

MR. SPEAKER: The hon. the Government House Leader.

SOME HON. MEMBERS: Hear, hear!

MR. KENNEDY: Thank you, Mr. Speaker.

Mr. Speaker, I am going to use my twenty minutes today to talk about the Muskrat Falls Project. This project was announced in November 2010. Since the announcement, there has been much ongoing debate and criticism about the project and opponents of the project have been very vocal. The debate has been sustained, it has been extensive, and I can say it is something that we welcome. What we want to do as a government is make the decision that is in the best interests of the people of Newfoundland and Labrador. I can say that a lot of the criticism is unfounded and simply confuses the issues.

Mr. Speaker, over the next few weeks in the House of Assembly, I am going to have the opportunity to speak on three separate occasions. I am going to use those opportunities in twenty-minute segments to talk about various aspects of the Muskrat Falls Project. I will outline the facts and figures as we know them, Mr. Speaker, recognizing that the figures could change as we get the Decision Gate 3 numbers which are expected around the middle of July. They will be the final numbers that Nalcor will provide.

Decision Gate 3 numbers, Mr. Speaker, will be reviewed by Manitoba Hydro International and they will be released to the public and available for debate in this hon. House. I am going to review issues such as the demand for power, the options or alternatives that are available, projected electricity rates, economic benefits, environmental benefits, and potential use of the power. I will attempt to answer some of the Muskrat Falls critics.

One of the things I am going to try to do, Mr. Speaker, is keep it simple because, as a lawyer, one of the tricks I would use – and I am not going to say I would use it in trying to create reasonable doubt, but one of the tricks I would use to confuse the issues, sometimes you can argue there is a doubt inherent in the confusion. So I am going to try to simplify, Mr. Speaker, and try to ensure that the people of this Province understand that this project will only be sanctioned if it is in their best interests.

In making a decision on sanction, Mr. Speaker, we are going to be guided by one basic principle: Is Muskrat Falls in the best interest of the people of Newfoundland and Labrador? On numerous occasions, I have stated that the decision whether or not to sanction or to proceed with the development of Muskrat Falls can really be boiled down to two simple questions: Do we need the power, and if so, what is the least-cost alternative? What is the lowest-cost way to get that power, Mr. Speaker?

Nalcor's position that we need the power has been supported, Mr. Speaker, by Manitoba Hydro International when they were hired by the Public Utilities Board. Manitoba Hydro International is an independent consultant. They were hired, as I have indicated, by the PUB, and they now have been retained by our government to review the Decision Gate 3 numbers when they come in from Nalcor. They concluded that not only did we need the power, but Nalcor underestimated the need for power. They did not take into account at all the potential \$10 billion to \$15 billion worth of mining developments in Labrador, all of which need substantial amounts of power.

Mr. Speaker, as I have indicated, I have three segments. Today I am going to talk about the need for power. Next week I will talk about the options or alternatives. In the third week, Mr. Speaker, I will talk about such issues as the electricity rates. Really, that is what the average person is most concerned about: How will Muskrat Falls impact my rates? Part of what I have to do, or what we have to do as a government, is demonstrate that Muskrat Falls will stabilize then reduce rates because of, as I will get to in second, the rising price of oil.

Mr. Speaker, the Island generating system has a total capacity of 1,958 megawatts of power, with Newfoundland and Labrador Hydro providing 1,518 megawatts of that power. The important point is that Holyrood has the capacity to generate 466 megawatts, or 31 per cent of the power needs for the Province. Mr. Speaker, critics have argued that, with the mill closures in Stephenville and Grand Falls and with the decline in population, the power is not needed, because we have more power into the grid as a result of the mill closures.

Mr. Speaker, a couple of interesting statistics on that actually run contrary to that argument. We currently have 230,000 ratepayers in the Province, people who use electricity and pay bills for their electricity. That is 17,000 new ratepayers since 2005. If you think about it, Mr. Speaker, the answer is fairly simple. Again, it is common sense proposition. We no longer have, or generally we do not have, eight and ten people living in a house. We have smaller families. We have young people moving into homes at a younger age, because that is one of the first things that people want to do. That is their goal in life, as they get married and have a family, or they go to work – to own their home. We actually have more ratepayers because there are more people in their own homes with less numbers in the family, and also – and again, it is quite interesting – a lot of people in the age bracket of twenty-five to thirty-five, for the reasons that I talked about earlier.

So, we have more ratepayers, 17,000 new ratepayers since 2005. What we have to do, Mr. Speaker, as a government, and Nalcor, is plan for future electricity needs. We have to look into a crystal ball, and with that looking into the crystal ball, there are always risks and uncertainties. Any time you are trying to predict what happens in the future, Mr. Speaker, there will be inherent risks, just as there are inherent risks with Muskrat Falls and uncertainties. There are inherent risks and uncertainties with refurbishing Holyrood, with natural gas, and these are issues that I will touch on as I move along.

What we are trying to do as a government is to develop and to ensure that Newfoundlanders and Labradorians have access to reliable, affordable electricity.

I have not looked at these statistics in a while, a couple of months, but I will update them before I speak to this next week or the week after. Residents of Newfoundland and Labrador are currently at the fourth or fifth lowest in the country in terms of electricity rates, with Labrador being the cheapest rates in Canada. Mr. Speaker, part of the reason for that is the provinces who have cheaper rates are Manitoba, Quebec, and BC, all of which have large hydro.

Mr. Speaker, what we are trying to do is ensure how we deal with the issues that we have before us. Growth is projected again. It is common sense. Growth is projected in the domestic, commercial, and industrial use of electricity on the Island, and I have not even talked about Labrador yet. Domestic use, Mr. Speaker, mainly due to electric heat, is the principal driver of new demand. I talked about those 17,000 new ratepayers and I will talk in a second about the increase in homes, but 86 per cent of new homes use electric heat. Again, we have that domestic use and the need for residential power.

Also, as you look especially in our growth centres you will see that there are significant commercial developments.

There is currently, Mr. Speaker, as you drive towards my district in Carbonear – Harbour Grace a development in the Town of Spaniard's Bay which is taking place. I understand there are developments in Conception Bay South; we have Stavanger, we have Kelsey Drive. I think I just read yesterday there is a new Kent going to Central Newfoundland and Labrador.

AN HON. MEMBER: Grand Falls-Windsor.

MR. KENNEDY: Grand Falls was it? Yes.

What we are seeing, Mr. Speaker, is continued commercial growth. Mr. Speaker, this is actually a very good statistic. I remember when I was in Finance, we did not really talk much about the gross domestic product. The GDP, when you have an export-based economy, can go up and down so much in a small economy that we looked at economic indicators such as housing starts. That is what gives you a picture, Mr. Speaker. You look at population increases, you look at car sales.

We are averaging in this Province, Mr. Speaker, 3,200 housing starts each year, over the past five years; 81 per cent of which were single-detached homes and 86 per cent of them using electric heat. Mr. Speaker, we have seen an increase in our population. Last year, I think the last census showed 1.8 per cent but there were some startling statistics in there, Mr. Speaker. Paradise was something like 40 per cent. I think Conception Bay South was 20 per cent; Gander I think was 11 per cent. What we saw were good, steady increases in our population with a lot of our other communities, Mr. Speaker, remaining stable.

That growth increase in the population of 1.8 per cent shows that our population is increasing, Mr. Speaker, and I expect that we will continue to see it increase. If you think of why our population declined, it is quite simple, people moved away and also we had smaller families. Mr. Speaker, the largest family among my friends today is four or five. Two or three children is usually a handful. We are not seeing the nine children like there were in my family growing up, and that was a small family on my road, in London Road in Carbonear, Mr. Speaker. So we are seeing smaller families.

We have the economic growth; we have the commercial and industrial growth. Mr. Speaker, the power that went into the grid with the closure of the mills has been used up. That explains why Holyrood was only functioning at 15 per cent to 25 per cent over the last number of years. When Holyrood gets to its full rate of capacity, Mr. Speaker, it burns 18,000 barrels of oil a day. Holyrood is used at its full rate of capacity in the wintertime. That is when we need the energy in this Province.

In Toronto, for example, and in Boston, they not only need energy in the wintertime, but they need it in the summer because of the air conditioners. Now, Mr. Speaker, air conditioning, I put it on in my car, there are a couple of times a year you are guaranteed to use it, but I think you can be safe to buy a car in our Province without air conditioning. These big apartment buildings, the big buildings need a lot of energy, Mr. Speaker.

Now, let's talk about Holyrood. We know that as we increase in our residential, commercial and industrial use, Holyrood will have to be used more; 18,000 barrels of oil a day, Mr. Speaker. My colleague and friend, the Minister of Finance watches the price of that barrel of oil every day. Both myself and the minister, and myself and the Premier, met with a group out of New York called PIRA, a leading international forecaster in oil, Mr. Speaker. I can remember us saying to Dr. Mark Schwartz: Explain to us in simple terms why you think the price of oil will continue to rise? It is very simple. It is so simple, Mr. Speaker, that I will go through it. Again, it is common sense.

First and foremost, Mr. Speaker, there is not enough oil to meet the world's demand. So it is a question of supply and demand. The Arabs guard very closely their reserves and how much they have, but the world currently burns about 90 million barrels of oil a day – 89 million, I think it is. The Americans currently lead the way, Mr. Speaker, but what Dr. Schwartz told us is that in the next number of years, with the growth in China, they will lead the way in terms of the use of oil. That continued growth in China is going to go from the 9 per cent or 10 per cent down to 5 per cent, perhaps, but 5 per cent growth is absolutely phenomenal in a country that size.

Recently, some of my officials had a map put on the wall of China because there is a lot of mining in China. The demand for steel is what is making the iron ore industry run in Labrador right now. Mr. Speaker, they have cities – and I forget how many cities – in China that have a bigger population than our country as a whole. I think there are three or four of them now with 20 million people in a city. China continues to grow.

Again, Dr. Schwartz was very practical; he talked about the geopolitical element of the pricing of oil. The activities in the Middle East, the Arab spring affects the price of oil. He indicated, Mr. Speaker, and they are doing this based on something they have been doing for a lot years, that every two or three years there will be an activity in the Middle East, whether it be the Iraq War, the activities in Iran, or whether it be the Arab spring that will result in the price of oil going up because the supply is affected.

Mr. Speaker, he also told us that the global middle class is growing by 80 million people a year; again, mostly in India and China. So what we are seeing, Mr. Speaker, is a world economy in the BRIC countries that is absolutely amazing. The price of oil, based on what they are telling us, will go up.

For those who are interested, Mr. Speaker, for any of our viewers who are interested, PIRA was retained by the government, by our department, to file a report before the PUB, and that report can be accessed on-line. Dr. Schwartz also addressed, in that report, the issue of shale oil. I think he predicted that shale oil could go up to producing a million barrels of oil a day, but that is not enough to offset the demand. So, Mr. Speaker, what Nalcor has said is that by 2015 we will start to experience blackouts; by 2020, we will have an energy deficit. Quite simply, we will not have enough energy unless we do something.

Mr. Speaker, to put things in perspective, one of these iron ore mines in Labrador could use – not IOC, because they are bigger – 100 megawatts of energy. If Vale Inco were to go underground in Voisey's Bay, they would need 50 megawatts of energy. The same thing if there was uranium mining, I understand. An aluminum smelter could require anywhere from 400 to 800 megawatts of energy. Vale Inco, Mr. Speaker, in Long Harbour, will require 80 megawatts of energy and will be the single largest consumer of electricity from Newfoundland and Labrador Hydro, and will rival the other three existing island industrials combined: Teck, North Atlantic, and Corner Brook Pulp and Paper.

Mr. Speaker, two-thirds of the firm capacity of Muskrat Falls, after transmission losses, will be required to replace Holyrood. I will talk a little later on, perhaps in part three, about the environmental impacts; but, for those who live in Holyrood, this is a huge issue. If you talk to my colleague, the Minister of Transportation, we are talking about our children's future, Mr. Speaker, not only in providing a secure financial future but providing a secure environmental future. Holyrood serves –

SOME HON. MEMBERS: Hear, hear!

MR. KENNEDY: Replacing Holyrood gets us off the dependence of oil and volatility of oil. To tell you how simple Dr. Schwartz's outline is; it was actually accepted by Randy Simms in the *Evening Telegram* – or whatever they call that paper these days – this weekend. Do you know what? He read it in *Maclean's*. Now, we can go to our experts. We can go to Wood Mackenzie and we can go to PIRA; but, when Randy Simms read it in *Maclean's*, it has to be right. So, he wrote an article the weekend saying that he

accepted it. Mr. Speaker, MHI's report confirmed Nalcor's position that we need the power.

Now, we have not even talked about Labrador. Some of the comments made by the Opposition House Leader, I will save for another time. I want to address some of the comments she made the other day about Labrador because this government, at least since I have been the Minister of Natural Resources, we have maintained that – and I have Hansard from last spring where the Premier said we will have 40 per cent to satisfy the Island needs, 20 per cent for the link, which we will own after thirty-five years, which gives us access and removes our dependence on Quebec. It breaks that geographical stranglehold of Quebec. I do not have time today to address Ed Hollett's theory that we can send all our power through Quebec and get it back through Quebec, because that is just wrong.

Mr. Speaker, we have \$10 billion to \$15 billion in mine developments. I have met with IOC, Tata Steel, Alderon Resources, Labrador Iron Sands, Labrador Iron Mines, and Vale Inco; they all need power. They are saying to us: Where can we get the power? They want the power at industrial rates because industrial rates in Quebec and in Manitoba, you have to be competitive. So, we are still in the process of determining what those rates will be.

Mr. Speaker, we have indicated and we have maintained that 40 per cent of that power will be put on the spot markets. The spot markets, Mr. Speaker, as I indicated yesterday and I think the way it was explained to us they can change by the hour. I do not know all the technicalities, but it goes in through New York and basically it is a distributing centre. The price can change from \$40 at one point in the day to \$100 per megawatt hour later in the day. We are not going to sign firm contracts. We do not want firm contracts. Again, Mr. Speaker, there is one place in this country that wants firm contracts, and that is Ontario. Hopefully, the day will come when we move Gull Island power through Quebec to Ontario. They are relying on nuclear generators right now in Ontario. So, there is a market. That power then can be recalled.

Mr. Speaker, it is clear, and most people agree – I have heard the Leader of the Official Opposition agree. I still do not know what the NDP position is, so all I can say is I have heard the Leader of the Official Opposition agree that we need the power.

Mr. Speaker, if we need the power the next question is: Well, what are we going to do about it? If we need power by 2020, it takes five to six years whether you are going to build Muskrat Falls – I do not know how long it takes to build a liquefied natural gas terminal; we will find that out in the very near future, Mr. Speaker. What are we going to do? Are we going to sit here and do nothing? Mr. Speaker, sometimes the easiest thing for a government to do is to do nothing. It is too much pressure on us, let's back away, and leave the problem for someone else. Mr. Speaker, that is not the way this Premier operates, and that is not the way this government operates.

SOME HON. MEMBERS: Hear, hear!

MR. KENNEDY: We have a vision for the future of our children and the future of our Province, Mr. Speaker. That is what this government is committed to; having said that, we are not committed to it at all costs. That is why we will provide all of the numbers, we will provide a report on natural gas, we will provide a report on wind, and we look forward to debate in this hon. House, Mr. Speaker, where the people who are elected by the people have their say.

Thank you very much, Mr. Speaker.

SOME HON. MEMBERS: Hear, hear!