

1 Q. Further to the previous question, has LNG been excluded for consideration as a
2 source of thermal generation and if so, what assumptions did Nalcor make as
3 regards both the future availability and pricing of LNG to meet the island's energy
4 needs in excluding it as an option.

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7 A. Nalcor's assessment of LNG is provided in Section 4.2.3 of its Submission to the
8 Board.

9 With respect to availability and pricing of LNG, Nalcor is of the view that:

10 a) While LNG supplies would be available from the global market for power
11 generation purposes in Newfoundland, the identified market in Newfoundland
12 is small. Approximately 100 million standard cubic feet per day would be
13 required on peak for power generation.

14 b) The price for LNG would be at a modest discount to equivalent oil pricing
15 because

16 a. The only available alternative to LNG is distillate, and

17 b. Long term firm utility supply contracts for LNG are frequently linked to
18 oil prices. This is the case in supply contracts for Asian utilities.

19 Given the small Newfoundland market and the lack of alternatives to heavy fuel oil
20 or distillate for thermal generation in the Isolated Island alternative, Nalcor expects
21 LNG delivered to Newfoundland to be priced at a relatively smaller discount to oil
22 than could be achieved in larger markets with greater diversity of alternatives, such
23 as domestic natural gas.

1 Navigant reached the same conclusion in its Independent Supply Decision Review:¹

2 “Navigant estimates that the capital cost of an 84,000 Mcfd
3 regasification and storage facilities would run in the range of \$1
4 billion, plus the capital required for the new natural gas CCCT.

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6 The commodity costs for LNG also need to be considered. The prices
7 for long term, firm supply of LNG are normally linked to crude oil
8 prices. As such, any long term utility contract that would be
9 necessary for deliveries to the regasification facility in Newfoundland
10 would see LNG prices linked to oil prices. In Navigant’s opinion, the
11 delivered prices to a LNG regasification facility sited on the Island
12 under a long term contract are expected to be at a modest discount
13 to the price of fuel oil Nalcor is already purchasing therefore offering
14 no clear economic advantage for LNG as a fuel source.

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16 Although the current tie between LNG prices and crude oil in the
17 global LNG market is one that could change towards gas on gas
18 pricing in the future, the market for long term, firm supply of LNG is
19 currently, and for the foreseeable future is expected to be,
20 referenced to oil.”

¹ Exhibit 101, page 37