



"Nation Building Infrastructure: Why Lower Churchill Matters"

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Friday, April 27, 2012

Check Against Delivery

Some of you will know me for my time in public life. I have many fond memories, several of which have in common the people and places of this great province.

Almost a decade ago, I arrived here in St. John's during my campaign for the leadership of what was then the federal Progressive Conservative Party.

At the time, my campaign was facing a number of minor hurdles: for instance, no one here knew who I was.

I was a complete unknown from Alberta. So I didn't have my hopes too high. But it turned out there was no place in our country where I was received more enthusiastically and generously than right here in Newfoundland.

Unfortunately for me, I was up against two favourite sons of the Atlantic region: Peter MacKay and Scott Brison. So after the race ended, I would tell people, "There is no place in Canada where I get a warmer welcome, and fewer votes, than Newfoundland and Labrador."

I certainly won't be the first to remark on the warm relationship that exists between the people of our two provinces. We share an independent spirit, something of a maverick sensibility, along with a taste for the outdoors, for adventure and hard work.

Our most tangible connection is, of course, economic in nature: the thousands of native sons and daughters of this province who have traveled west to work and prosper in Alberta's energy sector. In particular, the city of Fort McMurray, home of the oil sands, has been forever changed and brightened by its community of Newfoundlanders and Labradorians – and by their many traditions they brought with them, especially the kitchen party.

Before I get to my formal remarks, I'd like to offer one more observation: As a former Environment Minister, and as a western Canadian who knows and loves our mountain parks – who looks upon them with pride and awe – I can declare without hesitation that there is no place in Canada more beautiful and majestic than Torngat Mountains National Park in Labrador.

I want to acknowledge publicly the generosity and the leadership of Newfoundlanders and Labradorians in dedicating to Canada – and to our national parks system – both Torngat and the Meeley Mountains National Park.

Along with the Nahanni Park expansion, the dedication of these two National Parks represent the greatest conservation achievement on the planet over the past generation. I don't believe that anyone has ever fully recognized or credited the people of this province for that achievement, and so in my small way, I'd like to do so today. Your countrymen and women thank you.

Ladies and gentlemen, I've been speaking across the country about structural changes in our economy and the importance of planned energy mega-projects that are taking shape from coast to coast.

These projects are more than local and regional initiatives – taken together, they represent a new wave of nation building that will create jobs, spur economic development and create prosperity for today, tomorrow and for generations of Canadians to come.

We must always remember that ours is a vast country built on dreams of sweeping ambition, massive in scale and scope.

These dreams have taken form in projects like the St. Lawrence Seaway, the Trans Canada pipeline, James Bay, Hibernia, Churchill Falls, the TransCanada highway and of course the first and perhaps greatest of them all – the CPR, a ribbon of steel that against the elements and the odds was laid down across 4,000 kilometres of mountain, prairie and unforgiving wilderness.

Each of these undertakings was transformational in its own way. Each put its stamp on Canadian development, progress and prosperity. Each was an example in its time of a shared goal, a collective purpose, a commitment to nation-building and to the future prosperity of the country we love.

These projects had several common elements. They took years to build and created massive employment and spin-off benefits. They were financed with private sector and public sector funds and stimulated the economies and expanded the industrial capacity of entire regions. And each in its day was subject to intense scrutiny and stoked public debate and controversy, as is the nature of developments that hold the potential to change the fortunes of a nation.

Most important of all, they taught us that being bold, dreaming big, holds the potential to improve our collective fortune.

The days of nation building are not at an end.

In response to domestic and external demand, you will find no other G8 country – in fact no other country in the world – that is bringing on infrastructure projects at the pace and relative scale of Canada. The investment is significant by any measure. Close to \$290 billion – yes that is billion – of investments over the next 20 years. And the list of projects on the drawing board is astounding:

- The hydro projects associated with Quebec's Plan Nord;
- The Mattagami hydro project in Ontario;
- The Conawapa project in Manitoba;
- The Site C hydro project in British Columbia;
- In Alberta, expansion of the oil sands from production of 1.5 million barrels per day to a sustainable 3.5 million barrels per day;
- Liquefied natural gas terminals on the West Coast;
- The North West Upgrader in Edmonton;
- The Northern Gateway pipeline to the west coast.
- And of course, lower Churchill and I will get to this in a moment

Taken together, these planned infrastructure projects will help fuel the next stage of Canada's economic development. They represent a fundamental economic driver for our nation as a whole. And according to CIBC's economics team, they will generate more than one million jobs over the next 20 years.

This list of infrastructure opportunities is often seen as a list of regional or provincial investment opportunities. But I want to stress today that together, this list represents a national

opportunity to develop our resources, create jobs and strengthen our manufacturing sector.

This is not a B.C. story. Or an Alberta story. Or even a Newfoundland and Labrador story.

This is Canada's story – and it's a story of tremendous potential.

Not long ago, I was in Vancouver, where I set out the importance of developing multiple corridors to the Pacific and the related terminals for our crude oil and natural gas. So important, in fact, that I believe access to the Pacific coast to be in Canada's national interest.

West coast access for our energy products is a critical element in developing our capability to become a strategic supplier of energy to the Asia Pacific generally and to China specifically.

China has moved from the periphery to the centre stage of the world economy, marking the beginning of what I believe will come to be known as the Asian Century.

Here on the east coast of Canada, there is vast potential related to oil, as well. The bounty of the North Sea has barely been tapped.

Collectively, we need to be even more aggressive in pursuing opportunities in the Atlantic, where Hibernia put its stamp on Canada's resource history – and where the Hebron offshore oilfield holds the promise of good jobs and increased prosperity for the people of this province.

There are also more resource opportunities deep within the rock of the Labrador Trough – an area that holds the potential to transform Canada from a bit player in iron ore to a major producer, at a time when growth in Asia is increasing the demand for steel.

But, of course, right now the main focus here – in terms of energy, in terms of investment – is on the Lower Churchill.

The development of the Lower Churchill Hydroelectric Project would unleash the remaining 35% of the generating capacity of the Churchill River.

The first phase, Muskrat Falls, would produce 824 MW of clean, renewal energy. The second, Gull Island, would produce much more: 2250 MW.

The size and scope of the project is worthy of reflection. Muskrat Falls alone represents a capital cost estimated at \$6.2 billion.

Let me put this into perspective. Hibernia cost \$5.8 billion and the proposed Northern Gateway Pipeline will cost \$5.5 billion. In short, we are talking about one of the largest energy infrastructure projects ever in Canada.

The entire project would create more than 16,000 person years of employment here in Newfoundland and Labrador during construction – and more across Canada.

It would also put in place a critical link in Canada's electricity transmission grid.

A number of challenges relating to the development of the Lower Churchill have already been overcome. Unlike in British Columbia, where unresolved First Nations land claims make the environmental review all the more complex, an agreement with the Innu First Nation has already been

secured – paving the way for the project to proceed. Both the provincial government and the First Nation leadership should be credited for this.

The remaining challenges are being addressed. Some have questioned the long-term need for the project. Some have questioned the environmental impacts.

These issues will be resolved at Decision Gate 3.

And the province is in the final stages of completing the federal loan guarantee, that would save millions a year in financing costs.

No one should lose sight of the fact that this was a wise promise of historic proportions made by Prime Minister Harper to the Premier and the people of Newfoundland and Labrador.

Then there is the final decision by Nalcor about whether the preconditions to proceed have been satisfied in order to get on with the project.

And, of course, there is the small matter of the recent report of the Public Utilities Board, and its fallout, and what comes next.

Last fall, I gave a speech in Halifax in which I discussed the Lower Churchill in some detail. At the time, the project had already followed a long and rather winding road. Since then, there have been yet more twists along the path toward potential development.

Where do we find ourselves today? The utilities board report was long awaited not only within government but also across this province. It was expected by many to serve as an influential judgment on the project and provide the people of Newfoundland and Labrador with clarity – but if anything,

the report has muddied the waters.

The board certainly did not come down in favour of the development. Neither did it express its wholesale opposition. Instead, the board said it did not have enough information to reach a conclusion and render a judgment.

The report has set off a rather colourful and candid debate among citizens here in Newfoundland and Labrador. The voices include those of the Premier, her predecessor, the opposition leaders and other prominent figures. I am inclined to agree with former Premier Williams, who described the report as “baffling,” but I will restrict my comments today to my opinion on what should happen next.

First and foremost, I believe that Premier Dunderdale has charted a wise and entirely reasonable course of action. I find it difficult to see what else people could have expected from her. While remaining committed to the project, the Premier has committed to:

- tabling the detailed studies that are already underway;
- bringing back the Canadian experts Manitoba Hydro International to provide an updated opinion based on the most current information;
- being rigorous at Decision Gate 3, which is where the critical and sanctioning decision will be made;
- and bringing the issue before the legislature again, including a new debate among the elected representatives of this province.

These are all important steps – not least of them, the debate. MHAs will get the chance to state their views. They will hear from their constituents. They will hear from them directly and one suspects they will hear from them on talk radio. And then they will decide.

History will be the judge of the actions of our provincial and our federal politicians when it comes time to make the challenging decisions on moving forward with an investment in Lower Churchill. From my vantage point, I will happily line up with the Premier and her proposed path forward.

This is how it should be – how it must be with projects of ambition that will have a long-term impact on the provincial economy. The ultimate decision rests with the people we elect.

When it comes to energy megaprojects, the overriding challenge that faces elected officials here and across our country is to look beyond today – and to try to the best of their abilities to forecast the global energy outlook for five, 10 and even 25 years into the future. This is difficult and imprecise, more art than science. But it's an essential exercise when one is contemplating a major investment in energy generation.

The danger lies in assuming the way things are today is the way they will always be. Consider just some of the dynamics in play. Right now, natural gas prices are low. But where will they likely be a decade from now? How will the Canadian and U.S. markets for electricity evolve?

When developed, the Lower Churchill will ultimately be judged as an investment not over the course of its construction but over the course of its lifetime. It will be judged over decades, through changing times and in the face of evolving demands. An element of foresight must be brought to bear – an element of vision.

It is worth noting that every independent expert who has examined the Lower Churchill has concluded firstly that Newfoundland and Labrador will require the power and secondly, that this is, in the long term, the lowest cost

solution.

There are those who suggest that an investment of this magnitude is not worth the financial risk in financially uncertain times. My message to those individuals is that there are of course no guarantees, but that the longer term benefits of this investment will certainly be worth the financial risk today.

Hibernia, the Upper Churchill, James Bay, the oil sands: none of these were a slam dunk. Each of these major infrastructure investments proceeded because smart people had the vision to look toward tomorrow – and the foresight to see the world as it would be. Each of these projects was controversial. Each had opponents. And each, in the end, has delivered value and economic growth.

When I was in politics, I had the privilege of serving as both Industry Minister and Environment Minister.

These experiences left me with an affinity for the kind of development that helps generate widespread and long-term prosperity – and is, at the same time, environmentally sustainable.

In my view, Lower Churchill is all this and more. It is a transformational project for Atlantic Canada that will take the region to a new level of industrial development.

It will also help move our country closer to becoming a true clean energy superpower – an enviable goal for reasons both environmental and economic.

Right now, across Canada, 59% of our electricity comes from hydro. Lower Churchill would move us further and faster towards becoming the world's cleanest electricity producer.

It would serve as a major milestone in Canada's efforts to wean itself from power generation that burns coal or oil – and to produce clean energy for export.

After Muskrat Falls, Newfoundland and Labrador would have an electricity system that is 98 percent carbon-free – delivering sufficient power to meet the needs of this province, with excess capacity available for sale to Nova Scotia and other jurisdictions.

When Phase 2 – Gull Island – is completed, the amount of power available for export will increase dramatically. This would reduce carbon emissions by the equivalent of taking 3.2 million cars off the road.

But where would that electricity be sold? When we look to the south, we see a region of the United States – New England – that still produces 55% of its electricity from burning fossil fuels and a mere 13% from hydro and renewables. Their electricity grid is also in need of significant upgrade. Here is an opportunity for Canada and the United States work together to ensure that we realize the full potential for growth of the American market for clean Canadian hydro.

Recently, the Prime Minister spoke to a large Washington audience. And in response to a question on hydro power exports to the US he said: "We have tremendous capacity for growth here. And there are regulatory obstacles on both sides of the border...it would make a lot of sense for the United States to find ways of purchasing more clean hydropower from Canada."

And then we look to the west – to Ontario, a province that is moving aggressively to wean itself off coal, a province that will require new sources of clean electricity as its population grows.

For these reasons – reasons domestic and international – now is the time for Ontario, Quebec and Newfoundland to sit down and work out a long-term plan to deliver clean, renewable, affordable power into markets with high demand.

I am neither a Quebecer nor a Newfoundlander. But I have read enough and was a federal politician long enough to understand the history of mutual sensitivities about Upper and Lower Churchill.

But we have before us a game-changing regional energy play for the 21st century – a project with the potential to bring together three provinces in the pursuit of economic prosperity and the advancement of environmental good. This is no time for the grinding of axes.

Aside from the economic benefits, an unfettered electricity market throughout the region would contribute mightily to efforts to significantly reduce carbon emissions and advance federal and provincial objectives. Everybody would emerge a winner under this scenario.

With the ability to transmit new Canadian hydro from Newfoundland and Labrador, and indeed from Quebec, into both an expanded Canadian market and an expanded US market, we will be able to realize the full potential of Canadian hydro electricity.

Building a province or a nation is never an easy exercise.

It takes dedication and courage. It demands perseverance and ingenuity in times of trial. It requires leadership and drive in times of hardship.

Today, Canada stands on the verge of a new period of growth and development – a period that holds the potential for sustained prosperity as we develop our resources, diversify our markets, rebuild our manufacturing base and

look to exciting new opportunities.

We must always remember that our country remains a work in progress. We must never forget that the job of continuing to build Canada is our task and our trust.

Thank you very much.