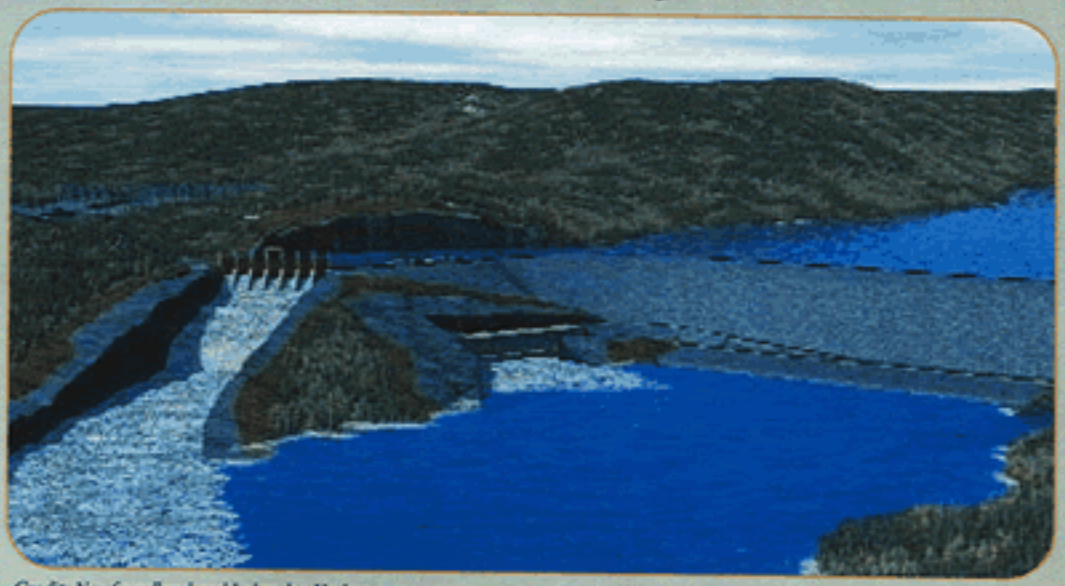
The Lower Churchill Hydro Development



Credit: Newfoundland and Labrador Hydro
Artist rendition of proposed Gull Island Hydro Development

The Churchill River in Labrador is recognized as a significant supply of renewable energy that has yet to be fully developed. Two potential sites, Gull Island and Muskrat Falls, are located downstream from the existing 5,428 megawatt facility at Churchill Falls. Gull Island, the larger and more economically attractive of the two, has the potential to provide an estimated 11.9 million megawatt hours of clean, renewable energy annually. Muskrat Falls' annual production could contribute an additional 4.8 million megawatt hours of energy. Comparable production from a coal generation supply would emit almost 15 megatonnes of carbon dioxide annually.

On August 1, 2002, the Premiers of Newfoundland and Labrador and Québec jointly announced that their respective governments had reached a consensus on the principles to guide formal negotiations for development of the Gull Island project. Negotiations between the Governments of Newfoundland and Labrador and Québec continued throughout the fall. On a concurrent basis, negotiations were ongoing with the Innu Nation on an impact and benefits agreement related to the Gull Island development. Significant progress was made in both sets of negotiations, however, final agreements have not yet been reached.

On December 16, 2002 the Government of Canada ratified the Kyoto Protocol. The federal government is now in the process of developing climate change policies and engaging in consultations with the provinces on policy implementation to achieve lower greenhouse gas emissions. The Government of Newfoundland and Labrador recognizes that development of new hydroelectric resources in Labrador could contribute to achieving this national objective.

In the context of the current lack of clarity regarding federal climate change policies, particularly in relation to new hydro developments, the Gull Island negotiations with both the Government of Québec and Innu Nation have been put on hold. The Governments of Newfoundland and Labrador and Québec have agreed that a pause in negotiations is necessary while officials explore the implications of climate change policies, possible incentives for new hydro development and a potential role for the federal government in the Lower Churchill development. This pause in negotiations and the resulting postponement in project field work is expected to delay the project release date for up to one year to 2007. The construction phase is expected to take five and a half years and create several thousand person years of employment.

The Lower Churchill Hydro development has the potential to provide significant economic and environmental benefits. The Government of Newfoundland and Labrador remains committed to the development of this significant energy resource in Labrador.

Principles Agreed to August 1, 2002

- Development of a 2,000 megawatt Gull Island project.
- Newfoundland and Labrador ownership of the production and transmission facilities in Labrador.
- A long term contract that reflects fair value and sharing of project risks, including an escalation provision that will reflect changes in value of electricity over time.
- Electricity produced by the project sold to Hydro Québec with recall rights to Newfoundland and Labrador.
- Maximizing the economic and employment benefits for both Newfoundland and Labrador and Québec.
- Meaningful partnership with the Innu in the development.
- Development in an environmentally sensitive manner.