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**Proceedings of the Standing Committee on  
Resources**

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Department of Natural Resources

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Honourable Perry Trimper, MHA

## **RESOURCE COMMITTEE**

Department of Natural Resources

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Chair: Scott Reid, MHA

Members: Derrick Bragg, MHA  
Alison Coffin, MHA  
Elvis Loveless, MHA  
Lloyd Parrott, MHA  
Kevin Parsons, MHA  
Pam Parsons, MHA  
Sarah Stoodley, MHA

Clerk of the Committee: Kimberley Hammond

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Appearing:

### **Department of Natural Resources**

Hon. Siobhan Coady, MHA, Minister

Perry Canning, Assistant Deputy Minister, Mining

Heather Gillis, Director of Communications

Phil Ivimey, Departmental Controller, Finance and General Operations

Ted Lomond, Deputy Minister

Tanya Noseworthy, Assistant Deputy Minister, Corporate and Strategic Services

Corey Snook, Assistant Deputy Minister (Acting), Energy Policy

Doug Trask, Assistant Deputy Minister, Royalties & Benefits

Keith White, Executive Assistant

### **Also Present**

Derek Bennett, MHA

David Brazil, MHA

Paul Lane, MHA

Megan Drodge, Researcher, Official Opposition Office

Angelica Hill, Researcher, Government Members Office

Ivan Morgan, Researcher, Third Party Office

Pursuant to Standing Order 68, Derek Bennett, MHA for Lewisporte - Twillingate, substitutes for Derrick Bragg, MHA for Fogo Island - Cape Freels.

Pursuant to Standing Order 68, David Brazil, MHA for Conception Bay East - Bell Island, substitutes for Lloyd Parrott, MHA for Terra Nova.

The Committee met at 9:08 a.m. in the Assembly Chamber.

**CHAIR (P. Parsons):** Good morning, everyone.

Are we read to start, Minister?

**MS. COADY:** Absolutely.

**CHAIR:** Okay.

So what we'll do, we'll first start off, of course, by having everyone introduce themselves. We'll start with the minister and the department.

**MS. COADY:** Thank you very much.

I'm Siobhan Coady, St. John's West, Minister of Natural Resources.

**MR. LOMOND:** Ted Lomond, Deputy Minister.

**MR. SNOOK:** Corey Snook, Assistant Deputy Minister for Energy Policy.

**MR. TRASK:** Doug Trask, Assistant Deputy Minister for Royalties and Benefits.

**MR. CANNING:** Perry Canning, ADM, Mining.

**MR. IVIMEY:** Philip Ivimey, Departmental Controller.

**MS. NOSEWORTHY:** Tanya Noseworthy, Assistant Deputy Minister of Corporate and Strategic Services.

**MS. GILLIS:** Heather Gillis, Director of Communications.

**MR. WHITE:** Keith White, Executive Assistant.

**MR. BRAZIL:** David Brazil, Conception Bay East - Bell Island.

**MS. DRODGE:** Megan Drodge, Researcher with the Official Opposition Caucus.

**MS. COFFIN:** Alison Coffin, MHA, St. John's East - Quidi Vidi.

**MR. MORGAN:** Ivan Morgan, Researcher, NDP Caucus.

**MR. LOVELESS:** Elvis Loveless, MHA, Fortune Bay - Cape La Hune.

**MS. STOODLEY:** Sarah Stoodley, MHA, Mount Scio.

**MR. BENNETT:** Derek Bennett, MHA, Lewisporte - Twillingate.

**CHAIR:** I'm Pam Parsons, MHA for the District of Harbour Grace - Port de Grave. I'll be chairing the session this morning.

The minister has 15 minutes to introduce the Estimates and the Members speaking immediately in reply to the minister has 15 minutes, all other Committee Members have 10 minutes to speak. We can all refer to ourselves by name instead of portfolio or district or department, per se.

Minister, when you're ready.

**MS. COADY:** Thank you very much.

Good morning, everyone, on this beautiful spring morning. I'm very pleased to be here again and happy to both recognize my colleagues that are sitting here with me, the great team at Natural Resources.

As you can appreciate, Natural Resources does generate a tremendous amount of the revenues for government and does generate a lot of the economic activity for the Province of Newfoundland and Labrador. In fact, in the last couple of years, we have been responsible for about \$8 billion in new economic activity. So, it is a very small but mighty team at Natural Resources, and I'd like to thank them for all their efforts.

There has been a tremendous amount of focus and growth and development over the last number of years, and this is a team that works very, very hard on behalf of all of Newfoundland and Labrador.

The Department of Natural Resources is really focused on – I like to call it – three things. It's focused on oil and gas, and then, of course, both the development from the regulatory side of things as well as on the benefits and royalties. We are also responsible for mining, all the mining activities in the province. We are also responsible for electricity and energy development, including renewable energy.

That is kind of the way I'd like to present the efforts of the department. As you can appreciate, as I said, a great team at Natural Resources that contribute greatly to the growth and development of our natural resources industry.

There are a lot of positive impacts of the oil and gas, and mining sectors; they are very well-known in the province. Our mining sector is making impressive gains. Notably, the forecasted production value of minerals for 2019 has grown an incredible 47 per cent since 2016, to \$4 billion in value, and there is over 6,000 person-years of work.

Our offshore is a major source of revenue and employment, and as of this past December, over 7,000 people were employed in the industry in the province and over 90 per cent of those people call Newfoundland and Labrador their home.

The last two years there have been \$18 billion – I said \$8 billion – \$18 billion in investments announced for both mining and oil and gas. As you know, for oil and gas, there's \$4.3 billion in work commitments in our offshore, with eight new entrants in the last three years.

From a revenue perspective, despite operating on a minimal core operating budget, which we will review here today, the department brings in significant provincial revenue sources. In 2018-19, offshore royalties are estimated to total approximately \$1.06 billion, with the mining taxes, royalties, permits and fees totalling another \$75 million. It is estimated for 2019-

2020, both will bring in an estimated \$1.2 billion in combined revenue.

The '19-'20 Estimates for the Department of Natural Resources is \$559.8 million; however, it's important to note that while the department's 2019-20 Estimates is \$559.8 million, when funding for items such as: Nalcor Energy capital; Oil and Gas corporation of Newfoundland and Labrador; Canada-Newfoundland and Labrador Offshore Petroleum Board; the Innovation and Business Development Fund; the diesel subsidy rebate; Mineral Incentive Program; orphaned and abandoned mines; and salaries are excluded, the department operates on a minimal budget of \$3 million for the core operating budget of Natural Resources. So when I say small but mighty, I mean it.

Over the past several years, through the zero-based budgeting process, the department has realized savings within its core operating budget through detailed analysis of many areas in the department, including cell phones, office supplies, land lines and costs related to offsite record management, Iron Mountain.

In comparison to the 2018-19 core budget, the proposed budget for 2019-20 operating expenditures has increased by \$260,000. The majority of the operating increase was the addition of a new geoscience exploration funding – \$250,000 – dedicated to airborne geophysical survey, a modern time and cost-effective means of collecting detailed geoscience information.

The department has not experienced significant growth in its base operating budget over the past 10 years; however, there have been various one-time investments for arbitration settlements or other surveys.

Despite significant Mines and Energy sector growth over the period, the number of permanent employees in the department has not increased. There are currently 165 permanent positions, which is below the 2005-2006 level of 167. So roughly around where we were in 2005-2006.

As of April 1, 2019, there are 147 active employees in the department. The department

has experienced some turnover, mostly through retirements over the last number of years. There were six retirements in 2018-19 and three additional retirements since April 1. Vacated positions are filled when necessary, reprofiled to meet emerging skill requirements and are reviewed for possible attrition; long-term temporary positions that are vacated, no longer required, for example.

This past year, a lot of activities happened in the Department of Natural Resources. In the Oil and Gas sector, we did a sector development plan called *Advance 2030* and that is a very comprehensive plan that was developed with 150 stakeholders across the spectrum of the oil and gas industry to grow our oil and gas opportunities in the province.

We also have produced *Mining the Future*, again, working with stakeholders, Mining Industry NL included. The mining division has done a comprehensive plan on how to bring more opportunity in the mining industry in Newfoundland and Labrador, and you'll see some investments based on the recommendations coming out of the *Mining the Future* report.

Currently, in Energy, we are developing a renewable energy plan that will look at the future energy requirements of the province in terms of renewable opportunity. We have also done an expression of interest for renewable energy opportunities to offset diesel usage, especially in rural and remote communities.

It's been a very active year for the Department of Natural Resources and we appreciate the opportunity to come today to talk not only about our expenditures, but any policy items that you wish to discuss. We're quite proud of the work that we're doing in Natural Resources and proud to tell you some of the things that are happening.

I've offered to my colleagues an opportunity for briefings anytime, but during the summer might be a great opportunity to delve into more depth on some of the things that we are doing. And I know that, in the large part, you're supportive of the activities of growing and developing the mining, oil and gas industry, and continuing to expand our opportunity in renewable energy.

Before I conclude, I'd like to thank the Table Officers for their hard work. I know that this has been quite a marathon over the last number of days. I know colleagues opposite and my colleagues have been spending a lot of time in Estimates. So I can appreciate how dedicated you've been. The Pages have been here morning, noon and night. Before I conclude and turn the opportunity to you, I wanted to conclude by saying thank you for everyone for being here and for your interest in Natural Resources and for the continuing growth of them in the province.

Thank you very much.

**CHAIR:** First, obviously, we'll be going in and reviewing and questioning Executive and Support Services. We will have our first speaker, and could I remind everybody to identify themselves before they speak.

**CLERK (Hammond):** 1.1.01

**MR. BRAZIL:** Thank you, Madam Chair.

I thank the minister for a very thorough introduction and outlining the template of the department. No doubt, us in the Opposition – particularly the Official Opposition – have the utmost respect for the staff at Natural Resources, but particularly, the importance it plays in generating not only revenue, but the potential in our province here for developing the mineral industry. Be it the oil and gas, the mining industry and any other type of industry that will develop over the next decades as we move forward.

I'll get a couple of the basic housekeeping issues out of the way just to have it on record. The minister has already agreed to supplying a copy of the briefing binder to us here in the Opposition, so we appreciate that. That just makes it a little bit easier for us as we go through our Estimates and we get into budget debate. If there's something for clarification, rather than drag it out here, we can easily get that through an email or just a quick question in the House.

One of the things I want to start with because we've been having some discussions over the last number of years about zero-based budgeting

– I just want to reaffirm or clarify if your department is still based on your budget lines when you put your budgets together.

**MS. COADY:** Thank you very much.

As we go through the Estimates and as we provide you with the book, you'll see where we have moved money around in a category based on the zero-based budget. So absolutely, without hesitation, zero-based budgeting is done throughout the department and in any entity that we are involved with.

**MR. BRAZIL:** Okay, I thank the minister for that.

Is the attrition plan still being followed and, if so, what are the changes for the last year and for this year?

**MS. COADY:** Thank you very much.

The number of current permanent employees is 165, which is, as I said earlier, similar to the numbers we had back in 2005-2006. We have 13 temporary employees and four contractual. The current number of employees in the department is 147 – I'm giving you all the information –

**MR. BRAZIL:** Yeah, fair enough.

**MS. COADY:** – four 13-weekers and mostly backfills while waiting for competition. So what happens is if we have to backfill a position while we wait for competition.

New positions created in '18-'19, there have been zero incremental positions but there have been two reclassified. New hires in 2018-2019, they are new hires to government, not people who've moved in different positions but new hires to government, there have been three. We have a total of 20 vacancies. Many are in active recruitment. We have had a number of recent retirements.

It's interesting, I remember the first day I was minister one of the first things that I was told as I came into the department was we've got a lot of retirements coming up over the next number of years, and we have, so we're starting to have a renewal within the Natural Resources Department. One of those vacancies is a

parliamentary secretary, the department doesn't currently have one and some are unfunded temporaries.

The attrition target for '18-'19 is one position. That was an industry development officer position and that had been vacant for a number of years. So we have given up that position. That is our attrition number and our target.

**MR. BRAZIL:** Okay.

**MS. COADY:** So as I keep saying, it's a fairly small and compact department. We're not Transportation and Works with a lot of moving parts.

**MR. BRAZIL:** Fair enough.

Have there been any direct layoffs over the last year or so because you've reassigned duties within the ranks of the division or a whole unit has been taken out?

**MS. COADY:** No, but I will confirm that just to make sure.

**OFFICIAL:** No.

**MS. COADY:** I wanted to make sure I gave you exact information, but no, there have been no layoffs. There have been changes within the division and departments, to move them in different areas, but there have been no layoffs.

**MR. BRAZIL:** Okay. That takes care of most of the –

**MS. COADY:** Or whole areas lost.

**MR. BRAZIL:** Perfect, I appreciate that. That takes care of most of the housekeeping. I may come back to some as we move forward.

I'm just going to move into the line items, particularly under 1.1.01, Minister's Office. The Salaries went over budget by nearly \$100,000. Can the minister explain what that rationale was there in '18-'19?

**MS. COADY:** I'm looking at it now, sorry.

So, you're correct. It is a variance due to severance and leave costs associated with a

former employee – a long-time employee of the department. It's a retirement, so that's why it was over. It was at the payment of her severance and leave costs.

**MR. BRAZIL:** Yes, fair enough.

**MS. COADY:** So, as you see, the Salaries are back in line in '19-'20. The only thing that's different is the step increases –

**MR. BRAZIL:** Yes, for management.

**MS. COADY:** – that you're seeing. That is why it is \$183,000.

**MR. BRAZIL:** Yes, it makes sense. I appreciate that.

You actually mentioned it, but I want to take it a little bit further. I noted that when you came in, it was noted there would be a number of retirees, and, obviously, these are very high-level, qualified individuals who have great experience in helping develop Natural Resources and getting it where we are.

Is there a process in mind of addressing the knowledge loss there in recruitment or moving people within the system or additional training?

**MS. COADY:** Yes to all of that. I will say that there is a concern about knowledge loss. Obviously, we are concerned about that, but we're also hopeful because you're bringing in people with new skills and new ideas. As we evolve in our industries, things are evolving in their skill sets required. While we lament and are concerned about losing knowledge, we're also excited about being the recipients of new information.

We're trying to make sure that we have good succession planning. It is critical to the department and we work on that every day. We see a lot of growth within our department. For example, as one person may move up to be the assistant deputy minister, the next person who is a manager will move up to be director, so it's succession planning. So you give them growth opportunity.

Now you're starting a lot of renewal in the department, so you're trying to give a lot of

these young people good opportunities for advancement; they want that. That kind of advancement is very important, and making sure that we have a good plan for succession. There is going to be loss of knowledge, we recognize that, but we're trying to mitigate that as best as possible.

**MR. BRAZIL:** Yeah. That's a reasonable approach.

I do note, because there are certain aligned departments, Natural Resources would be a direct one, Health would be one, Education and even Transportation and Works in the engineering division, sometimes if you lose a resource, that may have an impact on eight or 10 other staffing people, depending on the relationship that's part of that.

I know when I was in TW and that became an issue, particularly around specialized engineering specialties that we needed, that we went out beyond the norm, not just doing public advertising but trying to find partnerships, be it the university's engineering department or other special agencies that would have a direct link to be able to encourage people to be part and parcel to it.

So, I just encourage, because your department and the expertise there is so important to the ability for our province to excel and open up new markets here, having people come in who are already knowledgeable where possible. I do like the approach of within, you already have a knowledge base who would then move and part of the whole mentoring process there.

**MS. COADY:** I would say – a little later on we might get into this a little bit more – we are undertaking in the department, especially in the Mines division, a continuous improvement process, which is streamlining some of the processes – which is streamlining, not some – is streamlining process within the department and really making, I think, a huge difference on process. It also helps to address some of that lost-content knowledge because the process is now changing, as well. We're improving it.

I'm sure the ADM for the department will be happy to talk about some of that, as we move forward, but even things like a quarry permit; it

could take up to six months, now it's taking a matter of – I think it's three weeks, Barry, somewhere in that – three weeks. That's because we investigated every single thing that we were doing and finding improved processes to do it.

**MR. BRAZIL:** No, it's a good approach.

I found, too, that looking at other jurisdictions, particularly in Atlantic Canada or sister provinces, that some of the processes they use there, or some of their employees. Not that you're trying to pull their employees away, but there may be a connection that there's an expat who lives in Nova Scotia who's doing something in the mining industry or in the offshore industry that would be of value here. It's an opportunity to bring people back to where we are. So, every process that works and benefits the department, obviously, benefits the people in Newfoundland and Labrador.

Under 1.2.01, Executive Support, in '18-'19 there was a savings of \$111,000, yet the budget for '19-'20 is near the budget of '18-'19. Can the minister explain the difference there?

**MS. COADY:** Could you tell me what the –?

**MR. BRAZIL:** 1.2.01, Executive Support.

**MS. COADY:** Okay, sorry.

**MR. BRAZIL:** Under Salaries.

**MS. COADY:** Under Salaries.

Vacancies, it's due to vacancies in the division during the year. We had vacancies in '18-'19 and if you look at '19-'20, we anticipate being back to basically where we were. We have had some movement within our ADMs, new ADMs. Corey is a new ADM in the department, for example. He was a former director who's moved to become the ADM, but that's a change, and we have one vacancy, an ADM in Petroleum.

**MR. BRAZIL:** Okay, thank you.

Under T&C, last year \$84,000 was budgeted and \$120,000 spent. What caused this line to go over your budget?

**MS. COADY:** A lot of hard work, mostly related to oil and gas development work. As you know, we do have a new plan for oil and gas development; it's not because of that, but we are doing a lot more promotion, a lot more outreach to companies to come. We've been able to attract 8 new entrants in Newfoundland and Labrador in the last number of years, and they are now actively pursuing exploration offshore Newfoundland and Labrador.

It was things like going to Houston. The federal-provincial-territorial meeting was in Iqaluit last year. When we go to a federal-provincial-territorial meeting, we have to take oil and gas, as well as Mines ADMs, as well as Energy.

The deputy minister had to go to Aberdeen for a conference, an exhibit. We've been to Norway and a Guyana trade mission. We've signed a memorandum of understanding with Guyana to help – as you may know, Guyana has made some major discoveries in the last number of years; we wanted to make sure our supply and service industry in the province has an opportunity to grow outside of the province as well. We now have 10 companies that have joint ventures in Guyana. So it is that type of work, again, advancing supply and service opportunities, attracting investment into our province.

We do anticipate kind of coming back down to – what I'm going to call – the normal level of activity this year.

**MR. BRAZIL:** Fair enough. You'll get no opposition – no pun intended – from the Opposition when it comes to trying to find ways to drum up new partnerships and new business. For the amount of money, it's minimal for an investment, but it could be great dividends.

Not to sound like I'm nitpicking, but I would like to know, because we don't get that information and we wouldn't, where our partnerships are trying to be developed and how we're reaching out to other jurisdictions to improve the potential for development here or to find new partners as part of that.

**MS. COADY:** Happy to have an ongoing conversation during the year.

I'll just give you another example, BHP is a new entrant to our offshore. They made a large bid last year, single largest bid in the history of offshore Newfoundland and Labrador. We engaged, on an ongoing basis, with BHP to encourage their interest in the province. Those kinds of activities are ongoing, but we are anticipating rightsizing back down to the \$85,000 investment in that area this year.

**MR. BRAZIL:** Yeah, makes sense.

Under Supplies, and I know it's a small amount of money, but my intent here is just to find out if there's a new office open, from \$7,100 to \$11,000 for basically supplies. Maybe we opened a new office somewhere to try to – or it just happened to be additional needed supplies within the existing structure.

**MS. COADY:** Yeah, it was because we did those two big events last year, the two documents that I mentioned: *Advance 2030* and, as well, we also did the Mining the Future. So we did have extra anticipated supply expenditures for some of those things.

**MR. BRAZIL:** Yeah, fair enough.

I've only got a number of seconds left, I'll leave it at that under that heading and then I'll come back. I may reiterate some other things also.

**MS. COADY:** Thank you.

**MR. BRAZIL:** Madam Chair, I'm good there for that heading.

**CHAIR:** Thank you.

We'll move on to our next speaker, Ms. Coffin.

**MS. COFFIN:** Thank you very much.

I guess I have a couple of funny little questions and, other than that, I have one overarching question that was just prompted by your response earlier.

Provincial revenue under Administrative Support, it's \$5,000. What on earth is that?

**MS. COADY:** Can you tell me which –?

**MS. COFFIN:** 1.2.02.

**MS. COADY:** Okay. Sorry, I've just got to catch up to you.

It's miscellaneous revenue. This is a capture account, so it's a placeholder for some revenues. If we had supplier credits or refunds, if we had a reimbursement from an employee for an expenditure or something of that nature, so it's kind of a placeholder.

**MS. COFFIN:** Okay. I figured as much because \$5,000 for Administrative Support is a little bit of an obscure category.

Likewise, so is \$100 in capital. What kind of capital does one get for \$100 in the next one?

**MS. COADY:** That is under the next one, 1.2.03?

**MS. COFFIN:** Yeah.

**MS. COADY:** It's again a placeholder. If you have to buy any capital items, it keeps it open in case of a transfer requirement.

**MS. COFFIN:** Yeah, and that's kind of what I had assumed but I thought I should ask.

Okay, to the larger question, because they're not really good general questions that fit in under the General Administration and Executive Support, but you talked about partnerships with other countries and attracting new entrants into the industry.

I'm wondering now how are you addressing the issue of occupational health and safety and human resource and relationships like that from other countries? Because I know that we have very different standards than you can find in a lot of other countries. I'm just wondering now, how do our standards jive with that of countries that we are engaging to do oil exploration?

**MS. COADY:** We're talking about the supply and service industry from Newfoundland and Labrador doing joint ventures, and I'll use the example of Guyana. The companies from Newfoundland and Labrador would have to maintain their standards, and so we would anticipate that these companies, who do have

joint-venture partners in some of these other counties, would apply our standards, Newfoundland and Labrador's and Canada's standards, those requirements, and ensure that they are bringing best practice.

One of the things that I think is very important and helpful to Guyana is helping them to develop the standards that will improve their development of their offshore. When Newfoundland and Labrador was first beginning its development of oil and gas, we looked to Norway for a lot of assistance and help and making sure we were doing the right things. One of the things we're working with Guyana on is to tell them some of our best lessons, so Newfoundland and Labrador companies going to Guyana would continue with their best practice.

**MS. COFFIN:** All right, thank you very much.

**CHAIR:** Thank you.

Any more questions on this particular subhead before we move on?

**MR. LANE:** Yes.

**CHAIR:** Okay. First of all, Mr. Lane, we'll have to get leave from –

**MR. LANE:** Yeah.

**CHAIR:** If we can get leave?

Okay, go ahead, Mr. Lane.

**MR. LANE:** I have some more general questions, so I'm not really concentrating on the heads, per se, just some general questions I want to fit in where I can.

My first question relates to local benefit agreements. Trades NL, as you would know – I believe you have met with them, I have met with them and I believe all parties have met with them – what they are saying is something that a lot of people have been saying for a long time, that there has absolutely been a sense that we have not necessarily been benefiting to the degree that we should, as it relates to our natural resources, when it comes to negotiating, whether it be, say, deals with big oil and so on.

Royalties are great, obviously going into the governments coffers to help pay for things. But I think a lot of people would say that we would be, perhaps, better off from an economic point of view if you had to give and take there to give a little – if you have to take away a little bit from the royalty side or equity stakes and concentrate more on ensuring that as much work as is humanly possible is done by Newfoundlanders and Labradorians here. That's what I think a lot of people would say should be happening.

So I'm just wondering what your thoughts are on that and if there would be any shift in how things are currently done to try to ensure that more work is done. If we have issues around capacity, which we always hear about we don't have the capacity, then would there be consideration to build capacity?

In other words, if you're doing projects now, why could not part of it be, we're going to take so much of those royalties or part of the deal is going to be that we're going to build capacity from this project so that when the next project comes along we would have increased capacity? I think about the gates at Argientia and there are other things as well where we should be investing so that, yeah, we might not have capacity to do it for this project but we're going to invest now so that when the next one comes up that excuse is off the table because now we have increased our capacity.

I know that's a mouthful but you know what I'm saying, I think.

**MS. COADY:** Absolutely.

Under the Atlantic Accord Newfoundland and Labrador, its employees and workers, are afforded full, fair and first opportunity. That's under the Atlantic Accord, and any company that comes into the Province of Newfoundland and Labrador has to abide by that: Full, fair and first opportunity has to go to Newfoundlanders and Labradorians.

If you look at the offshore oil, well over 90 per cent of employees are Newfoundland and Labrador employees, so I think that's very important to note. I do meet regularly with Trades NL, I consider them a partner in the continued growth because they are looking for

new opportunities and I think that's an outstanding partnership to have, is to continue to grow that. They have been involved with *Advance 2030* and been involved with some of the discussions that we're having around supply and service development, for example. One of the new roles of OilCo, the new oil corporation, is in that supply and service development which would require a lot of the members of Trades NL, so it's very important.

As you know in the oil and gas industry – and I'll turn this over to the assistant deputy minister – we do have benefits agreements that are required and we do maximize benefits. First and foremost, there has to be full, fair and first, and C-NLOPB actually monitors, administers and reviews contracts by companies to ensure that that full, fair and first opportunity is afforded to Newfoundlanders and Labradorians. But in addition to that, we also have the benefits agreements. Benefits agreements go above and beyond what I'm going to call that full, fair and first to say, in addition to what is full, fair and first, these benefits must accrue to the province.

So we have benefits agreements with all oil and gas, as well as mining companies. So full benefits agreements with them. I'm going to turn to Doug just in case there's anything new you wanted to add or additional you wanted to add to that.

**MR. TRASK:** So as the minister has indicated, we have benefits agreements and we are one of the few jurisdictions in the world that actually have that. So we have recognized we got to compete globally for investment. We are dealing with some large companies that have alternative investment opportunities, so we need to ensure we maintain a competitive environment.

At the same time, when we negotiate these, we are trying to maximize those opportunities. We also have the Innovation and Business Development Fund: \$6 million a year over 10 years, per year. It is \$60 million where we will be investing in capabilities of companies, infrastructure, things that will position us for the long-term opportunities that are there.

**MR. LANE:** Thank you.

I appreciate what you're saying, but by the same token, we say that, but there are all kinds of work going on, say, in Houston, in Texas and other parts of the world as it relates to fabrication and stuff of all these, related to our offshore and, at the same time, we got Bull Arm out there sitting idle.

So while I appreciate what you're saying about an investment fund and so on, I guess the bottom line of what people are saying is that if we're going to sign an agreement with an oil company and there's work to be done, that once Bull Arm is filled to capacity and Marystown is going and all of our facilities are up and running and there are Newfoundlanders working, doing that work, doing that construction work on modules and stuff like that, then you can go to Houston and then you can go wherever. But as long as ours are sitting idle, then there shouldn't be work leaving the province.

I know it's not as simple as snapping your fingers and just making that happen. I know there are negotiations. But I think that's what Newfoundlanders would expect of our resources, that our facilities are up and running at full capacity and then you can talk about sending work away to other parts. But when people are sitting back and they're on EI or they're having to go to Alberta or whatever and then there's work being done in other jurisdictions related to our offshore, I think it puts a real bad taste in Newfoundlanders and Labradorians' mouths. I guess that's the point.

**MS. COADY:** Thank you.

I hear your frustration and all that, and echo that as well. I want 100 per cent of the work to be done in Newfoundland and Labrador, but I also recognize two things: we are continuing to capacity build here. Some things we want to ensure that are here, and some things that will always be done outside of the province just because doing them once would not make it competitive, would not make it – we would not be able to continue to develop that expertise.

So we have to be careful that what we're doing is developing the expertise that is essential to Newfoundland and Labrador, like subsea, for example. We do have Newfoundland companies that do work all over the world themselves; that

do bring work in. I think Technip here has brought in work, I know Cahill has brought in work as well.

We're trying to develop not only our opportunity to maximize our benefits by local companies with a local opportunity, but grow their expertise. That's why Doug was right to mention the Innovation and Business Development Fund. We want to grow it so we can attract more work to Newfoundland and Labrador; more work here that could be coming from Houston, or other countries, and doing the work right here.

I'll use a good example. This past winter we just did the thruster change out on the West Aquarius, I think it's the first time we've ever done that kind of work, and that was done in Bull Arm. West Aquarius is a drill rig, an exploration drill rig, that is now active offshore. We're crossing our fingers that they find something, but that's the first time we've done that type of work here in Newfoundland and Labrador.

It was a competitive bid between Bull Arm in Newfoundland and Labrador, and I think there was other bidders from other parts of the world that that rig could have gone. We were able to attract it here and now we're looking at other rigs to come in there.

So there's a lot of work. I know that people sometimes see a module that might be being built elsewhere under benefits plans, but that's what we're trying to achieve, maximize our expertise in this province and then not only do our work, but also attract people from around the world.

I think there's a real opportunity in subsea development for that as well. That's one of the things you'll see in *Advance 2030*, as us being the subsea experts.

**MR. LANE:** Thank you.

**CHAIR:** The Member's time has expired.

Are there any other questions, particularly for this subhead, before we move forward?

We're good? Okay.

Clerk.

**CLERK:** 1.1.01 to 1.2.03.

**CHAIR:** Shall 1.1.01 to 1.2.03 carry?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against, 'nay.'

On motion, subheads 1.1.10 through 1.2.03 carried.

**CHAIR:** Now, we'll move on to 2.1.

**CLERK:** 2.1.01.

**CHAIR:** Okay.

**MR. BRAZIL:** Thank you, Madam Chair.

Under the Geological Survey, Salaries, comparing last year to this year, decreased by \$193,000. Can the minister explain and outline why?

**MS. COADY:** Certainly.

This is under the Geological Survey, that's a variance due to lower salary costs as a result of attrition management. Again, what you're seeing is some move and changeover within that department.

**MR. BRAZIL:** Would that equate –

**MS. COADY:** We've had long-term employees that have moved on, and you'll see evolution of the survey.

**MR. BRAZIL:** I do realize salary bases are different in some line departments by the expertise and the background, would that equate to one salary, two salaries or a combination of two or three?

**MR. LOMOND:** Our average is \$65,000. So you can do the math on that. Now, in some cases, that may be a case of somebody retiring and leaving at a top step and a new employee coming in and starting at a bottom step. So it doesn't equate totally to positions in and out.

**MR. BRAZIL:** Okay. So we wouldn't know if it's two or three employees, it could be half of one employee at a higher level and new employee coming in at a different level?

**MS. COADY:** Just remember that we're only losing one position –

**MR. BRAZIL:** Yes.

**MS. COADY:** – this year and there is a \$300,000 change overall. That's positions coming in and going out, maybe some people who are leaving at top of scale coming in at a lower scale. So we're managing that salary envelope all the time.

**MR. BRAZIL:** Okay. Fair enough. So, yeah, there's a fluctuation.

**MS. COADY:** Yes.

**MR. BRAZIL:** Under Supplies, the supplies last year went over by about \$50,000 give or take, can the minister explain what kind of supplies or purchases? Were they one-offs? Is this something that's going to be continuous?

**MS. COADY:** That's a variance due to the higher than anticipated field supply expenditures during the year. A lot of that came through the laboratory materials and consumables such as argon gas. There was a change last year in terms of what we were able to do.

I think over 200,000 chemical tests last year were done in the laboratory and some of that work was because of a certain field program that was being done. They're not anticipating that change this year.

**MR. BRAZIL:** Okay.

Noting that over the last number of years there's been a substantial decrease in the Supplies, and one of the concerns that I would have, because I'm a real believer in the geological importance here and the work we do around that. Would this have an impact here because we're lowering the Supplies or is it a total separate entity there that wouldn't have an impact on that?

I just want to be reassured that that's not – because I see the geological importance to the

department in offshore oil or in the mining industry also.

**MS. COADY:** Certainly.

As you can note in the Supplies, there is an increase for this year of about \$6,000. I'll just turn to my ADM of Mines just to get that reassurance. I think that last year was a particular set that required some extra money in that supply area.

I'll turn to the ADM for his reassurance.

**MR. CANNING:** Thank you, Minister.

We don't see an issue going forward. The geological survey is critical to our work. In fact, if you look at the map of Newfoundland and see where the geological survey finished off their work, you pretty well see where exploration activity stops. We're very keen to make sure that they have the capabilities necessary to conduct all their efforts.

I would also say that last year some of the funds for Transportation and Communications, for instance, a significant help at the time, especially as we do survey work, the scientific work, in the Labrador region.

**MR. BRAZIL:** Thank you.

**MS. COADY:** May I add something here?

**MR. BRAZIL:** Yeah, sure.

**MS. COADY:** I think this will help reassure you a little bit as well.

If you look under Professional Services, there's almost a \$200,000 increase.

**MR. BRAZIL:** Next question.

**MS. COADY:** Oh, okay.

**MR. BRAZIL:** No, that's good. Perfect.

**MS. COADY:** I'm anticipating because I'm excited about this.

We're putting in some extra money for airborne geophysical work. This is new this year and it is

really coming out of the Mining the Future. It helps improve process data capture and improves the way work is being done in the geological survey. So I want to reassure you that we are actually doing more on the geological survey and putting a new investment there to do that airborne geological survey so that we can have both drones ...

I'll allow my deputy minister to give more details.

**MR. BRAZIL:** Yep.

**MR. CANNING:** Thank you, Minister.

The airborne survey that we're planning, hopefully it'll be funded, will enable the geological survey to better target where they do their field work. They'll get a sense of where to do this work and also within the Mining the Future program we've also agreed to have an external advisory committee with industry and the scientists, including folks through CNA and Memorial, to really target where we should do this field work and how we can really improve our capture of scientific information.

The other point I would make, with respect to Supplies, we did find an issue in some of these supplies how it was coded in terms of, if you look at Purchased Services, it's down a little and what we found is in the supplies we were purchasing, because some of these supplies have laboratory issues like argon gas and the like, some of the other points should have been captured under Purchased Services rather than Supplies.

We just started an end-to-end review of that to make sure that our coding is absolutely correct. Net on net, the dollars were spent according to the budget, but some of the coding issues we have discovered so we're going to fix that too. We've got an end-to-end review going through our continuous improvement program to take a look at the full capture of when something is purchased, how it's coded, how that is cross-checked in the future and ensuring that we are coding correctly.

Net on net, the dollars expended last year were expected to be expended and we do have enough

sufficient budget allocated for this fiscal coming to do the work that we're required to do.

**MR. BRAZIL:** Okay, perfect.

Under Grants and Subsidies, the \$352,000 grant was not given out. I understand that was a negotiation with the federal government to try to channel that back through C-CORE as part of that. Has that been achieved? Have you been able to put that proposal in play for this year?

**MS. COADY:** You are exactly correct. Due to the C-CORE project, it was a slope stability project and it didn't proceed through the Defence Research and Development corporation. So this is a flow through. Literally, we were working with C-CORE so that they could get their funding. It has to come through a department, but I understand that funding didn't happen. C-CORE got other funding for other projects that will show up in under other Estimates, but that particular project didn't advance.

**MR. BRAZIL:** But our understanding was, from conversation I had, that was one of the priority ones that would have been a benefit to the projects that we were moving forward. What was the excuse – what was the rationale Defence gave in not funding it? Sorry.

**MS. COADY:** I will allow the deputy minister to deal with that.

**MR. CANNING:** Thank you.

This was an important project for us. It was coastal erosion and it was going to be funded through DND. The C-CORE application was not accepted, but we're going to continue working with groups as we have with CNA and Memorial to achieve federal funding, where possible, to continue research. We were disappointed but we partnered up with C-CORE to try to achieve that.

We do a lot of work, by the way, on coastal erosion through our Geological Survey. We do a lot of drone surveys and working to understand better climate change and the impacts of climate change in coastal regions, especially, so we're hoping to gain that effort, to really extend our expertise internally.

**MR. BRAZIL:** Again, I 100 per cent support what those entities are doing and the value here.

Has there been any consideration that we take it on ourselves in that project? I know it's adding financially, but for the out benefits, would it work somewhere in our budget lines?

**MR. CANNING:** We are going to be doing some coastal monitoring programs using our drones this summer and we'll continue using whatever resources and capabilities we have to extend our knowledge in coastal erosion, so that's in our Geological Survey work plan for this fiscal.

**MR. BRAZIL:** Okay, thank you.

I got one quick question here before I pass it on. We were intrigued last year; the minister had talked about a hand-held device, an app. That was the plan to try to put in play. How close are we to making that happen?

**MS. COADY:** We do have certain applications, hand-held apps for certain things. I know that we have one for Bonavista, for tourism, geological tourism, but I'll allow the assistant deputy minister for Mines to go further.

**MR. BRAZIL:** Yeah. And the costing for something like that as we move forward, if we know.

**MR. CANNING:** Thank you, Minister.

Dr. Alana Hinchey with the Geological Survey has been developing a system with a local company here with an app on tablets, as you go out in the field and capture data. The whole purpose of this is to ensure the accuracy of data transfers as you're doing the research in the field, and then you have it on your tablet and then you can download it into the system. The faster and more accurate our data capture is, the more able we are to develop our current research documents that we send out to the industries around the world to achieve their interest and hopefully their investment.

I think we're pretty well near the end of that development, and there may be a maintenance cost over the next couple of years to maintain that and tweak that and improve it. They've

done some really incredible work to get the tablets in the hands of field geologists, using this app to capture that data.

**MR. BRAZIL:** Thank you.

**MS. COADY:** I will say, as well, I have copies of the current research of the Geological Survey. It's quite a tome, but it is produced by the department, and this is really important for attracting global investment in our opportunities for the mining industry. I have copies for you, if you would like. I think it is important that we all to know that the department does produce incredible work like this and it is available globally and, importantly, to ensure that we are attracting the right investment in our mining industry.

**MR. BRAZIL:** Thank you.

**CHAIR:** Thank you.

We will move to our next speaker.

Ms. Coffin.

**MS. COFFIN:** Thank you very much

Before I start, I must apologize; I should have thanked you all for coming and all the hard work you've put into this. I know that getting ready for Estimates is a very grueling process that takes a considerable amount of time, so I appreciate your professionalism and your dedication to this. Thank you very much.

First question, let's jump off on the Geological Survey part. I noticed that, in the description here, a lot of the activities associated with Geological Survey are pretty similar to a lot of the stuff that's being done in the department of Geophysics in Memorial University. So it would make sense if we are talking streamlining activities and enhancing research capacity and shoring up the foundations of Memorial University, perhaps it would make sense if we could look to maybe incorporating a lot of this work into Memorial University. Instead of having those redundancies that we are seeing, maybe you can actually work with the university where maybe this piece is housed at the university and you can talk about data sharing within the university so that they have access to

really good data so they can, of course, publish which, of course, improves the reputation of the university.

Has that ever been considered?

**MS. COADY:** Thank you for the question,

Certainly, we work with Memorial University on an ongoing basis and we have great partnerships with Memorial on a lot. I would say most of the Geological Survey work is done by people who've graduated from Memorial University, as you have heard of Dr. Alana Hinchey and others.

So, yes, there is an ongoing discussion and ongoing connection between Memorial University. A lot of the work that's been done in the Geological Survey is really targeted. And this comes from Mining the Future. It's a true opportunity that we have in Newfoundland and Labrador and very focused on, because we are trying to attract investment, the types of research that will attract the investments. We are very focused on growing our industry and not just doing the geological work because it's an important, valuable part of the research and knowledge of Newfoundland and Labrador.

But I will turn to the ADM so he can add to this.

**MR. CANNING:** Thank you, Minister. Thank you for the point, it's important.

Just recently, at the mining conference, we heard Memorial speak very clearly about how they are helping companies improve their performance and recovery of ores. We actually toured one mining company with Memorial University. We work closely with Memorial. They are a critical partner. It's interesting because when I meet with federal and provincial and territorial colleagues, they're trying to stitch together academia with the departments and with industry, and we're doing it.

If you look at the hyperspectral scanning process, we will be the first in the country to have this system at the level it will be at, and clearly it's Memorial and CNA working with industry; not only working with them, but industry contributing and encouraging this partnership, so this is a critical piece.

If we look at our capability to compete with the world, it's through our brain power and our capacity to think through issues and find solutions to complex issues, because once we do it internally in our province, that's something we can export.

**MS. COFFIN:** Excellent, I appreciate that.

Certainly that's where my mindset is. What I am suggesting is that perhaps we strengthen that relationship and look at, while we are only 500,000 people, if we're going to be doing the same stuff, let's all do it together and share that information. There are lots of ways in which we can do that.

**MS. COADY:** I think that's an outstanding suggestion we're continuing to strengthen.

As the ADM mentioned, we do this hyperspectral imaging project that we're working with both Memorial University and the College of the North Atlantic on. Further on that, because it is in another estimate, that's through Tourism, Culture, Industry and Innovation, it digitalizes our provincial core samples to produce new, advanced data, and I think this is going to really revolutionize and be able to put it online.

It will really advance this province, and we're working with Memorial and CNA on that.

**MS. COFFIN:** That's excellent. I'm really happy to hear that.

One of the things you may want to consider as well is in the new intellectual property and collective agreements at the university, one of the key problems they're having right now is saving these core samples.

**MS. COADY:** Yes.

**MS. COFFIN:** There's no capacity to store this information and there's a lot of compliance across funding agencies all across Canada where those things need to happen.

So, as we do this, you also need to include the added burden on the university and funding that capacity. If we are going to grow our industry in

this particular area and add those resources, we also need to add that additional capacity.

Moving on from there, can we have an update on the potential gold resources in Central Newfoundland? Has there been an uptake on that information?

**MS. COADY:** Certainly a lot of uptake on it. The geological survey – and the ADM will give you further details, but if you follow along where the geological survey is, that was when we had that massive – I’m going to call it – gold rush where a lot of staking was done in Central Newfoundland. I can tell you that the advancements are continuing in that, but I’ll allow the deputy minister to give you an update on those gold resources that are really exciting.

**MR. CANNING:** Thank you, Minister.

The gold in Central Newfoundland is certainly driving a lot of exploration; tens of thousands of drill metres being drilled. If you look at Marathon, they have a pretty significant camp in the area of Valentine Lake and they’re actually moving into an EA process because they’ve determined that they’re mine ready in terms of moving forward their investments to create a mine.

It was interesting listening to other smaller companies exploring in that area at the recent Baie Verte Mining Conference, and you really got a sense that it’s actually charged up a lot of exploration activities.

The exciting news about this is that for most mines and most exploration, these are in rural parts of our province. These provide opportunities to those parts of our province, and they actually provide good jobs and opportunities, and a real future.

One of the reasons I like the Baie Verte Mining Conference is that it’s small mining companies and communities and governments and academia all working together to try to figure out how we can best squeeze an ounce of gold out of a certain amount of rock. That’s what they’re doing in the work I referenced Memorial was speaking of there was how to recover more and find more economic.

So, in terms of Central Newfoundland, I would say that things are progressing very well; a lot of exploration activity. Again, Marathon is moving strongly, but all of this, the genesis of this effort, these investments are our geological surveys work.

**MS. COFFIN:** Good. Okay. That’s nice to see that we’re putting all of those things together.

As a follow-up, gold mining is not the most environmentally friendly process. Is the department doing any work on how to ensure gold mining can be done without endangering our environment?

**MR. CANNING:** Thank you for the question.

The environment is critical. We get one environment. It’s our collective environment. So, it is of deep concern for us, and as companies discover gold, or whatever mineral, they have to go through a very strong process that requires them to demonstrate how they’re going to ensure the least impact and be sustainable in terms of the environment.

So, just because people discover things, it doesn’t mean they will have an easily gated process out through the environmental assessment process. I feel we have very robust systems of environmental assessments, and we will see.

In terms of our work, of course, Memorial is still doing work that I referenced earlier, but I understand the questions around gold mining and other types of mines. I would say that gold mining is one thing, but we can never get to a green economy without the riches of the earth. It is not possible to achieve the greening of the economy without things like rare earths that we see on the coast of Labrador and cobalt that we see coming out of Voisey’s Bay for electric batteries.

So, each mineral plays a part, and we don’t discourage the exploration of one mineral over another, but it’s up to the companies and their investor community to demonstrate and commit to a sound, environmentally responsible practice and program for their project.

**MS. COFFIN:** This is good to hear. I'm glad we are very concerned about the environment and, certainly, I see that there's a huge opportunity for our province to be leaders in environmental stewardship. The more rigorous our environmental protection, I think the more likely we are to become world leaders in that area. That is a huge growth potential, given societies, as a whole, concerned about climate change and environmental issues. So, certainly, I think, in addition to the mining, we have potential that perhaps we are not recognizing.

While we do have very strong environmental concerns about the project, the fact is Eagleridge is currently exploring for gold in the Salmonier watershed. Can the minister give us an update on their activities? Have they begun drilling? Yes, let's start with that.

**MS. COADY:** I'm going to allow the assistant deputy minister to answer on that, if I may. This is an exploration project. It is not a mining project. Sometimes you'll see in the media that there's a confusion. It is an exploration project, not a mining project.

**MR. CANNING:** Thank you, Minister, and thank you for the question.

It is an exploration process and in achieving exploration permits, there is a referral process to multiple departments. It's one thing to build a road, it's quite another to go through the process to achieve your permits for exploration.

So, as a company submits permits, they're completely reviewed and referred to multiple departments across a broad spectrum of government for the feedback before permits are issued. So, it's not exploration starts immediately. There is a process to get approved for that.

**MS. COFFIN:** Okay.

Why won't the government authorize an environmental assessment of their activities, notwithstanding the Supreme Court ruling?

**MS. COADY:** If I may, the environmental assessment process doesn't rest with the Department of Natural Resources. We do the permitting on exploration or permitting on

mining, but the environmental assessment process rests with the Department of Municipal Affairs and Environment.

**MS. COFFIN:** Okay, I'll talk with them about that then.

**CHAIR:** The Member's time has expired.

Mr. Brazil, do you have anything else for this subheading?

**MR. BRAZIL:** Yes, I do.

First thing, can you provide us with a copy of the projects that are going to be undertaken this year on the Geological Surveys? You can just provide that later on with your additional information.

Last year in Estimates, the discussion around the Labrador Trough, can the minister give us an update on what projects are going on there and any discussions on sharing information with Quebec because of the geographics, please?

**MS. COADY:** Thank you.

So first I'll go to the geological information sharing. As you know, last year Newfoundland and Labrador had made an agreement with the Province of Quebec where we're going to start to make sure we're developing the geological opportunity in Labrador with knowledge sharing. There have been ongoing discussions within the department between the geologists in Newfoundland and Labrador and the geologists in Quebec to make sure that we understand and share that information, because the Trough does sit mostly on the Labrador side, but we do share it with Quebec. Sharing that information and data will help us develop better resource as we move forward.

I can tell you that, as you know, Tacora is now in the process of restarting. I believe their first shipment is coming soon. So their first shipment of ore is coming soon and they've been just moving along gangbusters. As you know, I think there are 240 positions in the Wabush area. So that's pretty exciting. IOC has expanded and now has the Moss Pit and we're very pleased to see their continued growth and development. Tata has now hot commissioned their plant, and

that's very exciting. And as you know, Alderon did a project restart and is continuing to go out there and seek investment to start their processes.

So it is an exciting time in terms of iron ore and development of the Trough. We would like to see even more development in the area, obviously, and are continuing to work to do just that. I'm going to turn to the assistant deputy minister to see if there are any further things you want to add.

**MR. CANNING:** Thank you, Minister, and thank you again for the question.

I grew up in Labrador and the Labrador Trough is critical. It has massive iron ore resource through that area. Bear in mind, whether you're in Schefferville with Tata or Wabush with Tacora or Lab City with IOC, the railway is critical.

The shipping port of Sept-Îles is critical for us. So the capacity to entertain the production volumes is also critical. The sharing of information between the geological surveys of Quebec and Newfoundland and Labrador is also important. They did share before but we want to improve that, because what you discover over here might give you a signature of what you might find over there.

That's the issue with being able to share this – and we're in an excellent position. Dr. Alana Hinchey, I've referenced earlier, she's fluently bilingual, she's been over to Quebec City meeting her colleagues, so what we hope we will see is a joint plan to do more scientific research on both sides of the border up along the Trough areas.

So that's what we're working toward, and we're working toward making sure that there are no barriers to shipping down through the Quebec North Shore and Labrador railway, on to the port of Sept-Îles. Does that help?

**MR. BRAZIL:** Yeah, perfect.

I just want to note a few comments there in a general context because I support exactly where things are moving forward. I could look at the little changes in transportation and supplies, but

that's immaterial. I was out at the mining conference and was truly impressed with the partnerships, the industry, the components to it, and did get a real eye-opener about the potential for the seismic on land, particularly, and the use of drones and the ability that they have.

I know it's a first-time very expensive partnership or investment by certain companies, and I saw some of the potential entities that could be involved in here and some of the pieces of equipment, but being taken through it and then doing some research when I came back to see how viable it is and realizing where it works in other jurisdictions – in some jurisdictions, particularly down through South America, 80 per cent of their geological exploration is based on the seismic that's done on land through drones and that.

So I see the value there, and I truly encourage the department to find whatever ways to partner, and if it means supplying particular training or contracts, or even grants – because we see what we did with the seismic and the benefits a generation later, or a decade later, to now negotiating. The power we have in comparison; I see the same. But I also see it from an environmental point of view that if you already know, before you go to explore, you would know what footprint that's going to make from that perspective.

It wasn't my first one there, but it was my first one as the critic to really sit and talk to people; I had breakfast with some, and I went and saw a couple of sites and had a real understanding, and saw how technology could address some of the fears that we have around the environmental, it could address some of the big economic investments we have to put upfront, not knowing what the return would be.

But particularly, it puts us in a power broker's position by knowing in advance, when companies come in to bid on a parcel of land, what the value of that would be before we move it on. So, I was impressed with the mining industry themselves and the association itself, but I do acknowledge and want to give kudos to the partnership. I did hear a lot of positives for the department's partnerships with the mining industry.

The only concern and it may not be directly with you because there might be other line departments was from – I sat and had grand conversation with a number of prospectors who talked about the ability to, in a more equitable and a more time-efficient way, speed up their ability to get licensed, their ability to get access to parcels of land for exploration and that. Because without the prospectors identifying what's there, the rest of it is moot, it's not going to happen, and it won't happen in a timely fashion, as part of that.

Being new to that part of it, because my knowledge would be coming from a mining community and at one point I lived in Labrador and these type of things, knowing already-established things, but to get to that phase, what that would mean. So, I see the full partnerships.

What I did like was nobody felt they were segregated, that the department put more emphasis on this line item when it came to a particular part of the industry than the others. But I do think maybe it's through how we assess the applications for prospecting or some of the initial things in training or some of the things we do with our college systems to be able to encourage more students to be aware of that.

I had a great chat with some members of the college system out there about a centre of excellence around mining exploration and some of the new pieces of technology, which could be even drone technology and these type of things. So I think we have a great opportunity here to foster the survival of rural Newfoundland and Labrador, not just by the footprint we do when we go in and dig and take the minerals out and the manufacturing and these type of things but in the R & D part of it.

So, what I saw out there, the development partnerships, the competition is not among groups – I mean, just after the dinner I had a foreign company or an owner of a company come up and talk, while I was talking to somebody else who supplies drilling equipment who lives in that area, in the Baie Verte area; cards were exchanged and they were going to meet the next morning and these type of things.

I think we have an ability to do that in that industry, as we have done it through Noia and

those in the oil and gas industry, fostering what the mining industry does and the organization to be able to move that, but we need to find – and it could be simple things. It could be instead of five forms there are four. It could be the safety licensing for prospectors is done a certain way. It could be working with municipalities or with Transportation and Works to find access roads are upgraded in a safe manner. It could be working with Environment to ensure that the footprint is not disturbed and if there's wildlife during the exploration process, it's all done part and parcel, but also working with – and I had a chat with a couple of mayors – the municipalities, to know their parameters because some of it overlaps –

**MS. COADY:** Yes.

**MR. BRAZIL:** – Crown Lands to Municipalities. I think, it was an eye-opener for me. We have a great opportunity to explore and develop the mineral thing without it being offensive to any other sector of our society: municipalities, outfitters, the environmental needs and concerns and also ensure that local content, that the local businesses are given an opportunity. If they're not equipped now to do it, we work towards getting them equipped through training or some kinds of necessary investments.

On that heading, I'm quite happy where we're going with it and I just encourage you to keep moving it to the next level.

Thank you on that.

**MS. COADY:** If I may just comment on that.

**MR. BRAZIL:** Yeah. Sure.

**MS. COADY:** I want to thank you for that. We're very pleased to be modernizing the geological survey, which I think is very, very important. We have new tools and techniques, especially with drones as you talked about. This year we're asking you for an investment, of course, in the ability to be able to data capture in a different way. That's pretty exciting for us. That's for the airborne geophysics.

Just to speak a little bit about the prospectors. We're going through this continuous

improvement process to streamline and to try to improve that process. There is an investment, of course – I think it's Education – for a mining centre of excellence in Grand Falls-Windsor. I also will say that one of the things the department has been doing over the last couple of years is moving towards this industry facilitator.

As you said, a lot of times in government there are more silos so that if something comes to my desk and I work on it and then I move it to your desk but it may not have crossover, it may not come back. So, we're moving towards a model of industry facilitators where if I have your application, then I'm going to follow through and make sure my colleague in another department has moved that through as well.

We are making those improvements. Is there more work to be done? Absolutely. That's why we designed or developed the Mining the Future plans, that we have a plan to make sure that we are doing some of the things that we're talking about. I'm a business person and so the planning is very important for me to make sure that we have that plan and then we can say, okay, yes, we've accomplished that or we haven't and we have to do more.

I appreciate that encouragement and support for the department to continue to work in that and encouraging us to continue to modernize and improve our processes.

Thank you.

**CHAIR:** Ms. Coffin, did you have something?

**MS. COFFIN:** Thank you very much.

I'll jump off on the geological surveys and drone use. Can you tell me how often, and what's the prevalence of your drone use in surveying? This is a good thing; I just want to know how much is being integrated into that.

**MR. CANNING:** It's been quite integrated. In fact, the geological survey team that uses the drones are actually being recognized as experts in their field. Just last year, they were invited over to Nova Scotia to a conference with Atlantic Canadian scientists who show how they have incorporated drone technology.

As an example, if you look at the drone usage that was used over in Bonavista for the geopark that is trying to be progressed – ultimately, I think this year UNESCO is going to be here to do an assessment whether Bonavista will become an internationally recognized geopark, but this is due primarily to the ability to use those drones. Last year, when there was flooding on the Humber River in the Deer Lake area, we dispatched our team over to fly their drones to see what erosion was occurring on the turns and ebbs in that river so we could better inform area respondents to some of the issues that were going on and certainly community leaders. So I would say very integrated.

**MS. COFFIN:** Wonderful. That's very reassuring. Thank you.

Let's see, can you update me on the work being done on orphaned and abandoned mines?

**MS. COADY:** Go ahead.

**MR. CANNING:** That would be the header on Mineral Development but we can do it now if you prefer?

**MS. COFFIN:** Are we not in Mineral Development? We're in the twos, yes?

**CHAIR:** It's in the twos. Yeah, that's fine.

**MS. COADY:** It's under 2.1.03. We made a considerable investment in orphaned and abandoned mines as you know. I think we have a number of orphaned and abandoned mines. Prior to 1991, the legislation didn't require closure and reclamation plans. Since that time, of course, they do and we're very strict around that.

In 2016, in that first budget, we made investments. So over the last number of years – sorry, in 2016 we made \$300,000 and then it went to \$690,000. Last year, it was a \$1.1-million investment and this year it's going to be \$760,000, so a total four-year commitment of \$2.44 million. It's a four-year plan. We have a full risk registry being developed and maintained to make sure we have control of those assets, and appropriate levels of mitigation are ongoing.

I will ask the assistant deputy minister to give you more details on those levels of mitigation.

**MR. CANNING:** Thank you, Minister.

Let me just touch on the risk registry for orphaned and abandoned mines. We never had one prior to the last year and a bit, so we spent pretty well a year – because to develop a risk registry requires risk profiling, it requires a risk matrix and all in sundry of those tools. We worked with MAE and our department.

**MS. COFFIN:** MAE?

**MR. CANNING:** Oh sorry, Municipal Affairs and Environment.

**MS. COFFIN:** Thank you.

**MR. CANNING:** We also reached out across the whole of the country and we formulated a risk registry process. We're going through each one of these assets to identify what the unmitigated risk is and what the mitigated risk is to be able to hold ourselves accountable for achieving the mitigations.

As the minister said, prior to 2000 there was no requirement for the rehabilitation, closure requirements and financial assurance to achieve cleanup of mine sites. You cannot do a mine in this country today without having that in place. That was a big issue as we worked toward developing the Canadian Minerals and Metals Plan across the whole of the country.

With respect specifically to the key ones here – and there are a number of orphaned and abandoned mines – some have tailings ponds and some are old workings. The old workings we're going to profile those in the risk registry later. We're going to obviously ensure that we have a full understanding of the risks associated with those that deem the highest risk.

I think we have completed now Gullbridge, Buchans, Rambler, Minworth; each has been repaired. Hope Brook was repaired in 2004. This year, Whalesback will be worked upon and then we have a number, as I said, of the working areas that we'll profile, but they don't have tailings ponds with affluent.

**MS. COFFIN:** Okay. Thank you very much.

Can we get an update on the progress in the underground mining operations at Voisey's, please?

**MS. COADY:** Certainly.

Things are progressing rather well in terms of actions required under the development plan. As you know, Voisey's Bay made a significant investment to go underground. They are progressing on their milestones. It is anticipated I think first ore from the underground mine is going to be – what year? 2022, so it is progressing. They are making progress under the development plan.

**MS. COFFIN:** This is good to hear. How is Canada Fluorspar doing in St. Lawrence?

**MS. COADY:** They've done more shipments of their fluorspar.

I'll get the assistant deputy minister to give a brief update.

**MR. CANNING:** For Voisey's Bay in December, they achieved 15 per cent. So, they were compliant with their plan and schedule for the underground so members would have this knowledge. They were challenged a bit with equipment and temperature and conditions. I think they've addressed that.

Now, one of the things that Vale is doing to really improve their construction is what's called hot transferring of teams. So, one team flies in a plane that's going to replace the construction workers; they actually have a hot handover, and then when that team is finished up, they get back on the plan. So, you don't lose a transfer of knowledge and information as you hand over shift to shift as new teams come in.

CFI, they did have some issues with respect to material in their filters, and that was causing some clogging and the likes. They were challenged with some clay in that area and they've been working through that. We have regular updates. Tomorrow we have our next regular update. We meet with them every couple of months, and in between, we send down our engineers, as we do with other sites, to check in.

They've made their first shipment. I understand that they also are looking for a terminal to be able to ship the material.

**MS. COFFIN:** Lovely. That's great to know.

The price of iron ore is recovering. It's very good news, of course. We are still susceptible to external factors there.

Can we get updates on the following initiatives? You've already spoken about Alderon. How about Julian Lake and Quest Rare earth and Strange Lake rare earth, as well – perhaps not as related, but an update on the Scully Mine, as well?

**MS. COADY:** Thank you.

I gave a little update in the Scully Mine earlier, that's Tacora. So, Tacora made their first shipment yesterday, I understand; made their first shipment I think it was –

**OFFICIAL:** I think it's tomorrow.

**MS. COADY:** It's tomorrow? Okay. Within this week. So, it is progressing and we're very pleased to see that progress. We work very hard with Tacora to make sure that they were up and operational. So, we're very pleased to see.

You asked for Search Minerals. They're undergoing environmental assessment at this point in time. I think they were close on it.

**MR. CANNING:** Yeah. So, in fact, before this session was rescheduled, I was to meet them this morning to get an update, so they're progressing through their EA process.

**MS. COFFIN:** Good. Nice to hear. I look forward to hearing (inaudible).

**MS. COADY:** So, that was Tacora and Search. What was the first one?

**MS. COFFIN:** Julian Lake.

**MS. COADY:** Julian Lake, nothing progressing there. We are having internal discussions as to how we proceed.

**MS. COFFIN:** Okay. Good.

Thank you.

That's all my questions for this section.

**CHAIR:** Okay. Thank you.

**MS. COFFIN:** Thank you.

**CHAIR:** Mr. Lane, did you want to –?

**MR. LANE:** So, over and above all of the projects that have been mentioned, is there anything else on the horizon?

I can remember – I'm going to go back maybe five or six years ago – there were talks that there was uranium deposits in Labrador and all that stuff. I never heard anything about that after; just sort of dropped off the radar, but I can remember at the time being told there's a big uranium find in Labrador. Is there anything to that?

**MS. COADY:** Well, I think under the former government, they put a moratorium on uranium development, did they not?

**OFFICIAL:** (Inaudible.)

**MR. LANE:** If they did, why?

**MS. COADY:** Well, there is nothing active at the moment – using that term with uranium. There is nothing active at the moment.

There is a fair amount of focus on rare earth minerals, of course, and we just talked a little bit about that. Rare earth minerals are used in wind turbines. It's very much for – what I'll call – the new economy, the green economy. Most of the rare earth minerals are in China. There's been a lot of interest in developing rare earth minerals of a different source. Of course, in Newfoundland and Labrador, we do have rare earth minerals and that's why there is a development and a growth in that particular opportunity.

**MR. LANE:** So, again, just wondered about the uranium mine, I'm just curious, what's the deal on that?

**MR. CANNING:** As with most minerals, it is commodity price driven, so you tend to see the interest go up as the price goes up. Right now, I

think the uranium prices aren't that attractive to a lot of folks. So, the one thing about mineralization, it just doesn't disappear. At some point, if the commodity price comes around, it could shift the interest.

**MR. LANE:** Yeah, okay, but there is something there, I guess, is my point.

**MS. COADY:** Oh, yeah.

**MR. LANE:** Yeah, okay. Just curious.

Minister, not really about minerals per se, but I have a number of general questions, so I'll just take the opportunity to ask a couple here.

The *Energy Corporation Act*, we talked about that, I don't know if it was last year or the year before, and, of course, when Nalcor wasn't releasing the information on the embedded contractors and then you brought a piece of legislation to the House that did make some amendments to the *Energy Corporation Act*. I can recall, at the time, I supported it, but it didn't go far enough based on what the former Privacy Commissioner was saying that it wasn't a change that was required. You had indicated there would be further changes, but nothing did come forward.

I'm just wondering: What is the status on the *Energy Corporation Act*? Will there be any changes in the future to move more toward a model similar to ATIPPA where the Privacy Commissioner can determine what information would be released, say, by Nalcor, as opposed to the CEO just deciding what he wants to release or not want to release?

**MS. COADY:** I'm going to just talk to the Table for a second. We're moving into Energy Policy, which is 3.1.01.

**CHAIR:** Okay, no, we're going to stick with this (inaudible).

**MS. COADY:** We're moving into the next subsection, so I just didn't know if they wanted to take the vote on the minerals –

**CHAIR:** Yes.

**MS. COADY:** – before we start to get into the Energy Policy –

**CHAIR:** That's what we will do.

**MR. LANE:** Okay, I –

**CHAIR:** Further questions in this (inaudible).

**MS. COADY:** – and then I'll get into that. Is that okay?

**MR. LANE:** I guess I was just using the sections for general questions, because as we get into the next section I have 10 minutes and I have more than 10 minutes' worth of questions and I'll never get an answer.

**MS. COADY:** Oh, okay. I was just trying to figure out the Table process here.

**MR. LANE:** Yeah.

**CHAIR:** That's what we're going to do.

**MR. LANE:** While I had five minutes, I was just trying to –

**CHAIR:** You're correct, Minister.

**MR. LANE:** I was trying to utilize the five minutes. No?

**CHAIR:** No, we're going to vote.

If there are no further questions –

**MS. COADY:** Sorry, I didn't realize that.

**CHAIR:** – on this particular subhead, we will –

**MR. BRAZIL:** I have some more questions on that.

**CHAIR:** You do?

**MS. COADY:** Okay, so I can give a brief answer.

We are right now in the middle of an inquiry that's giving a tremendous amount of information to the public about the Muskrat Falls Project. I do anticipate that as things evolve on the Muskrat Falls Project, it will likely

involve some changes to the *Energy Corporation Act*. I can't say when or what they might be because we're in a moving environment right now.

We have a commission of inquiry looking into the Muskrat Falls Project. We're about 97 per cent complete on the Muskrat Falls Project; we're looking at the transition from development of the project into operations. So, there are a lot of moving parts right now and all I can say is active and keenly interested in continuing to look at the *Energy Corporation Act* and what changes may be required.

**MR. LANE:** Okay. Thank you for that.

That will be all I'll have under this section, but I have more questions on the next one.

**MS. COADY:** Now I understand what you're trying to do.

**MR. LANE:** Nalcor is really what I want to talk about.

**CHAIR:** Okay.

Mr. Brazil.

**MR. BRAZIL:** A couple of quick ones here, Minister, under Mineral Development, 2.1.03. Professional Services – last year's budget went over by \$140,000; Purchased Services was down dramatically. Just a quick explanation so I get my head around what the savings were or the added expenses?

**MS. COADY:** Okay, so 2.1.03, Professional Services?

**MR. BRAZIL:** Yes.

**MS. COADY:** That was due to contracts for work related to the orphaned and abandoned mines; they came in slightly higher than estimated. It was additional engineering work that was done, but then if you look at the next line down, by doing that extra engineering work it made for us having a lower than anticipated requirement under the –

**MR. BRAZIL:** Purchased Services.

**MS. COADY:** Right.

**MR. BRAZIL:** I figured that but I just wanted to clarify.

**MS. COADY:** It was a good investment.

**MR. BRAZIL:** Yeah, up front and you save it on the back end.

One last question on that: Have any changes been made to the Vale Development Agreement?

**MS. COADY:** No.

**MR. BRAZIL:** Okay, I just wanted to get on record to know that there's been no other discussions.

**MS. COADY:** I'm going to make sure there.

**MR. BRAZIL:** Sure.

**MS. COADY:** No.

**MR. BRAZIL:** Okay.

**MS. COADY:** I knew that but I wanted to –

**MR. BRAZIL:** Need to make sure.

**MS. COADY:** – confirm it with my ADM.

**MR. BRAZIL:** Fair enough.

Madam Chair, I'm good on that.

**CHAIR:** Okay, and if there are no further questions in this section, we will now take a vote.

**CLERK:** 2.1.01 to 2.1.03 inclusive.

**CHAIR:** Shall 2.1.01 to 2.1.03 carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, 2.1.01 through 2.1.03 carried.

**CLERK:** 3.1.01 to 3.1.08.

**CHAIR:** Okay, before we move on, Minister, would you like to stop to take a five-minute bathroom break or did you want to keep going?

**MS. COADY:** Sure we can, if that's –

**MR. BRAZIL:** Five or 10 minutes.

**MS. COADY:** Five minutes you want? Sure.

**MR. BRAZIL:** Yeah.

**CHAIR:** We'll take a five-minute break.

**MR. BRAZIL:** Yeah.

**MS. COADY:** Okay. That's a good idea.

**MR. BRAZIL:** Come back at quarter to, in eight minutes.

### Recess

**CHAIR:** Okay, are we ready to resume?

Good to go? Okay.

**CLERK:** 3.1.01 to 3.1.08 inclusive.

**CHAIR:** Mr. Brazil.

**MR. BRAZIL:** Thank you, Madam Chair.

Under Grants and Subsidies, Minister, outline how much was used last year and forecast for the upcoming year for both the diesel subsidy and the CF(L)Co trust. Can you just outline the differences there and how it's going to be allocated?

**MS. COADY:** Certainly, I'm just moving my page.

The diesel subsidy, the Estimates for 2018-2019 were \$2.3 million; we think it is going to be \$2.2 million. The funding is required to provide a subsidy to offset electricity rates for isolated diesel communities. We have been finding it trending approximately at \$2.2 million.

And you asked about –

**MR. BRAZIL:** There's a saving there. Where did that come from?

**MS. COADY:** The \$100,000? I'm sorry; I need to ask –

**MR. BRAZIL:** There's \$250,000 in a line item, which was not spent. Where did that savings occur?

**MS. COADY:** Trying to catch –

**MR. BRAZIL:** Under the Grants and Subsidies.

**MS. COADY:** Grants and Subsidies. Yeah, what I just said. You're looking at number 10, Grants and Subsidies?

**MR. BRAZIL:** Yeah.

**MS. COADY:** And it was \$2.050.

**MR. BRAZIL:** Yeah.

**MS. COADY:** That's the lower anticipated costs associated with the diesel subsidies.

**MR. BRAZIL:** Based on the cost of –

**MS. COADY:** Based on the cost –

**MR. BRAZIL:** – diesel or delivery, contract.

**MS. COADY:** So, based on the requirements –

**MR. BRAZIL:** Yeah.

**MS. COADY:** – how the subsidy works. Based on the requirements throughout the year it was lower than anticipated. It has been trending lower. We had budgeted \$2.3 million. It has been trending lower so we budgeted \$2.2 million this year.

**MR. BRAZIL:** Yeah, fair enough. That's what I'm trying to get at. Is it because we're using less because of population, or is it the price is down or the delivery mechanism is more efficient, we're getting better quotes on the pricing?

**MS. COADY:** As you know, it's based on diesel consumption.

**MR. BRAZIL:** Consumption, yeah.

**MS. COADY:** It's diesel, so it depends on the price of diesel.

Does everybody understand what the subsidy is? Maybe I should just say –

**MR. BRAZIL:** Yeah, clarify hopefully.

**MS. COADY:** – into the record. The subsidy for Labrador diesel system residential customers reduces their rates to those paid by residential customers on the Labrador Interconnected system for their basic monthly charge, as well as the Lifeline Block. The Lifeline Block ranges from about 1,000 kilowatts in winter months to 750 kilowatts in summer months and was established to serve basic lighting and power needs.

Consumption above the Lifeline Block is billed at higher rates, which they still do not recover the full cost of the service. It's based on the fact that in isolated and rural communities you have diesel consumption. As I said, the department has now gone out to look for opportunities to replace that diesel with other green energy possibilities.

**MR. BRAZIL:** Okay, good. That leads into what I was going to ask and it may not be. I know there's roughly 20 communities or so that are on the –

**MS. COADY:** Yes.

**MR. BRAZIL:** – system itself and you did answer. I was going to ask: Are there some immediate communities that could be taken off the diesel and put on to some other supplied energy?

**MS. COADY:** Certainly, we have been working with the Nunatsiavut Government on this and looking at possibilities for both wood stoves and some other means of green energy provision.

I will ask Corey Snook, assistant deputy minister, to add to this.

**MR. SNOOK:** Thank you, Minister.

The efforts being made to reduce diesel consumption are – I think you said to remove it all entirely, take diesel out altogether. That's not being done right now. It's about least-cost reliable service. It's very remote and, as of now, diesel remains, worldwide, the most effective reliable source of power for off-grid systems.

Ultimately, you want to get to a place – and the minister, in her mandate letter as well, talks about reducing diesel – where the diesel is gone but you take incremental steps. We're working with Nunatsiavut Government who has their Energy Security Plan. We're supporting them and they're trying to look at putting in wind with some battery storage around it, but diesel would still be the backbone for now.

Similarly, the minister issued an expression of interest document in April that looks at the rest of the isolated diesel systems south of Nunatsiavut region, so coastal Labrador and the Island. The idea is to seek expressions of interest from interested parties who want to put in alternatives to reduce diesel consumption.

**MS. COADY:** If I may, I'll say one thing, I've been pressing at the federal, provincial and territorial meetings that I think one of the ways Canada can reduce its greenhouse gas emissions and address climate change is by taking all rural and remote communities off diesel in the country. I've been pushing to have a national strategy and I think there has been some good work done at federal, provincial and territorial meetings to find new means of providing energies to these rural and remote communities.

It is a great opportunity for us to do just that. That's why the department has moved ahead with this expression of interest with Hydro to see what other forms of energy provision there are.

**MR. BRAZIL:** Fair enough. That's a good approach.

Let's talk a little bit about the net metering. How many applications have you had? I'm curious to see if there's any benefits to that, particularly in the remote and isolated areas?

**MS. COADY:** Certainly we have a net metering policy. I know that both Hydro and Newfoundland and Labrador Power have had applications. I'll allow the assistant deputy minister to give you an update.

**MR. SNOOK:** Yes, so annually they provide reports to the Public Utilities Board on net metering uptake. The numbers have been – I don't have the number in front of me. Probably we can very easily get that. It is available in diesel communities as well.

**MR. BRAZIL:** Yeah, perfect.

**MS. COADY:** We can get you that in (inaudible).

**MR. BRAZIL:** Yeah, if you could. I'm curious to see it.

**MS. COADY:** It has been low. I will say that.

**MR. BRAZIL:** There was a lot of noise about it a year ago or two.

**MS. COADY:** I'm going to say there was a lot of excitement about it, but there hasn't been as much uptake as would've been thought.

**MR. BRAZIL:** No, and I agree, I spoke to a couple of companies who are connected in my district and I said, look, go for it, there's a process. I haven't heard anything, so I didn't know if it was over encompassing or they haven't gotten to it yet or it was the flavour of the day at the time because there was some discussion and people haven't moved it to the next level. If you could share that, I'd appreciate it, just out of curiosity also.

Under Petroleum Development here, the revenues. Because I'm new to this one, I'm just curious to see where the revenues come from under that heading? There's not a substantial difference from last year, but I'm just curious to see what that covers.

**MS. COADY:** Easy enough. It is delegate fees for the Offshore Technology Conference. As people attend the technical conference in Houston – OTC it's called – the department charges about \$700 per person, roughly, to participate in the meeting space and booth space

and utilization of the networking registration fees. That's where it's captured.

**MR. BRAZIL:** Okay, I was just curious because I wasn't quite sure what (inaudible).

**MS. COADY:** Yeah.

**MR. BRAZIL:** Seismic; as I mentioned at the opening here, I'm a big proponent and a big supporter. Can you give us some details of this year's seismic program? How much is set aside? Is there a backlog of seismic data to be analyzed? Is all the information collected now analyzed and ready to be released?

**MS. COADY:** Thank you for the question. This is a very important question.

It's not necessarily showing here, but –

**OFFICIAL:** 3.1.06.

**MS. COADY:** What is it?

**OFFICIAL:** 3.1.06.

**MS. COADY:** 3.1.06. Allow me to tell you kind of what's – I'm just going down to the Oil and Gas Corporation.

Of the monies there, there are three things, I guess, in terms of the seismic data. There's the processing of the 2018 program data, and there's about \$5 million just for the processing of the data so that we can get to a point where we can go and have the independent validation. You recall we have the validation and information done by our geologists at OilCo, but then there is also the independent verification by Beicip-Franlab. I always get that name mixed up.

Then there's new data, so they're out there doing 2-D and 3-D seismics. Most of the 3-D now is off the coast of Labrador because, of course, what happens – and this has been standard over the last number of years – is looking at where the next bid round will come. You know that coming up in the years to come will be Labrador, so it's been staged so that there is both 2-D and 3-D seismic data available before the bid round. I think that really does drive interest in our offshore. You can tell from last year's bid round in one particular area where there was a

very significant bid, it was because of some of that 3-D seismic work.

There's \$20 million in new data seismic this year, which is equivalent to last year. Then, of course, there are some monies for resource assessment and that type of thing as well.

**MR. BRAZIL:** Okay, fair enough. I appreciate that.

**CHAIR:** Okay, thank you.

Moving on now, Ms. Coffin.

**MS. COFFIN:** (Inaudible) wonderful. Let's see, where will we start?

You mentioned earlier that you're going to be doing some projections of Newfoundland and Labrador renewable energy needs. Can you give me a little bit more detail on that, please?

**MS. COADY:** It's not projections of renewable energy needs; it's more that we're developing a renewable energy plan. We do have a lot of wind in our province, we have a lot of opportunity for other, tidal. There are all kinds of other renewable energy opportunities. We're developing a plan for that and so working with both industry and other proponents to develop a renewable energy strategy – plan. I won't call it a strategy; it's a plan. That work is getting under way.

It's not necessarily looking at how much do we need in the province because, of course, once Muskrat Falls is on stream, we're going to be about 98 per cent renewable energy in the province and that other 2 per cent is the diesel that we've just talked about. It is how do we integrate renewables, how do we encourage renewable growth?

**MS. COFFIN:** Okay, so if we're going to grow that renewable energy, where are we selling it?

**MS. COADY:** It could be in multiple ways. I'll allow the assistant deputy minister to give his view because he's been very heavily involved in this. It could be in multiple ways. You could use it here in the province as our energy needs grow. There are opportunities around data centre development and other developments in the

province that we might be able to integrate and require some new renewable energy on the grid as time progresses.

Secondly, offsetting the diesel use that is occurring in about 20 communities around the province, so utilizing that renewable energy for that. There's a possibility of selling it outside the province. As you know, Nova Scotia is looking to get out of utilization of coal for their energy requirements, so there's a possibility for that. We're looking at what it is we need to do to encourage renewables development in the province.

Maybe I'll turn to the assistant deputy minister who's pretty keen on this as well.

**MR. SNOOK:** Thank you, Minister.

I think in addition to those things the minister mentioned, you'd look at electrification of space heating. Currently in the province, there's still quite a bit of people, businesses and institutions using home-heating fuel or heating-fuel oil to heat their space. If you could find ways to switch out into electric heating, that would be a good new market, also electric vehicle use.

The renewable strategy is a very long-term view of the province. It's not necessarily one, two, five, 10 years out; it's sort of a transformative, how do we see ourselves farther out. So what role will electric vehicles play and how do we support the growth of electric vehicles.

The minister mentioned, as well, exports. Yes, Nova Scotia has coal; in addition, New Brunswick has fossil fuel burning. All around us in the neighbourhood there are provinces and utilities that have aging fossil-fuel infrastructure that they want to ultimately get out of. Those are some additional points.

**MS. COFFIN:** From that, can we have a demand forecast? I know these transitions had all been talked about before we engaged in our last renewable energy project and some of these demand forecasts were significantly altered in recent years. I'd certainly like to look at that.

I'd also like to see any projections for the export market, because remember the things that we just discussed there. Given the fact that we have

a renewable energy project that is three sizes too big, perhaps it would be a little more prudent to talk about how we're going to use that most effectively and most efficiently before we go on and try and develop alternative renewable resources.

**MS. COADY:** I think that perhaps you're thinking that we're looking at developing renewable energy projects. That's not what the purpose of the plan is. It's to look at – we do have renewable energy opportunities – what are we doing with them? How do we maximize them?

This is not about a project per se. If you're looking for demand forecasts for the future for use of Newfoundland and Labrador's energy opportunities, we can certainly, I'm sure, get that through Newfoundland Hydro and – through the Public Utilities Board. All that information would be available.

The department is not doing any demand forecasts for energy as part of this renewable energy. It's not a project, it's a plan to kind of look at: What are we doing with wind energy in the province? What are we doing with tidal opportunities? How do we consider offshore wind opportunities? I don't want to give the impression that this is a project that we're going to be funding. It's not. We have this opportunity. How are we maximizing it in the province of Newfoundland and Labrador?

**MS. COFFIN:** Okay, I think all of those pieces are tied very importantly together, the plan and how we might develop future things. It's hard to develop a future renewable energy project, whether it's being done within the province or by government, or if it's encouraging private sectors to come in. If we have a plan, that's all well and good, but if they have no places to export that energy or that opportunity is not there for them, then even though we have a plan to develop it, no one will be at all interested in it if there's no way in which they can sell it. That's the only reason why I'm saying some of these plans are a little incongruent.

Moving on, let's talk about the Ramea project right now. There's a problem with fuel cell technology, how to store the excess electricity generated. Has that been solved?

**CHAIR:** Corey.

**MR. SNOOK:** Thank you, Minister.

The Ramea project was established to take wind and, when it's not needed in the community, to convert it to hydrogen, store it in a tank, and when the demand picks back up, converts it into electricity using a generator. The generator was provided in-kind from Natural Resources Canada as part of the project, and the generator never did meet the expectations for the unit. It hasn't produced electricity through the hydrogen aspect of it. Newfoundland and Labrador Hydro is reassessing how to move forward with that project, whether it's hydrogen or other storage mechanisms.

**MS. COFFIN:** Yes, I know that hydrogen storage has been a significant problem in the development of that type of technology. So it'll be interesting to see how that develops. If we can sort that out a little bit better we're going to be leaders in that field, and that'll be impressive.

**MR. SNOOK:** I would say the storage hasn't been a problem – just to be clear. Creating the hydrogen and storing it, it hasn't been a problem. It's reconverting that from a hydrogen gas back into electricity; that was the challenge.

**MS. COFFIN:** Okay. Interesting. Interesting.

Let's see here now. We're doing all of the threes, yes?

Thank you very much.

Let's talk about Petroleum Development, Royalties and Benefits. An ATIPP request was published asking for projected Hebron royalties per year from 2018 to 2060. The information was denied because there's Cabinet confidence. The oil resource belongs to the people of the province.

Do we not have a right to know what those royalties are going to be? Perhaps you could tell us a little bit about the royalty regime and the time to payout?

**MS. COADY:** I would have to get that information specific to the project for Hebron. I don't have it with me in Estimates.

**MS. COFFIN:** Then you should get it. We'd love to have it.

Thank you.

**MS. COADY:** Well, just one moment, please.

So, there is – if you've been denied under ATIPPA, which I would have no knowledge of who the proponent is or even whether it has been filled, I could only assume that it's because it's commercially sensitive information. We can probably give you an estimate.

**OFFICIAL:** (Inaudible.)

**MS. COADY:** No?

I'll find out what we can possibly give you in terms of projection. And you specifically want it to the Hebron project?

**MS. COFFIN:** Yes, please.

**MS. COADY:** Okay.

**MS. COFFIN:** Thank you.

**MS. COADY:** Just for your knowledge; moving forward, we have a generic royalty regime and there's a set formula. Prior to now, each project was a little different and a little separate, so.

**MS. COFFIN:** Okay. No, I look forward to seeing that.

In 2014, the Auditor General reported government could be missing out on royalty revenue from offshore production due to overdue or incomplete audits of the companies involved.

Can you give us an update on that? Is it still a problem, and how far are we behind on that?

**MS. COADY:** Thank you. That's a very important question.

I can say that we do have a full audit function team under the ADM for benefits who has been diligently working to get them up-to-date. I know we're working on 2015 at the moment, which has been good. I think when the Auditor General made indication – because we don't

have even information yet from companies on 2018.

So maybe perhaps the ADM could give you a fulsome update.

**MR. TRASK:** We're currently working on 2013 and 2014 audits. They'll be completed this year, and we've started work on 2015. So we've caught up where we were behind. There's no risk of missed years. We are now back on schedule.

It takes time to get the information from those companies in order to audit it. So there is a lag there. You'll never be at the year that you are currently operating or the year previously because of the audit trail that's required.

**MS. COFFIN:** I understand. Yeah, it takes a lot.

**MR. TRASK:** But we are caught up.

**MS. COFFIN:** Good. This is good to hear.

So any outstanding amounts, would they be expected to be paid retroactively with interest?

**MR. TRASK:** Correct.

**MS. COFFIN:** Wonderful.

**MS. COADY:** Thank you.

One thing I think was really interesting, under the Generic Oil Royalty Regime we made it a requirement that the audit function would be done here in St. John's, Newfoundland and Labrador. We now have a budget in this appropriation because our team has to travel to Calgary, because that is the headquarters of most of these oil and gas companies, but we've now made it, under the Generic Oil Royalty Regime, a requirement that it's done here. So they won't have that expense in the future.

**MS. COFFIN:** Well, that's nice to know.

How many audit companies here in Newfoundland and Labrador are large enough to be able to handle something like that?

**MS. COADY:** This is not through audit companies. We have chartered accountants

working for the Department of Natural Resources who do the audit.

**MS. COFFIN:** Okay. Good to know. Good to know.

Thank you very much.

**CHAIR:** Okay. And we can come back to you again if you have more questions.

**MS. COFFIN:** Oh, I'm sorry.

**CHAIR:** I certainly can, so no problem.

**MS. COFFIN:** Thank you.

**CHAIR:** We'll move on now. I'm being cognizant of time.

Mr. Brazil, I believe you have some more questions.

**MR. BRAZIL:** More questions under this heading here.

Can the minister give an update on what progress has been made regarding the *Advance 2030* strategy in the last year? And will there be a public update coming in the near future?

**MS. COADY:** I swear to God, I didn't ask you to do this question.

**MR. BRAZIL:** Perfect timing.

**MS. COADY:** That was beautiful. Thank you.

Yes, we did today release the Implementation Report for 2018-2019.

**MR. BRAZIL:** Okay, good.

**MS. COADY:** We're about 95 per cent either in progress or completed in the immediate term plans under *Advance 2030*. I don't know if we have copies available here but we'll make sure that we get you copies of the Implementation Report.

So about 95 per cent of the immediate actions have either been actioned and are under way or completed.

**MR. BRAZIL:** Good.

**MS. COADY:** So, good progress. And I do thank all of our partners in that, federal-provincial governments. It's been Noia and CAPP and PRNL and ACOA and a whole bunch of people coming together. I think it's very important to see that progress.

Thank you for the question.

**MR. BRAZIL:** Okay. I can get a copy of that?

**MS. COADY:** You can have my copy.

**MR. BRAZIL:** Oh, yeah. There's a copy there for me, perfect.

**MS. COADY:** We'll give you copies now, yeah.

**MR. BRAZIL:** And I guess the Third Party and colleagues –

**MS. COADY:** Absolutely.

**MR. BRAZIL:** Yes, perfect. I appreciate that.

**MS. COADY:** Yeah.

**MR. BRAZIL:** One last one there. You had touched on Bull Arm earlier, on the conversation there.

Just a quick question here on the future of Bull Arm, where we are when it comes to any additional maintenance or upgrading that's needed to keep it functional, that hopefully we get a partner down the road in the near future.

**MS. COADY:** There are maintenance requirements, obviously, and security requirements that are funded through the oil and gas company. We are diligently working to ensure the best use of Bull Arm.

The question becomes, as we do more offshore Newfoundland and Labrador, most will be done in deeper water. So that'll be an FPSO versus a gravity-based structure. So there is ongoing discussion.

As you know, we went out for an expression of interest on the use of the Bull Arm site. The

fabrication we have let, as I mentioned earlier, for some upgrades to the West Aquarius and we are hopeful for more work. Different fabrication companies may be able to use that site for that type of work.

The question is, should it become a supply and service basin, Bull Arm? How do we maximize that usage? That is under active review and discussion, and of course working with those that came forward on the expression of interest.

**MR. BRAZIL:** Fair enough. It makes sense.

One last quick one.

**MS. COADY:** Yes.

**MR. BRAZIL:** Maybe I haven't seen the minutes somewhere.

Has there been an Oil and Gas Council meeting recently, or is there one coming up?

**MS. COADY:** They're regular.

**MR. BRAZIL:** Okay.

**MS. COADY:** I'm going to turn to Doug. I don't remember when the next one is. It's soon, I think.

**MR. TRASK:** Next Friday.

**MS. COADY:** Next Friday. So they are –

**MR. BRAZIL:** Next Friday, okay. I figured it was a timeline, okay.

**MS. COADY:** Yeah, they are ongoing. We tend to have in person about every two months, and then a conference call every month. We do have an implementation committee that is for *Advance 2030*. So, not only do we have the Oil and Gas council that deals with both *Advance 2030* and other issues, but also then the implementation committee that is actively the – I call it doing the groundwork on the plan itself.

**MR. BRAZIL:** Okay, thanks.

I didn't realize I had another note there on the C-NLOPB, so I've got a few more questions under 3.1.03.

**MS. COADY:** Yeah.

**MR. BRAZIL:** It's all the same heading; I thought it was different headings.

The C-NLOPB is fully cost recovery from the industry. What accounts for their increased operational costs? The provincial portion has increased from \$9.4 million to \$11.2 million. Can you explain the costing there, when our understanding is it's supposed to be cost recovering from the industry?

**MS. COADY:** Certainly.

It's all cost recovery, so I don't want people to misunderstand and think that it's going to cost us anything.

There's a cost in there for one-time transformational costs, that is software and maintenance on an exploration and resource management software that they needed, and that's about \$700,000 – \$657,500, I think, if you want to be specific.

There are also some new employees that were require: a safety officer, a compliance officer, a certification engineer, some new positions that were required in the C-NLOPB, but allow me to tell you that we've made some governance changes. You saw it in *Advance 2030*, where we talked about a renewing and modernizing governance.

**MR. BRAZIL:** Yeah.

**MS. COADY:** I think you'll be pleased to hear that we've actually now split the CEO and chair into two positions. So, there is the CEO position, which is continuing to be held by Scott Tessier; his contract has been renewed as CEO. He will be CEO, but now there's – I call it an independent chair. It's very important under governance rules to have that tension and to have that oversight by a separate body.

So, up to this point, it was always chair/CEO. Now, we have a part-time chair; we've been recruiting for that and hope to have that finalized very soon. The acting chair at the moment, which was appointed by the board, is Roger Grimes, from the board itself. Both the federal and provincial governments have been actively

recruiting for a chair and decisions will hopefully be in the near future, but the CEO will remain as Scott Tessier.

I thought it was very important to separate those two roles.

**MR. BRAZIL:** I won't say I'm 100 per cent supportive but I can see the merits there of the understanding or the rationale. Fair enough.

**MS. COADY:** Nova Scotia has a separate, and it certainly is something that's industry standard now, to separate out those roles.

**MR. BRAZIL:** Two positions, yeah.

**MS. COADY:** So, Mr. Tessier, who's going through, doing some of the day-to-day activities now, has someone he reports to in terms of the board. I know as chair he always reported to the board, but now he also reports to the chair as well.

**MR. BRAZIL:** Chair of the board, yeah.

Any other positions vacant on the board right now?

**MS. COADY:** On the board right now, yes, there's one provincial position, and we're actively recruiting for that. We anticipate that fairly soon. I know the federal government has positions that are just coming out.

**MR. BRAZIL:** Yeah. Perfect.

Has there been any push-back with the industry with the additional cost, or do they see the merits of ...?

**MS. COADY:** Well, they also know that one-time transformational cost for the software is one time. Obviously, we, in general – the global we, I'll call it – have to keep costs down. We all have to be mindful of being globally competitive, so we're mindful of it.

Over the last number of years, before it was recovered from industry, when the Province of Newfoundland and Labrador was responsible for the cost, we were very, I guess, directive or very concentrated, concerned about making sure those costs were as low as can be. We continue

in that for industry sake, so we continue to monitor and make sure the costs are as low as possible as a jointly managed board.

**MR. BRAZIL:** Okay, great.

Under 3.1.04, Royalties and Benefits, the Salaries seem to be a savings of \$275,000 from last year. Can you explain where they come from?

**MS. COADY:** Certainly.

In Royalties and Benefits, there are about 27 positions, and the difference, of course, are variances due to vacancies within the division during the year. As you can see, there's a salary adjustment coming back up to – what I'm going to call – normal levels, but there's an ebb and flow. With 27 positions, there are changes, leaves, that type of thing, but we anticipate being back up to full complement, I think, very, very soon. You're actively recruiting, I think?

**MR. TRASK:** The Benefits division had quite a bit of turnover, which all those positions have now been filled. In the Royalties division, there tends to be some movement between Finance and ourselves. They're temporary; they get filled, and people move back and forth between those two departments.

**MR. BRAZIL:** Okay. I just got one quick last one on that; it's a two-fold one.

The Professional Services and the Purchased Services, can you just outline some of the services that are being contracted there or the purchases that are necessary?

**MS. COADY:** Just looking to get more details, which I don't seem to have. Do you have them right there?

Let me give you some details. Sorry about that.

**MR. BRAZIL:** No problem.

**MS. COADY:** I just can't find them on my page here.

So, you're looking at Purchased Services?

**MR. BRAZIL:** Yes.

**MS. COADY:** Okay.

**MR. BRAZIL:** Purchased and Professional.

**MS. COADY:** So, I'll do Purchased Services first, \$188,400. That's FMI contracts for employee development, \$4,800; Xerox, \$8,400.

**MR. BRAZIL:** Yes.

**MS. COADY:** Under Royalties and Benefits, there's \$100,000 for software called PIRA, which is the oil market price forecasting software. There's Platts, which is the oil price verification software. It's an official source for Newfoundland royalty agreements, the Platts is. There are photocopiers and an audiovisual and room rental for the Oil and Gas Industry Development Council.

**MR. BRAZIL:** Okay. I'm good.

**CHAIR:** Okay.

Moving on to the next speaker. Do you have any more?

**MS. COFFIN:** Let's move on to Innovation and Business Development. I noticed that it has \$6 million in budget, but only \$3 million spent. I understand that's full-cost recover.

Can you let me know why we didn't spend \$3 million? I see that it looks like it's been rolled into the next year. Where is that money going?

**MS. COADY:** Sorry, I'm just catching up. I couldn't hear you when you first spoke.

3.1.05, we allocated \$6 million a year for the next 10 years in this Innovation and Business Development and supply and service development area. It was brand new last year. We spent \$3 million which was good. We were able to give – and I'll give some of the – this has been publicly released.

For example, we gave money to Petroleum Research for enabling subsea tieback for marginal field developments; to NEIA for exploration of clean technology opportunities within the oil and gas sector; to Scanmudring services for Grand Banks demonstration of services; to Kraken for demonstration of some of

the underwater robotics; to Noia for enhancing the economic potential of offshore oil; and the Fisheries and Marine Institute for expansion of the Holyrood Marine Base. That was the \$3 million in total that we spent.

The other \$3 million we've been able to roll forward just because it was a brand new program. It was just up and running and we were just starting to get the applications in. It's jointly administered with TCII, Tourism, Culture, Industry and Innovation, because they actually have the industry liaison workers and the analysis there. We didn't duplicate those efforts; we actually used the skill set of TCII.

It's going quite well. We're quite pleased with what's been happening in terms of getting more supply and service, more information and really working to drive that. We've allocated \$3 million in this budget for a Digital Ocean Innovation Centre to really help with both subsea development and innovations around the industry and working with the oceans cluster and Memorial University.

**MS. COFFIN:** Good. Thank you.

Can you give us an update on the timeline for the separation of the Oil and Gas division into its own entity?

**MS. COADY:** I'm not quite understanding –

**MS. COFFIN:** The moving to the Oil and Gas Corporation, can you give me a sense of the –

**MS. COADY:** Oh, I'm sorry. The corporation –

**MS. COFFIN:** – timeline there, please?

**MS. COADY:** – I thought you said division.

That has been progressing. We're making sure we're doing all of our due diligence on that. I'm going to get the assistant deputy minister to give you an update.

We're anticipating it to be probably completed by this fall and we're really working now on making sure the shared services are in place to help with some of those costs. We're also making sure, for example, that the employees, because they're transferring over from Nalcor

into the new oil corporation – to make sure that we’re doing things effectively and properly for those employees.

Perhaps, Doug, you can give us more of an update.

**MR. TRASK:** Happy to do that.

As we know, I guess the legislation went through the House in March. It’s still yet to be proclaimed. Then, we went into an election so, really, we couldn’t progress things over the last while, the last two months, really. There’s still progress being made internally. There’s a working group established to facilitate that transition.

As the minister has indicated, we foremost want to ensure we respect the rights of the employees that are transferring from one organization into the new Crown corporation. That will continue over a period of months, I would say. There will be various parties – OCIO, Finance, Justice, HRS – involved in that process. The move is to also try and share services within government. Things that can be done more cost effectively will be, through that shared-services model.

**MS. COFFIN:** Good, that’s reassuring as well. Thank you.

Minister, your mandate letter tasked you with pursuing options for exploration of offshore natural gas. Has there been any progress on this? Any hope for future marketing of that resource?

**MS. COADY:** Yes, thank you.

As you may know, natural gas has been very, very low in terms of price and value in the last number of years, but we are continuing to develop a framework to ensure that as we move forward with gas development, we have a good framework in place. It was part of the efforts under the Oil and Gas Industry Development Council’s plan, *Advance 2030*. You’ll see in the implementation report that we have research under way in that particular area.

We also have about – I think it is – 150-trillion potential offshore Newfoundland and Labrador. That’s what we are seeing in seismic and independent verification under (inaudible). I can

say that we want to be ready for when we have the opportunity to develop that. That’s why we’re working on the framework and on our royalty regime, and making sure that we have that. But it would not be the Government of Newfoundland and Labrador doing that development at this point in time, it would be as industry looks to develop that gas.

**MS. COFFIN:** Thank you.

Now, your mandate letter also talks about fracking. Is your department looking into any developments in that area?

**MS. COADY:** Thank you.

You may remember back, I guess it was in ’15, there was an expert committee that was struck to look at fracking in the Province of Newfoundland and Labrador. They came out with a very substantive report back in 2016. I’ve asked my department over the last number of years to – it was really interesting the way they did the report. There were red, green and yellow before-you-do-this-you-have-to-do-that tasks from the expert committee. We’re working through that development right now. There is no fracking at the moment in the Province of Newfoundland and Labrador. There is no indication that we’ll continue – we’re continuing to evaluate that as we move forward.

I don’t know if the deputy minister can give you an update further to that. We have a cross-government committee that is looking at all the recommendations of the expert committee and making sure that as we progress, the green light, yellow light and to the red light – making sure all those things are done before we even get to a point where we can say fracking should or could or would be done in the province. There are no active requests for fracking technology here in the province.

Do you have anything further you’d like to add, Deputy?

**MR. LOMOND:** No, that’s it. I won’t say it’s not a priority at this point in time, but we’ve been focusing on other areas where we see better opportunities.

**MS. COFFIN:** Good. Thank you.

Let's go talk about the Oil and Gas Corporation. They're getting \$111 million in capital. Can you explain that, please?

**MS. COADY:** Certainly.

**MS. COFFIN:** In addition, almost a million in Grants and Subsidies, so 1.1.07.

**MS. COADY:** Certainly.

Just so that everybody is aware, this is under 3.1.07. This is the Bay du Nord equity investment. Ninety million dollars of that is the Bay du Nord equity investment that was announced last year, plus a 10 per cent working interest. That's what that amount is, plus the \$1 million is for hardware and servers.

The board of directors, of course, would have had direct engagement in all this, but because now we've taken it from underneath Nalcor – remember I said I thought it was very important so that we get a full disclosure of what we're expending in the Oil and Gas Corporation? That was one of the reasons why we separated out from underneath Nalcor.

**MS. COFFIN:** Okay and I notice that Nalcor is getting \$379 million this year. How much more are we expected to pay? I assume this is for Muskrat Falls? We are continuing to pay for Muskrat Falls?

**MS. COADY:** Correct. This is now on a steep decline finally.

**MS. COFFIN:** It's a good thing that we are on a decline, that \$379 million.

**MS. COADY:** Yeah.

You can see there from last year there was a significant amount of money, as well, spent in Muskrat Falls. That is again the Muskrat Falls requirements.

I'll turn it over to my ADM. Is there anything you'd like to add to that? Those are the requirements, of course, for the continued equity investment in Muskrat Falls.

**MR. SNOOK:** Yes, Minister, I don't have a lot to add. First power is still on schedule for the fall and –

**MS. COADY:** Late fall.

**MR. SNOOK:** Yeah, late fall. The equity requirements after this year will be significantly reduced.

**MS. COFFIN:** I would hope negligible.

**MR. SNOOK:** I beg your pardon?

**MS. COFFIN:** I say I would hope negligible once the thing is built, yes.

**MS. COADY:** There will continue to be some, I anticipate, but we should start now to see a generation of money from Nalcor after this year.

**MS. COFFIN:** My time is up. I have more questions.

Thank you.

**CHAIR:** You're good?

**MR. BRAZIL:** Yes, I do.

The Bay du Nord; we know that there are equity payments being paid this year. Were there any in '18-'19? I know it's not noted there but was there (inaudible).

**MS. COADY:** No.

**MR. BRAZIL:** Okay.

**MS. COADY:** I wanted to turn and make sure but, no, because we only announced the framework agreement, of course, last July.

**MR. BRAZIL:** Last July. Yeah, fair enough.

The \$375 million for Nalcor, is anything in there besides the Muskrat Falls subsidy?

**MS. COADY:** Yes, that would be all the appropriation for Nalcor, including their –

**MR. BRAZIL:** All their other –

**MS. COADY:** – core requirements of operations for Nalcor itself, as well as the LCP, the Lower Churchill Project. Energy marketing would be – the Nalcor budget would be within that as well. That would fall within that appropriation as well.

The Nalcor budget, of course, comes out. You see their audited financial statements every spring. We just went through, I think in April, their audited financial reports for the province.

**MR. BRAZIL:** Would the breakdown be specific to all different entities within that full-fledged funding that Nalcor uses? Would it all be in their budget line or in their annual statement?

**MS. COADY:** Appropriation?

**MR. BRAZIL:** Yeah.

**MS. COADY:** Yeah, so I think I'm following your question. What you're asking is whether or not their financial statements would disclose all the –

**MR. BRAZIL:** Would show all the different categories, yeah.

**MS. COADY:** Absolutely.

**MR. BRAZIL:** Of all the monies that have been allocated from the province also.

**MS. COADY:** Just one second, I'm getting a ...

This is only Muskrat Falls?

**OFFICIAL:** This is only (inaudible).

**MS. COADY:** Oh.

**MR. LOMOND:** It's net. You're right but it's net.

**MR. BRAZIL:** Okay, that's net.

**MS. COADY:** Okay, we're getting clarification on this. I'm going to turn it over to the deputy minister because I thought it was all. It's only Muskrat Falls apparently.

**MR. BRAZIL:** Okay, that's why.

**MR. LOMOND:** Well, essentially, you're both right. It's one of those things. The overall need was, say, in the \$450-million range. They would factor in the revenues from the Oil and Gas operations. The net need at the end of the day to conduct the Lower Churchill Project and do everything else that it's required to do is the \$350 million, but it is fed into their overall budget.

**MR. BRAZIL:** Okay.

**MR. LOMOND:** You'll see revenues from non-regulated power in there being used. You'll see, what we would call, assets of Nalcor Oil and Gas used as well.

**MR. BRAZIL:** Okay. Yeah, that clarifies that. Fair enough.

Under the UN Law of the Sea – and I know now as we move Bay du Nord forward, has there been any discussion with the federal government the last year or so regarding who will pay the royalties, knowing that there's a bit of tangled conversations there.

**MS. COADY:** There's been lots of discussion with the federal government on UNCLOS and continuing discussion on UNCLOS. I will say that UNCLOS, the United Nations, is a requirement of the federal government and I see it as a requirement of the federal government.

**MR. BRAZIL:** Okay.

Just a little bit on the Loans, Advances and Investments here. It was forecast that Nalcor would need \$723 million-\$724 million, but they only needed \$571 million. What explains the differences there?

**MR. LOMOND:** In that \$723-million number, there is actually \$80 million in contingency that wasn't drawn down. As well, there were some costs, not a lot, that were supposed to happen last year that were pushed into next year. The big piece, I guess, in addition to that would be the Astaldi letter of credit.

When Astaldi wound up on site, there was – it's not uncommon for companies to have bonds and assurances put in place. In this case, there was a \$100-million letter of credit that was actualized.

That money became available to Nalcor to continue with work mobilization of Pennecon and others on site. Some of that money will be used this year as well.

**MR. BRAZIL:** Okay, fair enough.

\$380 million was budgeted to be transferred to Nalcor in '19-'20. What projects will this be for and how much will be for Muskrat Falls? Is that broken down?

Oh sorry, you just answered that.

**MS. COADY:** Yeah.

**MR. BRAZIL:** Okay, fair enough.

I was just going to say that sounded awful familiar that time. I even wrote notes next to it. I just wrote \$80 million, then I went, yeah, that's already done.

Perfect, thank you.

No, I'm good.

**CHAIR:** Okay.

Mr. Lane.

**MR. LANE:** Alison –

**CHAIR:** You're good?

**MS. COFFIN:** If you want to go, you can come back to me.

I have more questions, I don't mind him jumping in.

**CHAIR:** Okay, well, if Alison has more, we'll go with you, Alison, and then we'll come back.

**MS. COFFIN:** Perfect. Thank you very much.

Last year, we passed legislation to create an open access transmission framework as our electrical transmission system has become fully integrated with the North American grid. Nalcor created a division called the Newfoundland and Labrador System Operator, which has been mandated with managing our electrical transmission system.

Has any entity made an application to wheel power through our transmission system to date?

**MS. COADY:** Thank you.

That was a big piece of work undertaken by both the department and Nalcor through Hydro. I'm going to turn over to see if there have been any applications.

**MR. SNOOK:** Thank you, Minister.

I'm not aware of any. The Newfoundland and Labrador System Operator is independent. It wouldn't come to government necessarily. That would just flow through that operation.

**MS. COFFIN:** I'll give them a call.

**MR. SNOOK:** Yes or I would be happy to follow up and provide that information, no problem.

**MS. COFFIN:** That would be even easier. Thank you very much. That's great.

My next question is: Can we have an update on our FERC compliance? Are there any problems with that?

**MS. COADY:** None that I'm aware. I will ask, just for confirmation – I'm getting a nodding of the head from the assistant deputy minister that there's been no compliance issues.

**MS. COFFIN:** Okay, so we are compliant. That's nice to know.

Can we have an update on the Labrador-Island Link transmission line problems? The CEO says first power will be this year. What will that entail? Is it one turbine? How many megawatts? Any date for when this is going to happen?

**MS. COADY:** As you know, as you indicated, the CEO did indicate that the generation should be completed by late this year. The Labrador-Island Link; the transmission lines are already active. We took energy over those lines, monopole, during the winter of 2019 and have used some of them.

There is one issue, obviously, that has been talked about which is – I'm going to call it – the

issue around the monopole going to bipole for electricity transmission. There are some software upgrades that are still being worked on through GE. They continue to be monitored by the Oversight Committee as part of the risk register and monitoring that. That work is continuing but we're anticipating first power from Muskrat Falls by late this year. I believe the latest date is around – I know it's late – December maybe.

**MS. COFFIN:** Wonderful. Okay.

**MS. COADY:** Anything you'd like to add to that, Corey?

**MR. SNOOK:** No, Minister, that's all consistent. The best information available continues to be the Muskrat Falls Oversight Committee reports. They had their last official reports for the end of December, but they did have a catch-up post-December that talks a little bit more about the software risks and the efforts they've made to address the risks. Most notably, Nalcor negotiated an agreement with General Electric to bring in third parties to audit and go to the factory plant to try to identify any way they can help and assist and meet their targets, but as of now, the schedule has not been altered.

**MS. COFFIN:** Okay. Thank you.

We note that the Oil and Gas company is going to be funded by future oil revenues for new offshore development. However, Equinor's head of international projects told a Norwegian oil conference that his company is cool on the Bay du Nord project noting concerns about cost, the relatively small proven reservoir and the challenges of working in a hostile environment 500 kilometres from shore.

He also noted that Equinor was far from sanctioning the project. Can you talk about the realities of that offshore development?

**MS. COADY:** Certainly.

As the people of the province know, the framework agreement was developed last July. The department has been meeting regularly with Equinor and advancing the requirements that would be seen under the development of any project. Equinor has continued to advise the

department that they are progressing, and that they expect sanctioning of that project by late year.

**OFFICIAL:** (Inaudible.)

**MS. COADY:** By late 2020.

I meet regularly – as a matter of fact, I saw the leads for the Equinor project this morning. They presented to the Noia conference, and I have no reason to believe that they're not advancing the project. I have not been advised otherwise. They are out there letting contracts. So they are advancing it. As you can appreciate, this is part of the global overview of Equinor's investments, and they are always looking to ensure they're making the proper investments for their company. But I do anticipate this progressing.

I would point out it is a fairly small project. It's about 300 million barrels, but we anticipate that over time there will be tiebacks from other discoveries. So we think there's a great opportunity for Equinor and a great opportunity for the province, and especially for opening up a new deepwater basin.

**MS. COFFIN:** Okay. Well, I look forward to that coming to fruition and seeing the money come back, because \$100 million is an awful lot of money for a relatively small reservoir.

**MS. COADY:** Yes. Just for clarity, if the project doesn't proceed, that money does return. Just to make sure.

**MS. COFFIN:** I would hope so.

Can you tell me the percentage of exploration dollars – and I know that we have these exploration packages coming in – required to be spent in Newfoundland and Labrador?

**MS. COADY:** I would have to check with C-NLOPB. I don't know – I'll check with the ADM. Do you have that information off the top of your head?

**MR. TRASK:** So typically, exploration would occur in the province. A lot of those costs are related to leasing a drill rig. But drilling is largely captured in the province. There are no explicit requirements. They have to file an

exploration plan, it has to be approved, which would highlight the anticipated benefits, but you'll find there are a lot of Newfoundlanders and Labradorians offshore on those drill rigs. It's the service companies and the supply boats that are here that are servicing those exploration programs. They're also often looking for a local supply for those operations. So, most of it is captive.

**MS. COFFIN:** Okay. I'd like to see that, but let's look at that a bit later.

For fun and recreation, I read the Nalcor annual reports. For a number of years now – it makes me loads of fun at parties – I have been tracking the expenditures and money going into Gull Island. I've noticed over the last year that there's been a spike in the assets at Gull Island. Can you tell me what's happening there?

**MS. COADY:** Thank you for the question. I would have to refer that question to Nalcor. Unless, Corey, you have anything to add to that? That is part of their business. There has been nothing from the department's perspective with regard to Gull Island.

**MS. COFFIN:** Okay.

**MS. COADY:** So we can ask Nalcor for details and what money is being spent in Gull Island. But most of it has already been spent in the Gull Island because they already have a lot of the work done and the geological work done for Gull Island. I'd have to refer to Nalcor.

**MS. COFFIN:** I look forward to that. I have seen hundreds of millions of dollars go there.

Can we –?

**MS. COADY:** Wait now, excuse me –

**MR. LOMOND:** I'm just going to add a small point, that the Nalcor accountability and transparency report, I think it should be out now or, if not, by the end of June is usually when it comes out but sometimes it's a little bit early. So that may have some additional detail in that as well.

**MS. COFFIN:** Excellent, I look forward to that. Thank you.

One final question: When can we expect Nalcor profits to return to shareholders?

**MS. COADY:** Thank you.

That is in the fiscal forecast. I believe it is starting in – I would have to refer that question to Finance. I believe it's next year, but Finance would be able to confirm how much in 2020, 2021 is captured in the fiscal forecast.

**MS. COFFIN:** I very much look forward to that.

Thank you very much, that's all my questions.

**CHAIR:** Thank you.

Mr. Lane.

**MR. LANE:** Yes, I have a number of questions.

**MS. COADY:** Before we move on, just if I can say that, to the previous question, the dividends from Nalcor will be used to offset the rates, so I wanted to draw that information. So remember that we have asked for Nalcor to – it is a requirement for them to book \$200 million and so that money will be used then for rate mitigation and rate management.

Sorry about that.

**MR. LANE:** Okay, thank you.

Minister, before we get into questioning, this just raised another question in my mind. I just want some clarification. So are you saying that Nalcor right now, if they have spent I believe my colleague said hundreds of millions of dollars, that she seen that – and I have no idea. I haven't seen it. You're telling us that that could be happening, that they could be spending money over on Gull Island and so on.

As the department and the Minister of Natural Resources, the Department of Natural Resources, you wouldn't know anything about it until some report came out? I'm trying to get clarification on what you said because she said that's what was happening, that money was being spent and you're saying that you don't know anything about it. So, I'm just trying to –

**MS. COADY:** No, that's not what I said.

**MR. LANE:** Okay, what did you say?

**MS. COADY:** I said that I wouldn't have the granular detail on what they're spending in Gull Island this year with me here on my Estimates.

**MR. LANE:** Okay.

**MS. COADY:** So over the –

**MR. LANE:** What do they do in Gull Island, I guess, is the question. What are they doing there?

**MS. COADY:** In response to that question, over the number of years, there has been money on Gull Island on geological work, I can tell you that.

**MR. LANE:** Okay.

**MS. COADY:** There has been money spent in geological work. If my memory serves me on Gull Island – again we're on Estimates – they do have their environmental assessments done for Gull Island. So there would've been monies put towards their environmental assessments. What I did say is that there is no active view of developing Gull Island in the Department of Natural Resources.

That's what I said, because it's very important to make sure that we are clear. There may be money being spent in Gull Island for maintenance or for continuing work. That's at the granular level as to where that – if there is any money being spent, I understand that a lot of the monies has been written down. But my colleague opposite has said that she's tracking it and she seems to think there's still money. I know from last year's books a lot of it was written down but, at that granular level, I will investigate what.

**MR. LANE:** Okay.

**MS. COADY:** But I can tell that there is nothing active within the Department of Natural Resources to advance the development of Gull Island. That's what I was trying to put out there.

**MR. LANE:** Okay. Thank you, Minister. No need to be defensive, that's not what I was getting at. My concern is that, first of all, she said there's activity at Gull Island and, obviously, that would be of great interest to me and I'm sure to the public if there's anything actually happening there in terms of some development or they're working towards the development.

**MS. COADY:** No.

**MR. LANE:** I think everyone would like to know that. You're saying that it's not happening, that's good. But I guess the other piece to it, though, is that given the fact that we are transferring money to Nalcor, given the fact of where we are financially as a province, then I would hope that if there's no plan to advance Gull Island and they shouldn't be spending not even one dime in Gull Island, why would they be spending any taxpayers' money there if the department has said we're not doing anything with it. That's what I'm trying to get my head around.

**MS. COADY:** Thank you for the question. As I've indicated, Gull Island remains an asset to the people of the province. There have been monies expended over the years and going back over a sum of years –

**MR. LANE:** Sure.

**MS. COADY:** – which I would have to have the information before me to give you a more fulsome answer –

**MR. LANE:** Sure.

**MS. COADY:** – as to how much was spent over what period of time.

**MR. LANE:** Sure.

**MS. COADY:** I can advise that the board of directors did a writedown of those figures because they didn't see any reasonable opportunity for development at this point in time.

**MR. LANE:** Yes.

**MS. COADY:** There is nothing active in the Department of Natural Resources on the development of Gull Island. It remains an asset to the people of the province but there's no active file on the development of Gull Island; however, if something ever should come to the fore, I think we should be prepared to develop it. It's just that there's nothing active today. There is nothing active happening on that file.

**MR. LANE:** Sure.

**MS. COADY:** I don't know – assistant deputy minister, do you have anything to add to this discourse?

**MR. SNOOK:** Thank you.

Perhaps if Ms. Coffin has a particular line item we could help with that. I'm sure we can sort it out. I suspect it's related to the writedown of the Gull Island investment that is historic –

**MR. LANE:** Yes.

**MR. SNOOK:** – that occurred in a previous year.

Other than that, I'm not aware of any activity. The notion that there's hundreds of millions of dollars – I believe that's what you said – I have no –

**MR. LANE:** That's what she said, yeah.

**MR. SNOOK:** Yeah, I have no information on that, I'm sorry.

**MR. LANE:** Okay.

No, I appreciate that, but when my colleague is saying there's hundreds of millions of dollars spent, obviously it raises the question: well, spent on what?

**MS. COADY:** Over the years.

**MR. LANE:** Well, over the years –

**MS. COADY:** I assume that's what she's referring to.

**MR. LANE:** – but that's not what she said. She didn't say over the years, right. So that's why I'm asking. Okay.

Minister, a question now. Over the last year and a half or so, within the last year of the previous administration that you were part of and leading into the election, the Premier would have said – I believe you would have said, but certainly the Premier has said for sure, that neither ratepayers nor taxpayers are going to be burdened with paying for Muskrat Falls. Muskrat Falls will be coming online fairly soon, and I know that you have disclosed some information, some thoughts about ways we could mitigate rates in terms of extending the mortgage, for lack of a better term, being one thing and power sales. I know there's talk of electrification of buildings and electric cars, which I believe your ADM acknowledged is certainly not going to happen overnight, that's more of a long-term vision.

With all that said, as of today, has your stance or has the government's stance changed right now to say that when Muskrat Falls comes online in the next year, or whenever it is, that neither ratepayers nor taxpayers will have to pay for that? Are you maintaining that position, or has it changed?

**MS. COADY:** Thank you for the question.

I can say that we, in April of this year, put out a fairly comprehensive plan – and I know the Members of the Official Opposition also have laid a plan before the people of the province – that indicates that we do not see any additional cost to the ratepayers or taxpayers, that we have been able to find a ways and means to protect them from any increases because of the Muskrat Falls Project. Work is continuing on that plan. There are recent discussions with the federal government. As you know, there's a significant portion of that rate mitigation plan will come from the federal government. The talks are ongoing.

As I've said to the public, there are kind of a few buckets, we're going to try and raise revenue and maximize our opportunity to raise revenues while lowering costs and we've indicated how we're going to do both. Then there's this managing the mortgage piece that says, you know, working with the federal government on

how we can manage that mortgage and manage the costs associated with the Muskrat Falls Project.

I will say in looking at that Muskrat Falls Project, at the time it was sanctioned it was going to be a hundred per cent borne by the ratepayers of this province to pay for that project. Even with that it was going to be a terrific burden, I thought, on ratepayers, especially when they are only the recipients of 40 per cent of the electricity. So it is a difficult project, but we are doing our best to ensure that that burden is not placed – I don't think people of the province can afford it, quite frankly.

**MR. LANE:** I agree with you, Minister. I appreciate the answer and I'm glad to see that that commitment is still there.

Minister, I'm wondering now about Nalcor and where you now have an oil and gas corporation and, of course, with that sort of moved out of the picture on to an entity unto itself, we now have Nalcor and primarily, I guess, Newfoundland and Labrador Hydro. I know they do some other things but fundamentally that's what we're dealing with.

I'm just wondering, it doesn't seem to make a whole lot of sense, to my mind, why there would now need to be a Nalcor and a Newfoundland and Labrador Hydro. I would think there would be an awful lot of duplication and so on. I'm wondering, is there a plan to combine it and call it all Nalcor or all Newfoundland and Labrador Hydro and get rid of the duplication? Is that a plan that you're able and willing to share?

**MS. COADY:** That's an important question. I can tell you that, at the moment, all efforts and focus is on ensuring we can complete the Muskrat Falls Project in as best a manner as possible. We've been able to get the project on track. We're still on track for the same cost and schedule that was announced in June of 2017. Things have improved in the development of the Muskrat Falls Project; we're about 97 per cent complete.

As we move forward, policy decisions will be taken in the best view of providing electricity to the Province of Newfoundland and Labrador. So, I think you're asking me something that I

really can't answer today. I can say that things have greatly improved at Nalcor. As to their future role, right now let's focus on getting the project completed and then we'll see where we are at that point in time.

The constructs around the project were such that because it is an export-driven project – 60 per cent of it is export driven – there is a requirement for some active management of the project. So we're going to have to look at that as we move forward.

**MR. LANE:** Thank you, Minister.

My time is up.

**MR. BRAZIL:** Okay. Yeah, I got a few extra questions here to ask. One while we're here talking about Gull Island and Muskrat Falls.

My understanding, I think, was similar, where the government side is that the monies that were allocated or allotted during the development of Muskrat Falls that included Gull Island, too, were previous expenditures that had been committed, but one of them, if I'm remembering correctly, was around an environmental assessment was also done as part of the Gull Island.

**MS. COADY:** Yeah, originally.

**MR. BRAZIL:** I'm just curious to see because down the road, hopefully, this goes somewhere and it's beneficial to us all. Is there a timeline that was attached to an expiry date on what that would be, or is that still active? That can be used if some entity wants to come and look at where Gull Island goes?

**MS. COADY:** I would have to get that information. I'm searching my memory bank, which is a very tired brain right now, but I don't know when or if the environmental assessment – I'm assuming it does expire. So I would have to get that information from Nalcor and provide it to you.

**MR. BRAZIL:** Yeah, fair enough.

**MS. COADY:** It's a good question, and I just don't have it.

I don't know if, Corey, you have it off the top of your head? No?

**MR. SNOOK:** I don't have the number off the top of my head, but there is a linkage between the completion of –

**MR. BRAZIL:** Muskrat.

**MR. SNOOK:** – one phase and the next phase.

**MR. BRAZIL:** Yeah.

**MS. COADY:** I can confirm, we did get a – Nalcor has no budget expenditures in Gull Island this year, so none.

**MR. BRAZIL:** No.

**MS. COADY:** And they did write down – so I'm getting that – the investments last year. So, I just confirm that with you. There are no budgeted expenditures in Gull Island and they did write it down, so I was correct.

**MR. BRAZIL:** Yeah. I thought that, but the only thing I knew that was still on the books, that would still be an equity, would be the environmental one until it expires. So that's just curiosity. But if you can get that and share it down the road, it would be appreciated.

**MS. COADY:** So the question is around the expiration date of the environmental –?

**MR. BRAZIL:** Of the environmental assessment for the Gull Island component of it.

**MS. COADY:** We'll get that for you.

**MR. BRAZIL:** Yeah, I appreciate that.

A couple of other ones on the Oil and Gas Corporation, where it's a new entity set up.

**MS. COADY:** Yeah.

**MR. BRAZIL:** Under the Grants and Subsidies, how is the figure of \$27.7 million determined and is this \$27.7 million going directly from the provincial Treasury or is it being funded by Nalcor, i.e., is Nalcor giving the province the money which is then transferred to the corporation?

**MS. COADY:** The \$27.7 million?

**MR. BRAZIL:** \$27.7 million.

**OFFICIAL:** Yeah, it's 3.1.06.

**MS. COADY:** What is that? Sorry, I'm just trying to find it in the book.

**MR. BRAZIL:** 3.1.06 under the Oil and Gas Corporation. It's a new line item so I'm curious to see where that dollar figure came from. Was that based on X number of staff, contract work ...?

**MS. COADY:** If you have the answers, go ahead.

**MR. LOMOND:** So, yes, as you can see, we're going through the (inaudible).

The \$27 million, as the Minister said earlier when she spoke, there was about \$4.7 million, \$5 million of that is for the processing of 2018 data. There's around another, I think, \$19.3 million dedicated to new data development, the acquisition in 2019. There's an additional \$1.3 million in resource assessment and there's approximately \$2.3 million in salaries.

To your second question though, that money flows directly from the provincial government to Nalcor. This is not a transfer between the corporations.

**MR. BRAZIL:** Okay, fair enough.

Will there be any other revenue streams coming in for the Oil and Gas Corporation other than what's outlined there now? Do you anticipate?

**MS. COADY:** There may be some in the sale of seismic data. So, there may be some in that, but, at this point in time, until they have an active project, there would be no large revenues, I'd say.

**MR. BRAZIL:** Okay, I'm good on that section.

**MS. COADY:** I do want to make a correction, just something I said earlier.

I said first production for Vale underground, it is in 2021. I think I said 2022. Just correct that for the record.

**CHAIR:** So we're good?

**MR. LANE:** I've got one more question, if everyone else is done.

Minister, I just have another question about Nalcor. So, given everything that's arisen thus far through the inquiry, and I understand that we want to see it concluded. We want to see what the Commissioner's recommendations will be, but, at the end of the day, regardless of all that, the Commissioner, in his report, is not within his mandate to recommend any civil litigation. It's not in his mandate to recommend any criminal investigation. It's not in his mandate to recommend actions from a human resources point of view and the issuance of pink slips and those type of matters.

I'm wondering, as the Minister of Natural Resources, and based on everything that has come out, certainly thus far, in the inquiry and evidence of numbers being intentionally manipulated and low-balled and risk reports hidden and all those things that have come out, it absolutely speaks to – well, it's not for me to decide, that's why we have lawyers and that's why we have police and that's why we have those things, but, certainly, I don't think anyone can argue that there was total confusion and mismanagement at the very least.

I'm wondering why key individuals that would have been involved at the time are still, as I asked yesterday, why they would still be employed with Nalcor, why that is and what actions, if any, do you intend to take or is being taken by the department to review what's happening at the inquiry and then looking to start holding some people accountable for their actions?

**MS. COADY:** Thank you. That is a very good question.

I can say that, yes – and I said it yesterday – it is overwhelmingly concerning and very frustrating to hear what happened, especially early on in the project, with Muskrat Falls. As you indicated, there are – what comes out of the inquiry, if

there are requirements, I'm sure the RNC and the RCMP and lawyers are looking at what may come out of the inquiry for further action.

You asked specifically about employment and, as I said yesterday, Nalcor is a Crown corporation and the role and responsibilities of the Department of Natural Resources are to ensure we have an effective competent CEO, and I believe that Mr. Marshall is that. He is a utility expert and globally recognized as a utility expert, and he has made that program. He has put that program in a much better position and, as he likes to say, to finish stronger than when he inherited it.

I think we are in that place. We have a very globally recognized board of directors chaired by a well-recognized Newfoundlander and Labradorian who has global business experience and the board has a full complement. There are 11 people on the board, and it has a full complement. So we have to trust in their abilities to ensure that they have the right people to finish that project in the right manner.

The project is being finished. It's nearing, as I said earlier, about 97 per cent completion. Further action, as we move forward, will be taken as it is appropriate. But we have to make sure we finish that project as robustly as we can, based on the circumstances under which we found ourselves back in 2016.

I can tell you, I've spent a lot of energy, a lot of time and a lot of concern on that project, especially in the early years of me being Minister of Natural Resources. I feel it's in a much better place today, but it's not finished yet. I want to make sure that it is finished and finished within the time frame that we've indicated in June of '17. Hopefully, we can do that, and that is my expectation.

My expectation to Mr. Marshall, and I have an ongoing discussion with Mr. Marshall and with the chair of the board to ensure that we do that. I have to take their expertise in making sure they have the team to get that done. I'm as frustrated as you are, hearing what I'm hearing coming out of the inquiry. I do hope, it is my fervent hope, that coming out of the inquiry there are improvements made to the processes and means

of which this province undergoes major development so this does not happen again.

**MR. LANE:** Thank you, Minister.

I'm sure we all hope that will happen. I'm certainly not questioning Mr. Marshall's ability or his reputation, nor am I Mr. Paddick and so on, I absolutely am not, but, I guess, in response to what I read, the article in the news I think it was yesterday, I'm not prepared to put on my Nalcor jersey – I think, as it was termed – quite yet until we see accountability for those who were responsible for misleading the public. Misleading the government and I can say, certainly, the caucus of the day because I was one of the people who sat in meetings and was told certain things that have turned out to be totally the opposite.

I'm very angry about it. I don't hide it and I have no intentions of hiding it. There has to be accountability. I hope at the end of the inquiry when you say that we have to get this project finished, I hope that perhaps once that project is finished, Mr. Marshall is confident that it will now be done and we're done with it. If that's what's holding back some accountability, then I hope that once that's done that there absolutely will be accountability, because it was absolutely ridiculous as far as I'm concerned. If it was a private industry, I would suggest, as someone who came from private industry, it would never be tolerated, it would never happen. You would be out the door in a heartbeat. Anyway, that's my little rant.

I thank you, Minister, for your time on that. The only other issue I have – and I know there was another article in *The Telegram* talking about the potential of selling off transmission assets to Newfoundland Power. You were quoted as saying not yet or something like that, or there are no discussions yet. Maybe that wasn't your term but that was what certainly the media put out there, "yet."

My question is: Is that something that you're entertaining? If it was something that would be to be entertained, would it be your position that it would be put publicly for full public input, disclosure and a public conversation before we even entertain the idea of selling off our assets?

I guess as sort of a sub-question and a follow-up to that, given the fact that the current CEO – who I do have a lot of respect for in terms of his reputation and what he has done – is able to retain shares in Newfoundland Power, despite what has been said about, because it's 5 per cent or less or something, it's not a conflict, I still find that hard to swallow personally. How can that happen with him as the CEO and have transactions like that involving, I imagine, hundreds of millions of dollars? How could that happen and not create any conflict?

A long-winded question, but I wanted to get it in before my time ran out.

**MS. COADY:** Well, allow me to make it kind of succinct in that, first of all, not to happen yet. That was in the headline, it was not in my remarks.

**MR. LANE:** Okay.

**MS. COADY:** So I want to make sure that was clear.

**MR. LANE:** Fair enough, yeah.

**MS. COADY:** I did not indicate that –

**MR. LANE:** Okay. That was the media.

**MS. COADY:** That headline is not an indication of what was in the article.

**MR. LANE:** Okay.

**MS. COADY:** First of all, the original concept of this came from the Liberty report to the Public Utilities Board who are investigating and considering how we mitigate rates. Liberty said – and I won't quote them but they basically said there is a potential here of selling some distribution lines because, of course, Newfoundland Power already owns the majority of distribution lines in the province.

The Public Utilities Board reported on this in their interim report of mid-February that it is something to be considered. Now, the Public Utilities Board is continuing its evaluations and is continuing to consider what they would recommend in terms of how we mitigate rates,

but we don't have that final report. It won't be in until January of 2020.

I can say that in April of 2019 the provincial government did release its plan for how it plans to manage rates in the province, based on Muskrat Falls. Nowhere in that plan do you see the sale of distribution lines, okay?

**MR. LANE:** Yeah. Fair enough.

**MS. COADY:** It's not in our plan. I don't believe it's in the Opposition's plans either.

**MR. LANE:** Good. Yeah.

**MS. COADY:** It is something that was raised by a consultant to the Public Utilities Board. I can't speculate what may be in the Public Utilities Board report of January of 2020, but I can say it's not in our plans.

With regard to conflicts for the CEO, he has a full requirement under the law on conflict of interest. As you may recall, I did write him a letter back in 2016 – I'm searching my memory banks again – to recuse himself from anything to do with Fortis or Newfoundland Power. I can tell you that there has been no time where I consider that he has been in breach of that. He certainly is respectful of that. He knows his responsibilities, he knows his duties and he knows and respects the *Conflict of Interest Act*, and he is a lawyer. So I don't think that we need be concerned, first of all, because there is no plan; and, secondly, because he himself understands his roles and responsibilities.

**MR. LANE:** Thank you for the answer, Minister. That was actually very reassuring. But when you see stories like that coming out there – as I'm sure you can imagine, I received numerous messages and emails and everything else about what is going on, and people concerned about privatization and not wanting to see that happen. So thank you for that response.

Before I finish, thank you for your time and for answering all the questions. I know a couple of them, it could be a bit hard-hitting and controversial. But, as you realize, I'm sure, we all have jobs to do on this side as well, and I'm just asking what other people are asking me to ask. And thank you everyone for all your

answers and for your time. I appreciate your hard work.

We do have a very bright future, and this department, no doubt, will play a big role in it because of our natural resources. I think you're heading in the right direction, certainly, with the seismic and the exploration on the offshore. And, certainly, in the mining industry and what you're doing there I think is fantastic. And it's not all doom and gloom and we will get out of this mess eventually. I'm confident of that.

So thank you all.

**MS. COADY:** It's not all doom and gloom, and I think that's an incredible way to end today. I can say in Natural Resources we're seeing some very bright spots. We're seeing some good growth in mining, incredible growth in mining, and incredible growth opportunities in oil and gas. They have a knock-on effect throughout our entire economy.

I will say, we are finishing the Muskrat Falls Project. Now, I know the frustrations. I live it hourly – not daily, I live it hourly. But we are finishing the project and we are finishing stronger. I have to thank Mr. Marshall and the board of directors for all their work, and a lot of the employees, for what they've been doing too to make sure that that project is on a better trajectory.

Before I end that, I'd like to thank you. I know we've had a great policy discussion, as much as we've had Estimates discussion today. I want to thank you for that. I want to thank you, as well, for a lot of the encouragement and support for a lot of the work that's happening.

I would be remiss if I didn't make mention of the team. In Natural Resources, as we're having a lot of retirements, we have a very young, dynamic, energetic, educated – I can't emphasize enough how hard they're working to develop our resources, and to develop them responsibly and appropriately and for the benefit of their kids and all of our children and grandchildren and generations to come, so they need to be supported and thanked.

I was in my office last night until after 7:30, and there was a complement there. It wasn't on

Estimates; it was on a whole bunch of other things that are happening. They are dedicated and they work long hours. So on everyone's behalf of the province, I want to thank them, and thank you for all your doing to make sure we're held to account in doing the best that we can do.

**CHAIR:** Okay, Clerk, do you want to call them?

**CLERK:** 3.1.01 to 3.1.08 inclusive.

**CHAIR:** Shall 3.1.01 to 3.1.08 inclusive carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, subheads 3.1.01 through 3.1.08 carried.

**CLERK:** The total.

**CHAIR:** Shall the totals carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, Department of Natural Resources, total heads, carried.

**CHAIR:** Shall I report the Estimates of the Department of Natural Resources carried?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, Estimates of the Department of Natural Resources carried without amendment.

**CHAIR:** Also, shall we report the minutes of the Resource Committee for the Department of Fisheries and Land Resources carried?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

**CLERK:** Excuse me, you need a mover for that.

**CHAIR:** I need a mover for that, actually, before we actually carry that. We did carry it, but can I get a mover?

**MR. BENNETT:** So moved.

**CHAIR:** So moved by MHA Bennett.

On motion, minutes adopted as circulated.

**CHAIR:** The schedule for the next Estimates Committee will be at the call of the Chair.

Can I get a mover to adjourn?

**MS. STOODLEY:** So moved.

**CHAIR:** So moved by MHA Stoodley.

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

Thank you very much.

On motion, the Committee adjourned *sine die*.