

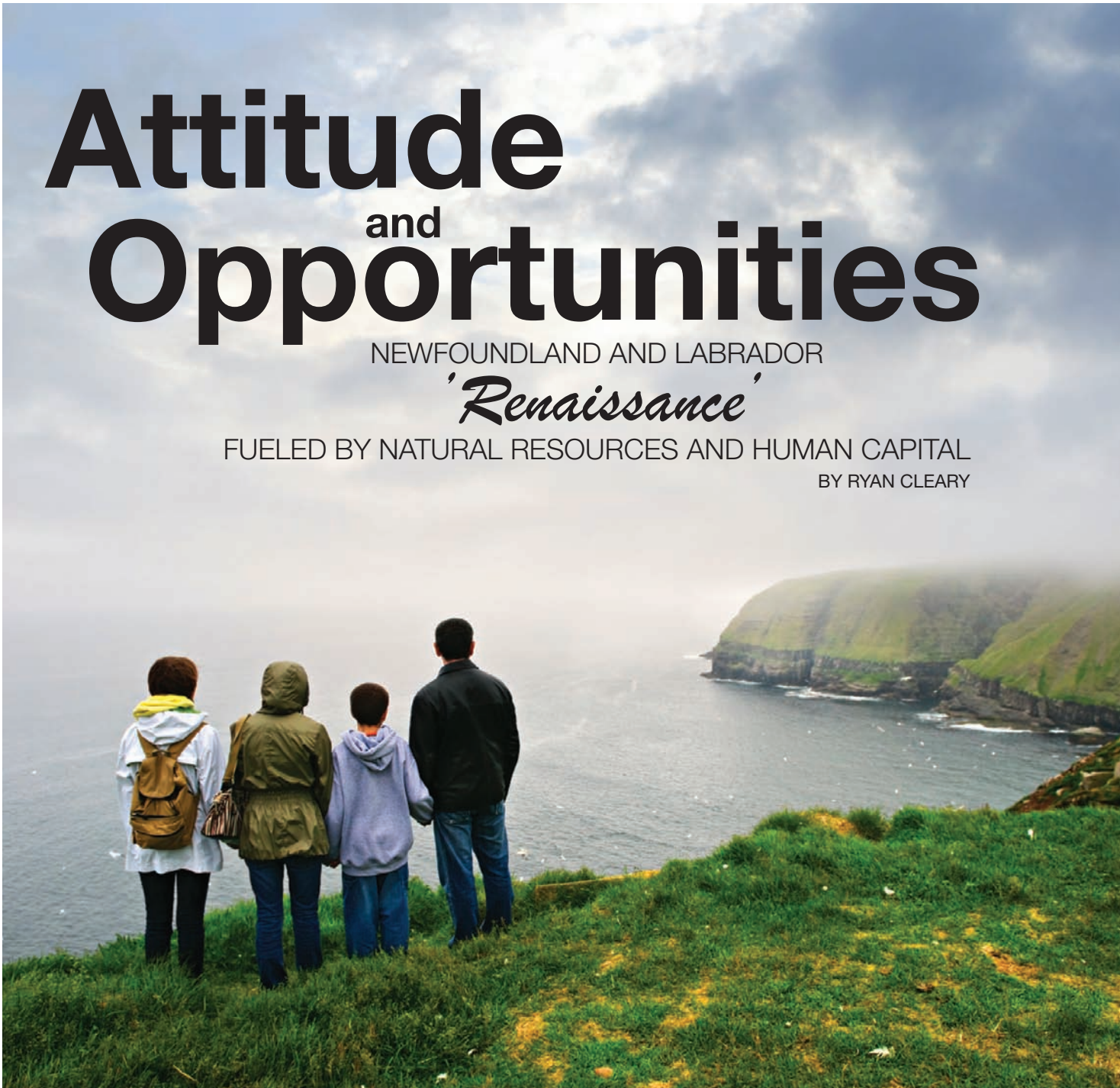
Attitude and Opportunities

NEWFOUNDLAND AND LABRADOR

'Renaissance'

FUELED BY NATURAL RESOURCES AND HUMAN CAPITAL

BY RYAN CLEARY



THE ROCK is alive with economic opportunity: oil and gas, energy and mining, not to mention the burgeoning field of research and development. Newfoundland and Labrador Premier Danny Williams, however, doesn't talk about his province's economic fortunes in terms of emerging economic opportunities. He uses much grander words.



Sea Rose heading for offshore Newfoundland. The proposed Hebron project in the Jeanne d'Arc basin continues to advance and a development plan application should be submitted later this year. (Photo: Husky Energy)

“There is a renaissance in Newfoundland and Labrador,” the premier told the Canadian Club of Ottawa earlier this year, “a feeling of pride, energy, optimism, success and recognition that we are a significant contributor to Canada... it is tangible; it is real; and it is based on the confidence that comes from self-reliance.”

In a classic chicken-or-the-egg conundrum, it's hard to pinpoint which came first—the attitude or the opportunities. Certainly, confidence is a driving factor in Newfoundland and Labrador's economic growth. According to a July report by the Canadian Federation of Independent Business, the country's biggest association representing small and medium-sized companies, confidence amongst businesses remained highest in British Columbia and Newfoundland and Labrador.

Though the global recession hit Newfoundland and Labrador hard (the province experienced the worst economic contraction in Canada in 2009), the economy of Canada's youngest province has rebounded this year. That's thanks in large part to a strong recovery by the mining sector, according to a recent assessment by the Bank of Montreal. Labrador is booming in terms of mineral development, the offshore oil industry is pushing forward (even amid rising environ-



Building Success

That's what we do. With world class facilities like the UPEI School of Business, E & P Sénéchal Center and the Inco Innovation Centre.

Marco

Newfoundland • Nova Scotia • New Brunswick

www.marcogroup.ca

Builders of Atlantic Canada

mental trepidation), and the energy sector is being prepped for takeoff. These are the province's primary growth sectors.

"The economic atmosphere has never been better," says Dr. Wade Locke, an economics professor with Memorial University in St. John's. "That's a true statement. What we have to do is make sure that we plan for things appropriately. If we don't plan for things appropriately, things will overtake you, things will happen you don't plan for."

Locke uses Alberta as an example. Two banks based in the western province collapsed in the mid-1980s because the economy overheated, and the price of housing collapsed. "That's what happens when things get out of control," Locke says. "Planning helps facilitate development. Ideally, you plan projects so that as one slows down, another starts up."

Petroleum Powered

Locke attributes Newfoundland and Labrador's prosperous 'have' status to the oil and gas industry.

According to *The Economy 2010*, a provincial government budget document, offshore oil production is expected to decline to 86.4-million barrels in 2010 from 97.7-

million barrels last year, due to lower production at all three producing wells (Hibernia, Terra Nova and White Rose). This will be somewhat offset by first oil from North Amethyst, the first of three White Rose satellite developments, which was achieved in June. More importantly, it marks the first oil production from an offshore field in which the province has an equity stake in every barrel produced. (The Province, through Nalcor Energy, holds a five per cent working interest in North Amethyst.)

The proposed Hebron project in the Jeanne d'Arc basin offshore Newfoundland continues to advance and a development plan application should be submitted later this year. Hebron is expected to produce its first oil before the end of 2017, according to the project description filed with the Canada-Newfoundland and Labrador Offshore Petroleum Board.

In a sign of confidence in the offshore industry, the new president of ExxonMobil Canada, Meg O'Neill, has decided to relocate the head office to St. John's from Halifax. ExxonMobil is currently involved in the Hebron, Hibernia and Terra Nova oilfields.

Deep-sea oil exploration continues in the

Orphan Basin off Newfoundland, even amid concerns raised from the April 20 sinking of British Petroleum's Deepwater Horizon oil rig in the Gulf of Mexico, an accident that killed 11 workers and caused a massive oil leak that lasted 86 days. Even if oil is found in the Orphan Basin, Locke warns it could be years before oil is pumped from the sea floor. "The Hebron project will lead to a temporary spike (in production), but if more oil isn't discovered there will be an eventual decline in production."

The opposite is taking place in the province's mining sector.

Mining Takes Off

The value of mineral shipments (primarily from Labrador) is expected to increase about 60 per cent to \$3.1-billion in 2010 as a result of high production volumes and prices for iron ore, nickel and copper, according to the Province's budget documents. The Iron Ore Company of Canada's operation in Labrador City is leading the way in terms of mining growth, with shareholders approving earlier this year a \$435-million expansion aimed at increasing annual concentrate capacity to 22-million tonnes by 2012.

Some things are worth saving.

(Like your money, your time and your peace of mind.)

Leave your shipments with us and relax.
We'll take care of the details
so you can take care of your business
...and your quality of life.



www.pfcollins.com

Customs Freight Warehousing & Distribution Consulting Marine Agency Immigration



(Left) Artist's rendition of Vale Inco's Long Harbour nickel processing plant which, when complete, will process ore from Voisey's Bay, Labrador. Image supplied by Vale Inco. (Below) The proposed Lower Churchill hydroelectric project is expected to generate 21.5-million person hours of construction employment. Photo: Altius Minerals

Vale's nickel processing facility in Long Harbour, Placentia Bay (which will process concentrate from the Voisey's Bay mine in northern Labrador) is expected to employ more than 2,000 workers before the massive project is complete in 2013. "If the Voisey's Bay mine goes underground it will also mean a big deal in terms of employment," Locke says. "They (will) need more people and services as they go underground."

Labrador also has great potential in terms of uranium (once the mining moratorium on development is lifted next year), as does the island of Newfoundland. In fact, Locke says there's "great potential" in Newfoundland for overall mining. Ultimately, the long-term health of the mining sector depends on prices. "Market demand has to stay high," says Locke. "Then we're good."

Powering Forward

The demand for clean, renewable energy isn't expected to wane anytime soon. Which is where the proposed Lower Churchill development and its more than 3,000 megawatts of power come into play. Once it's up and running, Locke believes the Lower Churchill will compete with the offshore oil and gas sector in terms of revenue and investment, although there's no clear timeline for when the hydroelectric megaproject will get off the ground.

When the province announced in 2006 that it would develop the \$6.5-billion Lower Churchill project on its own, it had been hoping to decide on feasibility in 2009, with



From new ideas, to new structures, to new energy... **Pennecon Energy** has changed to better meet your needs. Now restructured into 5 sub companies, we're your integrated service offering. Your comprehensive suite of services. Your ultimate energy solution. **So, meet the new Pennecon Energy:**

- **Pennecon Energy Technical Services** (formerly Ozark Services Ltd)
- **Pennecon Energy Hydraulic Systems** (formerly Hydraulic Systems Ltd)
- **Pennecon Energy Marine Base** (formerly Bay Bulls Marine Terminal)
- **Pennecon Energy Industrial Services** (formerly Penney Industrial Ltd)
- **Pennecon Energy Projects Group** (NEW)

Leading this change is our expert team, featuring four new appointments:

- **Paul Stanley**, General Manager of Pennecon Energy's Technical and Strategic Planning
- **Rhonda Devine**, General Manager of Pennecon Energy Technical Services
- **Laudric Jenkins**, General Manager of Pennecon Energy's Finance and Administration
- **Eddy Knox**, General Manager of Pennecon Energy Hydraulic Systems



Contact us to learn how we can work together. 709.726.5888



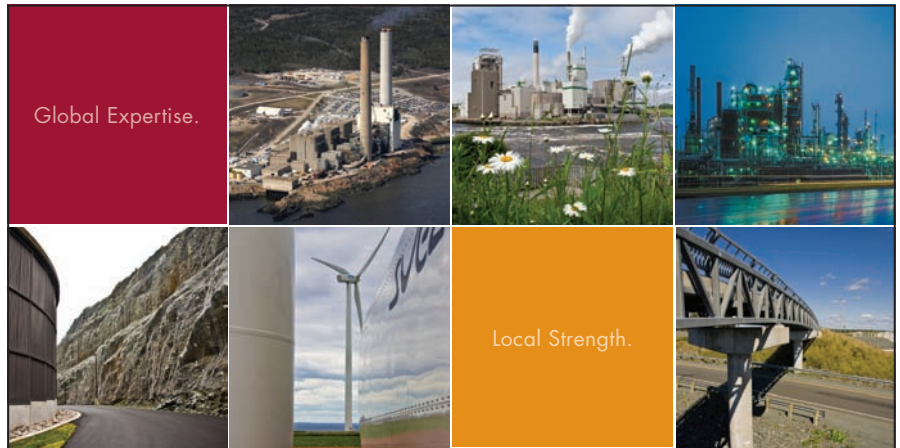
first power being drawn as early as 2015. However, Williams and his government have encountered a series of setbacks. Assuming the project does move forward, Locke says Lower Churchill power probably won't be transmitted through Quebec. Rather, he says the power will be transmitted through Labrador to Newfoundland, and then across the Gulf of St. Lawrence to the Maritimes.

The Williams administration released the Lower Churchill Construction Projects Benefits Strategy in early July, outlining at least 21.5-million person hours of construction employment alone on the Lower Churchill project, as well as the Labrador-island transmission link. Once the Lower Churchill is off the ground and there's a fixed transmission line, Locke says that will create opportunities for the development of other power sources, including wind and solar energy. "There are lots of possibilities in terms of energy that can be used as growth potential for the province, but they won't manifest unless there's some way to export that power to market."

Ideas and Innovation

Locke says future growth in Newfoundland and Labrador may not happen the way it has in the past. "We need to think about whether we need an oil fund or heritage fund and how to spread benefits over time and across the province," he says, adding the education system can be adjusted to meet the demand for skilled trades and other expertise as opportunities arise.

Further, research and development is creating "significant opportunities" at Memorial University. As an increasing level of R&D is carried out at the university, more professionals cluster with various specialties and expertise. "As the experts interact they



AD-CA-RE-2009DEC07-P1-V1

Stantec provides professional services in planning, engineering, surveying, environmental science and project management. We are recognized as a world-class leader and innovator in sustainable solutions for infrastructure and facilities projects.

Active in the industrial, environmental, buildings, transportation and urban land sectors, we serve clients throughout the entire lifecycle of projects—from planning, feasibility, regulatory, and design phases through to construction, operation and decommissioning.

For more information, visit stantec.com.



Stantec

Antigonish, Charlottetown, Corner Brook, Dartmouth, Fredericton, Happy Valley-Goose Bay, Moncton, Saint John, St. John's, Sydney

One Team. Infinite Solutions.

Experiencing Extreme Daytime Sleepiness?

You could have sleep apnea.



Learn more from the sleep apnea specialists at RTS.

www.rts-inc.nf.ca

St. John's - (709) 579-3749



Respiratory Therapy Specialists Inc.

Carbonear (709) 596-0422

Gander (709) 256-2693

Halifax/Dartmouth (902) 469-2693

Corner Brook (709) 632-2693

New Glasgow (902) 695-2693



Growth in Newfoundland and Labrador's oil and gas industry is creating clusters of specialized expertise at Memorial University, shown here. Photo: MUN

create an environment for growth and innovation,” Locke says. “As a result of that you start coming up with ideas that otherwise wouldn’t have been thought of.”

Locke offers the example of professionals with sonar or acoustic experience in the oil and gas sector: “We used to have a real problem with whales caught in nets. If you’re an acoustic expert you might develop an acoustic tag put on nets to drive whales away.”

“The impact of human capital is hard to quantify, but there are spill-over effects,” he says. “There’s the role of education at the university, a prominent role in terms of facilitating people to become innovative and create business to generate activity.”

New Attitude

In his June speech to the Canadian Club of Ottawa, Williams said Newfoundland and Labrador has undergone a “dramatic transformation” over the past decade, marked by a turnaround in financial fortunes.

The country’s “coolest” province is also prepared to share the wealth.

“We want to create jobs; we want to help reduce green-house gases; we want to ensure Canadians have competitive power rates; we want to spur economic growth in other provinces.” **IABM**

FYI

Alaisdar Graham named Executive Vice President, Operations, Atlantic Lottery



Jeff Forbes, Vice President, Knightsbridge Robertson Surette, is pleased to have assisted Atlantic Lottery with the appointment of Alaisdar Graham as Executive Vice President, Operations. With 30 years of experience, Alaisdar is a visionary with an impressive track record of leading business solutions and driving results. By engaging employees in the process, he acts as the fulcrum between big ideas and real results. His face-to-face approach makes it clear that building success is about innovation, original thinking, working hard and having tangible outcomes.

“I am pleased to have Alaisdar on our team,” said Michelle Carinci, Atlantic Lottery’s President and CEO. “His ability to communicate a vision, motivate a team and create a collaborative culture will translate into the success of our day-to-day operations.”

Please join us in congratulating Alaisdar and welcoming him to Atlantic Lottery.



Jeff Forbes, Vice President ♦ jforbes@kbrs.ca ♦ 902.424.1126 ♦ www.kbrs.ca
Toronto ♦ Montreal ♦ Calgary ♦ Halifax ♦ Moncton ♦ St. John’s