



Office of the Official Opposition

For Immediate Release

Crosbie warns NL will lose offshore benefits under Ball Liberal deal

St. John's, NL (February 26, 2019) – PC party opposition leader Ches Crosbie warned at a news conference today that NL is in danger of losing principal beneficiary status won by the 1985 Atlantic Accord between the province and the federal government.

“For short term cash, Liberal premier Dwight Ball and federal Liberal minister Seamus O’Regan are trading away principal beneficiary rights over offshore oil resources for a weaker primary beneficiary status”, Crosbie said.

Premier Ball stated recently that he expects to announce a deal on an Atlantic Accord review by the end of March.

Crosbie said that Ball should show the public that his Atlantic Accord review delivers 100% of the benefit of offshore resources, which is the definition of principal beneficiary status in the Accord. “Proof of 100% benefit is a requirement of honest leadership. Nothing else is acceptable”, he said.

Crosbie also called on Premier Ball not to enter a final Atlantic Accord review agreement without submitting it to the voters in a general election this year.

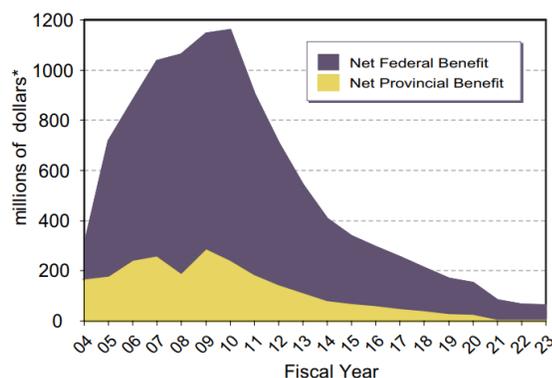
Contacts: Bradley Russell
Director of Policy and Research
(p) 1.709.729.3668
(c) 1.709.685.3161
BradleyRussell@gov.nl.ca

Appendix

- 1) The 1985 Atlantic Accord and mirror implementation legislation is Newfoundland and Labrador's most important legislation since the Terms of Union with Canada. There is cause for grave concern that the Ball Liberal Government is negotiating away Newfoundland and Labrador's right to be "principal beneficiary" of our offshore resources.
- 2) The purpose of the 1985 Atlantic Accord is "to recognize the right of Newfoundland and Labrador to be the principal beneficiary of the oil and gas resources off its shores". (para 2.(c)). The Accord could be amended only by mutual consent of both governments.
- 3) The Accord further recognized that "there should not be a dollar for dollar loss of equalization payments as a result of offshore revenues flowing to the province. To achieve this, the Government of Canada shall establish equalization offset payments."
- 4) In its 2003 report, the Royal Commission on Renewing and Strengthening our Place in Canada found that: "Under existing arrangements, the principal beneficiary of offshore oil will be the Government of Canada and not the people of Newfoundland and Labrador. The Commission recommends that the federal and provincial governments enter into immediate negotiations to revise the Atlantic Accord to ensure that a far greater share of net government revenues will be retained by the province." Figure 13.1 illustrates the "startling" revenue split the Commission found.

Figure 13.1

Net Sharing of Government Revenues from Offshore Oil



Source: Projections based on the existing projects (Hibernia, Terra Nova and White Rose).
Data extracted from projections provided by the provincial Department of Finance.

*Note: Constant dollars adjusted for inflation.

- 5) In 2005, Premier Danny Williams and Prime Minister Paul Martin entered the Atlantic Accord Arrangement on Offshore Revenues. In the Arrangement, it was agreed that the Government of Canada would make “additional payments to provide 100% offset against reductions in Equalization payments resulting from offshore resource revenues.”
- 6) The 2005 Arrangement provided that if the province qualified for equalization in any year, “payments would continue to be calculated to provide 100% offset for Equalization declines.” However, the province ceased to qualify for equalization in 2008-2009, and continues not to qualify.
- 7) The 2005 Arrangement provided that “No later than March 31, 2019, the parties agree to review the current Arrangement.” This is the “review” on which the province and the Federal Government are presently embarked.
- 8) The above provision states a date by which the review must be commenced, not a deadline by which it must be finalized, contrary to statements by Premier Ball and federal Minister O’Regan. March 31, 2019 is an artificial and political date, and the review should take as long as is necessary to get a just result.
- 9) The 2005 Arrangement set out five important topics for review, and expressly referred to the key objective of the Atlantic Accord that NL be the principal beneficiary of its offshore:

The review will address

- a) the extent to which the Atlantic Accord objectives have been achieved, including the key objectives of the Atlantic Accord that Newfoundland and Labrador will be the principal beneficiary of its offshore;
- b) whether NL has realized lasting fiscal and economic gains from its Offshore petroleum resources and revenues;
- c) the Equalization arrangements then in effect;
- d) the fiscal disparities that then exist between Newfoundland and Labrador and other provinces;

e) Newfoundland and Labrador's undeveloped Offshore petroleum discovery.

- 10) The current provincial Liberal government took no action to invoke the right of review inserted by Premier Williams in the 2005 Arrangement until Andrew Bell, President of NOIA, wrote to express concern in December 2017. On February 13, 2018, Premier Ball wrote to Prime Minister Trudeau, setting out the five major issues from the 2005 Arrangement quoted above, and asking that they be reviewed.
- 11) Premier Ball's letter to Prime Minister Trudeau stated correctly that: "The core principle of the Atlantic Accord was to see Newfoundland and Labrador as the principle [sic] beneficiary of oil and gas development."
- 12) As negotiations head toward a self-imposed finish deadline of March 31, 2019, Premier Ball, Minister Coady, and federal Minister O'Regan have begun consistently using the term "primary" beneficiary.
- 13) For example, on January 17, 2019, Minister O'Regan stated: "The Atlantic Accord deadline is approaching...The abiding principle of the Atlantic Accord is that Newfoundland and Labrador is the primary beneficiary of its resources." [Emphasis added]
- 14) "Primary" beneficiary is a term favoured by federal officials, but it does not appear in the 1985 Atlantic Accord, or in the 2005 Arrangement. The right to be principal beneficiary was enshrined in the 1985 Atlantic Accord by PC Premier Peckford and PC Prime Minister Mulroney. The 2005 Arrangement was obtained on the persistent initiative of PC Premier Williams against the reluctance of Liberal Prime Minister Martin.
- 15) The Ball Liberal Government must negotiate a long term extension of the 2005 Arrangement that upholds principal beneficiary status for Newfoundland and Labrador, and ensures that we receive 100% of the net revenues from our offshore revenues, by re-establishing the necessary offset provisions to accomplish this.
- 16) It is a fundamental error to describe the present negotiation as about getting a fair share of equalization. Equalization is a national program and the Federal Government last year unilaterally renewed the program for five years without change or negotiation. This

negotiation is about quantifying how much of the benefit of revenue from offshore resources is going to the Federal Government and how much to the provincial government, and then applying sufficient offset, as required by the 1985 Atlantic Accord, to ensure that Newfoundland and Labrador is the principal beneficiary.

- 17) The negotiations that resulted in the 2005 Arrangement were carried out in a public and transparent way by Premier Williams and Prime Minister Martin, so that voters had a broad idea as to what was at stake. By contrast, the Ball/Trudeau/O'Regan Liberal negotiation is being carried out in secret. The public has no idea what the negotiating positions of the parties are or what is at stake.
- 18) The Ball Liberal Government must not mix up the need to find a long term solution to the Muskrat Falls financial problems with the current urgent need for the Federal Government to honour the principal beneficiary commitment in the Atlantic Accord. The resolution of the forecast financial issues caused by Muskrat Falls cost overruns must be a separate negotiation between the two financial partners in this large renewable energy hydro-electric project. Those partners are the Federal Government and the Government of Newfoundland and Labrador. Mixing up the two negotiations would only assist the Federal Government to avoid its responsibility as a partner in Muskrat Falls.
- 19) The review of the 2005 Atlantic Accord Arrangement should result both in offset payments for past years, and in a long term increase to the provincial treasury of hundreds of million dollars annually from the revenues generated from oil production offshore.
- 20) Premier Ball has referred repeatedly to a review of the 1985 Atlantic Accord, rather than to a review under the 2005 Atlantic Accord Arrangement. He has even referred to the “expiry” of the Atlantic Accord: Hansard, February 27, 2018. If Premier Ball really intends to review our rights as principal beneficiary – and the repeated use of the term primary is evidence of this intention – then Newfoundlanders and Labradorians should be alarmed that Liberal governments in Ottawa and here have finally found a way to vent their hostility to the Atlantic Accord by killing it.