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REVIVAL ON THE ROCK: Williams seeks a piece of the action

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ST. JOHN'S -- It's been a good year to be a Newfoundlander. The St. John's economy is humming, thanks to jobs and revenue from the offshore oil industry. Curler Brad Gushue's rink won curling gold in Turin. And, if all goes to plan, a deal to develop a fourth offshore project, Hebron-Ben Nevis, might soon be signed.

But Danny Williams wants more. The fiery Premier of Newfoundland and Labrador has embarked on an ambitious -- some say risky -- plan to transform this resource-rich, but debt-ridden region into a "have" province. He plans to accomplish this by making Newfoundland a partner in future energy megaprojects.

Not only is Mr. Williams seeking equity in and higher royalties from the Hebron project, he said the province will demand more control and participation in all future energy deals, specifically, a refinery or processing plant to bring jobs and stability to areas outside of St. John's, where unemployment rates are chronically stuck in the double digits.

Mr. Williams doesn't think his demands are unreasonable.

"What I'm saying is: Give us some long-term employment," Mr. Williams said in an interview at his St. John's office. "Then we can have a sustainable industry that is not just boom or bust. Project in, project out."

"So let's create some evenness. Let's create some stability."

Mr. Williams has even bigger plans for the future.

The goal, he said, is to transform Newfoundland and Labrador into a repository of energy projects -- not just offshore oil. He wants to harness power from wind, hydroelectricity and natural gas. The phrase he coined for his vision of Newfoundland is "energy warehouse."

"Every asset that this government's got as a resource, apart from the human resources, we're looking for a significant piece of the action," Mr. Williams said. "Everything."

To that end, last year he hired a senior executive from Petro-Canada, Ed Martin, to lead Newfoundland and Labrador Hydro Corp.

To start, Mr. Williams wants Newfoundland to own a majority stake in the proposed hydroelectric development on the lower Churchill Falls in Labrador.

In the past, Mr. Williams said Newfoundland has been out-manoeuvred at the negotiating table, citing the original Churchill Falls development, which led to Quebec reaping a windfall compared to Newfoundland and Labrador. Under that deal, Quebec's average yearly revenue is \$600-million, compared with \$23-million for Newfoundland and Labrador.

"There has been a history of giveaways in this province," Mr. Williams said. "There's been a concern that we've always given away the lion's share of our natural resources and haven't got a fair return as a result of it. It started with the Upper Churchill and that's the thing we keep coming back to. It's a huge inequity from the perspective of this province. If we even had 50 per cent of those revenues, it would have made a huge difference."

Despite complaints that most of the wealth generated in the past by Newfoundland's resources left the province, the current boom has brought tangible improvements, at least to St. John's.

There is no better place to witness the transformation of the economy than on Water Street in downtown St. John's, a narrow, kilometre-long stretch of designer clothing

boutiques, galleries and trendy restaurants, none of which feature seal flippers or cod tongues on the pricey menus.

Atop one of the city's steep hills, the magnificent 19th-century stone and masonry Benevolent Irish Society building has been converted to luxury condominiums. The four-storey marquee unit, with its unmatched views of St. John's Harbour, recently sold for \$1.5-million. The confidence among Newfoundlanders -- from business leaders and politicians to cab drivers and restaurant staff -- is palpable.

"We have a province now that is really on the move," Mr. Williams said. "I think Newfoundland and Labrador has really come of age in the minds of all Canadians."

There is reason for Newfoundlanders to be optimistic. The province has three offshore oil projects -- Hibernia, Terra Nova and White Rose -- operating off the Grand Banks and is in negotiations for a fourth, Hebron-Ben Nevis. Hibernia, which came into production in 1997, with \$1-billion in help from Canadian taxpayers, is producing more oil than predicted and may yet contain an even larger reservoir -- up to 300 million more barrels - than the 900 million barrels originally thought.

A recent report prepared for Petroleum Research Atlantic Canada, funded in part by oil companies and the Newfoundland government, concluded Newfoundland's economy isn't just surging; it has been transformed.

Not only has the oil industry brought jobs and royalties, said author Mark Shrimpton, but the industry's rigorous standards, especially with respect to safety, have raised the level of expertise among firms competing for contracts.

"The industry has also encouraged the adoption of international standards and business practices in such areas as health and safety, quality management and document control," the report said.

While offshore oil has provided about 5,000 direct jobs, there has been spinoff employment for consultants, lawyers, suppliers, and fabricators, the report said. "Companies are now more ambitious, more competitive and more confident," Mr. Shrimpton said.

However, this seismic shift is confined largely to St. John's. "Past the bypass," a phrase used to describe the rest of Newfoundland, the economic landscape has never been more bleak. Unemployment in St. John's hovers between 7 and 8 per cent, but it's as high as 50 per cent in some coastal communities, which relied on the cod fishery and were decimated by its collapse.

As well, the decades-long tradition of leaving home to find work elsewhere -- chiefly in Alberta's oil sands -- has not abated. The population, which stood at 589,000 in 1992, is now 515,000.

"There are two Newfoundlands," said Ryan Cleary, editor of the St. John's weekly *The Sunday Independent*. "There is St. John's. Then there is the Newfoundland that really is dying."

Despite rising incomes and increased opportunities, Newfoundland and Labrador's economy is still saddled by debt, a staggering \$11-billion, the highest per capita in the country.

Oil exploration began off the foggy, iceberg-laden Grand Banks in the late 1960s. It wasn't until 1997 that the first oil platform, in the Hibernia field, began producing. So far, Newfoundland has received about \$700-million in royalties, land tenure fees and corporate taxes from Hibernia.

To bolster the province at the negotiating table, Mr. Williams hired Mr. Martin to lead the province's utility. Mr. Martin, 48, is a Newfoundland native whose most recent position was managing Petrocan's interests in Hibernia, White Rose, and Hebron.

It's said that if Mr. Williams has the vision for Newfoundland and Labrador's energy future, Mr. Martin is the enforcer. Last summer, Mr. Williams announced a restructuring of the utility and appointed Mr. Martin to the negotiating teams for Hebron and the lower Churchill projects.

The utility has also asked for proposals to generate 25 megawatts of wind power to determine if it's economically feasible.

During an interview at Newfoundland and Labrador Hydro's headquarters in St. John's, the media-wary Mr. Martin is low-key and soft-spoken. Where Mr. Williams is easily riled and openly emotional, Mr. Martin is contained and unruffled, his voice seldom rising.

Born in Grand Falls, Mr. Martin said he took the public utility job because he wanted to contribute something to his province, and he wanted to come home, a theme he often returns to in his conversation.

The success of the offshore oil industry has instilled an unprecedented confidence in the province, Mr. Martin said. "We know we can handle the big jobs."

Like Mr. Williams, Mr. Martin would dearly love to see more young people stay in the province. "That's everything," he said. "We have a reputation for people wanting to live here and be here. The lifestyle is tremendous. The people are fantastic. It's a great place to live."

Mr. Martin was one of the Newfoundland diaspora. After graduation, like thousands of other Memorial University students, he left the province for better opportunities on the mainland. Now, he wants to create opportunities to keep professionals here.

Mr. Martin said he drew inspiration from Norway's utility, Norsk Hydro, when expanding the mandate of Newfoundland's utility. Norsk has also gone the equity route. Mr. Martin said Norway and Newfoundland have much in common, including "a relatively small population, a large resource base, both hydroelectric and oil and gas, a very confident and proud people. It reminds me of Newfoundland."

Mr. Martin's first big test will be negotiating a deal to develop the lower Churchill. "With the huge power demands out there, plus you couple that with the fact that we have a very environmentally friendly, green project in the lower Churchill and it's a very attractive project." The goal, he said, is to make money for the people of Newfoundland. "That's why we exist. They're our shareholders. Our role is to maximize returns for our shareholders."

Mr. Williams' dream of getting an equity stake in the province's energy resources has generally been greeted favourably by residents here. However, there are skeptics, especially among oil producers. Already, negotiations between the province and Chevron over Hebron have stumbled.

Some observers say the Premier is going down the wrong path by seeking ownership of its resources. Peter Fenwick of the Atlantic Institute for Market Studies said Mr. Williams is playing a risky game. The more demands the province makes, he said, the greater the chances that oil producers will walk away. Mr. Fenwick said Mr. Williams' equity bid could also backfire in the event oil prices drop, leaving Newfoundland and Labrador taxpayers with nothing for their investment.

Mr. Williams disagrees. "I have every reason to believe as a business person that these are going to be profitable ventures," Mr. Williams said. "I am an entrepreneur in background. So I am a risk taker."