

Plan Nord: An \$80 Billion Opportunity for Quebec

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In May 2011, the Government of Quebec, under Jean Charest's Liberal leadership, unveiled "Plan Nord", a 25-year, \$80 billion development project focused on Northern Quebec and affecting 1.2 million square kilometres, or 72%, of the province's territory. According to the Liberal government, this ambitious undertaking would create approximately 20,000 jobs a year. The plan is a major initiative with significant potential implications for the province and its economy, if managed properly.





Plan Nord proposes to establish a partnership between various Quebec governmental and municipal bodies, the private sector and Aboriginal communities for the development of the mining, energy, forest and wildlife resource sectors, as well as the tourism and bio-food industries in Northern Quebec. This creates an opportunity to develop a wide range of sectors in an economic environment in which virtually all other sectors have faced challenges in terms of growth and profitability, along with a potentially rewarding opportunity for investment, employment and the development of expertise in the affected sectors. It also creates a significant challenge in balancing the interests of a very diverse and broad range of stakeholders. For example, maximizing economic objectives often creates conflicts with environmental, Aboriginal and other interests. These conflicts can sometimes be resolved and addressed, but at other times can result in an impasse, as occurred when a moratorium was imposed on shale gas development in Quebec due to strong opposition from the general population. Thus far, those who have been able to draw on relevant experience from Alberta and elsewhere in addressing these challenges have been very well positioned.

The election of the Parti Quebecois (PQ) in September, 2012 has brought a change of government to Quebec and potentially significant implications for Plan Nord, which many constituents interested in the Quebec economy are anxious to understand. While it is anticipated that the PQ will not shut down the plan to proceed with northern development, market participants have been frustrated by the uncertainty as to how things will unfold and what, if any, changes to previously announced plans there will be. As part of its election platform, the PQ had already announced a number of possible changes to the Liberal government's proposals, including increasing the royalty rate payable by mining companies by imposing a 5% royalty on production and a 30% royalty on profits (similar to the Australian royalty model). In addition, before the PQ took power, the Liberal government had announced \$200 million of infrastructure investments, and there has been some uncertainty as to whether these projects will be in any way affected. Nevertheless, since the election, the PQ has signalled that it intends to proceed in a measured and considered manner. It has announced that it will create an agency to coordinate activities. There have already been circumstances in which the PQ has softened or reversed positions it took in the election campaign, which is understandable in light of

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the fact that it is a minority government. Also of note is that, in its recently announced budget, the PQ did not change royalty rates. There is therefore much speculation in the marketplace as to which of its election proposals the PQ will proceed with and what other modifications to Plan Nord it may make. This has resulted in a pause by several market participants, including mining companies and investors, until they have a better idea of potential costs, changes, delays and incremental processes.

In the meantime, however, there is also pressure to try to advance commercial interests and the dialogue with interested stakeholders to ensure that this opportunity is not lost. The successful market participants in this environment will need to approach dialogues with creativity and openness, while at the same time taking advantage of the learning from similar monumental infrastructure projects and resource development. Successful participants will also need to place the current Quebec situation in the context of other global opportunities.