

must be sold to the province of Quebec. This brings into the province of Newfoundland approximately \$99 million a year. This power is now sold at 3.5 mills per kilowatt. Contrast this with the fact that the Newfoundland Light and Power Company, the largest utility in the province, presently has to pay 9.7 mills for its power at wholesale rates. Since there is currently an application before the province for a still further increase by the Newfoundland Hydro Power Commission that would boost that to 12.2 mills, obviously this will mean there will be a rate increase. Whether it will be that extensive or not remains to be seen.

The deal with Quebec provides for a de-escalation in the rate, and this will reduce the cost of energy to 2.4 mills by the end of the century. Newfoundland energy minister, recently speaking in the legislature of the province, had this to say:

Churchill Falls energy today is worth about 15 mills per kilowatt-hour on the North American market.

Yet that power, Mr. Speaker, is locked into a 65 year deal with the province of Quebec at 3.5 mills. I say shame.

• (2010)

The minister went on to say:

If we could get that price, Churchill Falls would be generating over \$200 million in extra revenue for the province today.

In other words, we would be realizing from the sale of Churchill Falls power in today's prices over \$300 million a year in revenue for the province.

In order to meet the needs of the island part of the province of Newfoundland two things must happen, otherwise we will have an energy crisis by 1980. There will be an actual shortage of energy in the province of Newfoundland by 1981. We either must have the capacity to produce the additional resources of the Churchill river, the lower Churchill known as the Gull Island project, or else we will have to depend upon thermogeneration. At present only 9 per cent of our energy resources come from this island part to the province. I am told that unless we can produce other sources of energy by tapping the resources of the lower Churchill or by renegotiating the deal with the province of Quebec, this will grow to 48 per cent by 1980. It is interesting to note that based on the present rate of inflation this means we would have to pay \$16.50 a barrel of oil in 1980, which would mean that we would have to pay about \$100 million a year to produce this additional energy source by 1980.

The minister made reference to the Gull Island project in his speech, albeit a very brief reference. I am sorry he did not enlarge upon the current policy of the government with respect to how hydro energy fits into the over-all government strategy. I am told by the Churchill Falls Power Corporation, for example, that in the Labrador part of Newfoundland at present there is an undeveloped potential of approximately 5,000 megawatts which, when added to the 5,225 megawatts flowing from Churchill Falls, amounts in Labrador alone to a hydro potential in excess of 10,000 megawatts. Yet it is interesting to reflect that the first ministers of the five eastern provinces meeting in Quebec addressed themselves to this vast potential and recommended to the government of Canada that hydro power be included in the total energy policy of the govern-

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ment. We must have government policies addressing themselves to the generation of hydro power, otherwise we will have a crisis of considerably greater proportions in the Atlantic provinces than we have at present.

This great undeveloped, unharnessed potential in the Labrador part of the province has to be developed, and will be developed eventually. But unless it is developed soon we will have a crisis of major proportions in Newfoundland. I am advised by the Newfoundland Power Commission that the Gull Island project has the best potential for meeting Newfoundland's present energy needs. However, the minister knows better than anyone else that Newfoundland is unable to finance that vast project on its own—there has to be federal participation, indeed there has to be substantial federal participation.

We know that the federal government has offered \$341 million toward the development of the lower Churchill, but that is not enough. Because of the escalating costs, as a direct consequence of inflation, the total cost of developing and harnessing power from the lower Churchill is now in excess of \$2 billion, and we must have greater federal participation. As a result of the attitude of the federal government, that project is at present in limbo. We cannot undertake the development necessary to transmit that power to the island part of Newfoundland, the substantial expenditures involved in building the hydro transmission lines, and the 11 mile tunnel across the Strait of Belle Isle, unless we have some assurance from the Government of Canada that it will reassess its position with respect to the development of the lower Churchill.

Of course the other alternative to meet the energy needs of the province of Newfoundland would be to retain some of the power that is now going into the province of Quebec for 3.5 mills. That power is worth today on the northern American market 15 mills. We should have the right to renegotiate that contract because, shortsighted as it was, it was entered into at a time when no one in Canada could foresee the energy crisis in which we find ourselves today as a result of the raising of oil prices by the OPEC countries. So we must be able to reopen that contract.

Negotiations have been taking place with the province of Quebec, but I am sorry to say that these negotiations have been fruitless. There has to be federal participation, we must have input from the federal government, in order to regain some of that power.

With the coming on stream of the James Bay project in Quebec, some of that power should be available to us. It is power which is now surplus to Quebec's needs and we should be able to regain some of it without having the gun put to our heads by the province of Quebec, and without being forced by that province to reopen something at the bargaining table which, in the opinion of province of Newfoundland and its people, is not negotiable, namely, the boundary between Quebec and Newfoundland.

**Some hon. Members:** Hear, hear!

**Mr. McGrath:** Yet we are told by the province of Quebec through their minister of energy that if we want to buy back in excess of 300 megawatts, which we can now have under the contract and which we need in order to make it feasible to finance the transmission lines and the building of the tunnel across the Strait of Belle Isle to get that