Working Toward a Churchill River Action Plan 2041

Executive Summary

Purpose

- To provide a structured economic and institutional framework for evaluating how the Churchill River resource is governed, priced, and integrated into long-term provincial strategy.
- To clarify how water rents are generated, shared, and potentially altered under alternative institutional arrangements.
- To support disciplined professional review of the MOU and related infrastructure proposals.

Core Analytical Findings

- The economic value of the Churchill River derives from the difference between competitive wholesale electricity prices and the full incremental costs of delivery.
- This difference represents the implicit rental value attributable to water.
- Ownership share directly determines how that water rent is distributed.
- Where ownership is less than 100 percent, a portion of water rents is structurally shared.

Valuation Framework

- The document presents a transparent identity linking:
    - Wholesale market prices (P)
    - Transmission costs (T)
    - Generation costs (G)
    - Ownership share (O)
- The identity is analytical, not contractual.
- It permits conservative specification and stress testing without altering structural logic.
- Market prices are treated as observed external benchmarks rather than administratively determined values.

Institutional and Incentive Effects

- Long-term contracts embed incentive structures that shape investment, supply decisions, and value capture.
- Infrastructure framed as enhancing "security of supply" may simultaneously alter rent-sharing outcomes.
- Institutional design — not projected demand growth — determines long-run fiscal distribution.
- Once embedded, ownership and pricing structures create durable path dependencies.

Strategic and Negotiation Implications

- Effective evaluation requires identification of credible alternatives, including a defined BATNA.
- Absent a clear alternative benchmark, negotiated outcomes cannot be meaningfully assessed.
- Risk allocation must be explicit, including:
  - Capital risk
  - Market price risk
  - Intergenerational fiscal exposure
- Decisions taken now will shape revenue distribution over multi-decade horizons.

Public-Interest and Intergenerational Dimensions

- The Churchill River is a strategic public resource with implications extending beyond immediate fiscal outcomes.
- Planning must account for:
  - Economic effects
  - Environmental impacts
  - Social and cultural considerations
  - Public health implications
  - Intergenerational equity
- Present institutional choices will determine how benefits and risks are distributed over time.

Contribution

This framework provides:

- A disciplined economic lens for professional review.
- A transparent method for evaluating water value recognition.
- A structured basis for assessing how institutional arrangements shape outcomes.

- A coherent foundation for long-term strategic decision-making.