de principe.



Si tout fonctionne comme prévu, le projet sera soumis aux processus d'approbation environnementale et les travaux débiteront dans trois ans. Ils devraient durer environ six ans. Les premiers ministres Grimes et Landry ont parlé d'un «projet de vision à long terme», puisqu'il concerne le développement d'une forme d'énergie peu polluante et efficace.

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La montée  
de l'ALDE NOS  
CORRESPONDANTS  
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Moscou : Tendre  
RussiePERSONNALITÉS  
TOUTES NOS IJean Charest  
Chef du Parti libéral du  
Québec

Deux autres ententes majeures en matière hydroélectrique ont été signées récemment par le Québec. Une première, intervenue avec les Cris de la baie James, prévoit la construction d'installation qui produiront 1280 MGW sur les rivières Eastmain et Rupert.

Par ailleurs, une seconde entente avec les Inuits permettra l'aménagement d'au moins 6300 MGW grâce à la construction d'installations sur les rivières Nastapaika, Baleine, George et Caniapiscou.

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 **POUR NOUS JOINDRE**

 **RÉALISATION**

**Annexe 3.5**

**Communiqués de presses**

**The Proposed Lower Churchill  
Hydroelectric Development**

**March 16, 2004**



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### The Proposed Lower Churchill Hydroelectric Development

The Churchill River in Labrador is recognized as a significant source of renewable, low cost, clean electricity. The full potential of this resource has yet to be realized. The development will require a multi-billion dollar investment and has the potential to provide significant long-term economic and environmental benefits to Newfoundland and Labrador and Canada over its long service life, estimated to be in excess of 75 years.

The proposed Lower Churchill Hydro development includes two potential sites. Gull Island, the larger and more economically attractive site, is located 225 km downstream from the existing 5,428 megawatt generating facility at Churchill Falls. A second, smaller site is located at Muskrat Falls, 60 km further downstream.

Over the past 30 years, there have been multiple attempts to develop these projects. One of the key challenges is the isolated geographic location, and the resulting implications for transmission of power to markets and access to infrastructure. The Government of Newfoundland and Labrador is committed to ensuring that this resource is developed in a manner that will bring real and long term benefits to the people of the province, especially Labrador. To achieve this objective the government will review all potential viable development options in terms of meeting the priorities of: promoting industrial development, meeting domestic demand and exporting surplus energy.

The Government will keep its options open until sufficient assessment has been completed to make decisions on the appropriate course of action for development of the resource. This assessment includes consideration of the role for the federal government. Development of this resource will help address regional economic disparity and contribute to the achievement of Canada's climate change objectives and therefore is in both the provincial and national interests.

A 2,000 megawatt generating facility at Gull Island has the potential to produce 11,900,000 megawatt hours of clean energy annually. This is sufficient energy to supply up to one million households annually<sup>1</sup>. Comparable production from a coal generation supply would emit an estimated 11.4 mega tonnes of carbon dioxide. An 824 megawatt generating facility at Muskrat Falls has the potential to produce almost 5,000,000 megawatt hours annually.

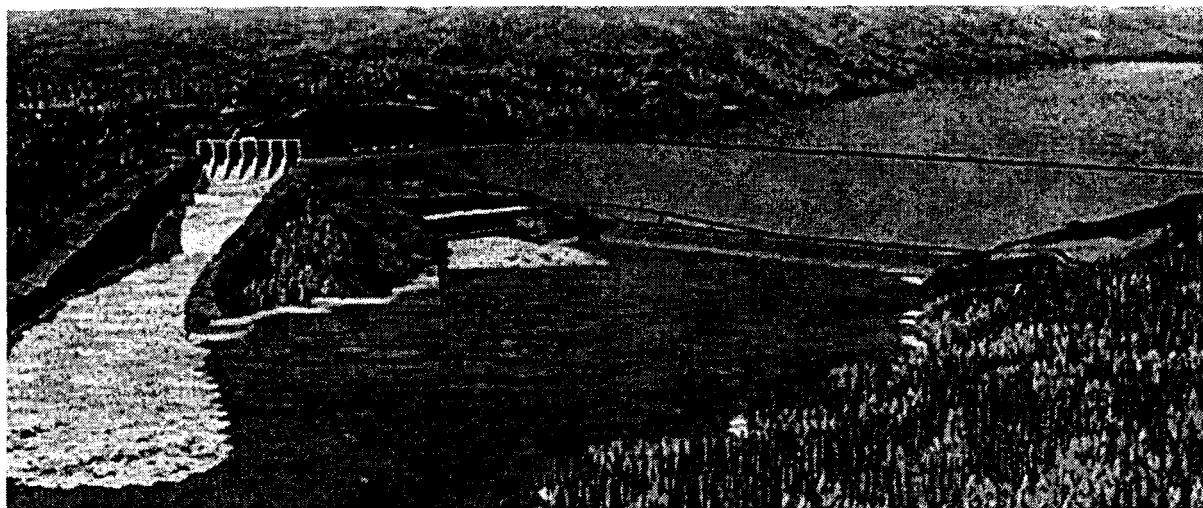
The estimated in-service cost of the Gull Island development, including a generation station with four generating units, rock-fill dam, spillway and transmission in Labrador is in excess of \$4 billion. The smaller Muskrat Falls project is estimated to be in the range of \$2 billion. The actual final costs of these developments will depend on many factors including the engineering and construction contracts, financing arrangements and associated infrastructure requirements.

The potential economic impact of the projects will depend on the development option that is undertaken and the ultimate uses of the power. The province stands to benefit from the economic and employment activity during the construction phase—total direct and indirect employment for Gull Island is estimated to be almost 17,000 person years over the six year construction period.

Aboriginal consultation is also a priority for the Government in the development of this resource. The Innu Nation has a land claim that has been accepted for negotiation by the governments of Canada and Newfoundland and Labrador. The claim includes the proposed Lower Churchill development area. The Government remains committed to a consultation process with the Labrador Innu, which dates back to Spring 1998.

The Government is committed to developing the projects in an environmentally acceptable manner. The projects will be subject to an environmental assessment process, with full public participation, and must receive environmental approval in accordance with federal and provincial legislated requirements before they can proceed. The project lead time for Gull Island is anticipated to be nine years, including an estimated 36 months for an environmental assessment and a six year construction period.

1. Number of households is dependent on multiple factors including: the heating source in the households, regional location and the electricity requirements.



*Photo Credit: Newfoundland and Labrador Hydro*

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## **Annexe 3.6**

### **Communiqués de presses**

#### **Politique fiction**

## Politique fiction

### Communiqué de presses...

Comme vous le savez tous maintenant, mercredi dernier le 21 décembre 2006, à 7:32 du matin, le gouvernement de Terre-Neuve, dans un geste tout à fait réfléchi, a ordonné la mise hors service immédiate et pour toujours de la centrale de Churchill Falls au Labrador.

Les perturbations créées par cet incident furent telles qu'il a fallu plus de trois jours à Hydro Québec pour remettre en service son réseau de production, de transport et de distribution d'électricité.

Conséquemment à la perte de Churchill Falls, une sorte de loi des mesures de guerre a dû être adoptée à Québec pour contraindre tous les clients, industriels, commerciaux et résidentiels d'Hydro Québec à une réduction de 20 % de leur consommation d'énergie électrique.

Les perturbations subséquentes ont aussi considérablement déstabilisées les réseaux électriques de l'Ontario et des états de la Nouvelle-Angleterre...le tout donnant suite à des réclamations se chiffrant à plusieurs centaines de millions de dollars.

En conséquence, toutes les strates de la société québécoise ayant été affaiblies économiquement par cette pénurie d'énergie, les agences de crédits ont rehaussé immédiatement de 1 % leur taux d'intérêt, entraînant par ce fait un charge additionnelle de 1,8 milliard par année sur le dos des contribuables Québécois.

En outre le Gouvernement du Québec s'est vu contraint de stopper tous ses projets d'investissements dont le CHUM en prévision des impacts négatifs sur les revenus avenir du gouvernement.

Pour compenser les 5,000 mégawatts manquants, la division production de Hydro Québec a dû lancer en catastrophe au coût de 15 milliards de dollars la construction de centrales thermiques et hydro-électriques dans les territoires de la baie James et de la baie d'Ungava. Centrales qui entreront en production au plus tôt en 2015.

On vient d'apprendre en dernière heure qu'une délégation des nations unies constituée essentiellement des pays de l'Atlantique Nord, amis de Terre-Neuve, à savoir l'Islande, le Groendland, le Danemark, l'Écosse, l'Irlande et l'Angleterre, est actuellement à St John's, pour convaincre le gouvernement de Terre-Neuve, primo, de rétablir immédiatement la production de Churchill Falls, secundo, de ne pas donner suite à son programme national de production d'aluminium et d'hydrogène à partir de l'énergie électrique provenant de Churchill Falls et des futures centrales de Gull Island et de Muskrat, tertio, de ne pas quitter la confédération canadienne.

New-York, le 15 Janvier 2007