

Natural Resources

STRATEGIC PLAN

2017-20





MESSAGE FROM THE MINISTER

As Minister of Natural Resources, I am pleased to present my department's 2017-20 Strategic Plan outlining goals and objectives for the period April 1, 2017 to March 31, 2020. The strategic directions of Government applicable to the Department of Natural Resources have been considered in the preparation of this plan as have the vision and commitments laid out in The Way Forward.

Newfoundland and Labrador has an abundance of natural resources - both renewable and non-renewable - and our government has been focused on ensuring that these resources are managed responsibly for the benefit of the province and its residents. We have been working with stakeholders to build an environment that supports exploration and development. We are seeing companies throughout the world investing in our offshore, and with our continued support of energy and mines projects, we have many opportunities for the future. I look forward to working with the natural resources team, as well as other partners in natural resource development in the province, in the implementation of this plan and in embracing the opportunities and challenges that the next three years will bring.

As Minister, I am accountable for the preparation of this plan and for the achievement of the goals and objectives outlined. The plan has been prepared in accordance with the requirements of the Transparency and Accountability Act, under which the Department of Natural Resources is classified as a Category 1 entity.

A handwritten signature in black ink, appearing to read 'Siobhan Coady'.

Honourable Siobhan Coady
Minister of Natural Resources

Departmental Overview

The Department of Natural Resources (the department) is responsible for the supervision, control and direction of all matters relating to the promotion, exploration and development of mineral and energy resources and related industry developments in Newfoundland and Labrador. These responsibilities extend to the following natural resource areas/considerations:

- Mines, minerals, quarries, and quarry materials;
- Onshore and offshore petroleum resources, with offshore resources managed jointly with the federal government;
- Electrical generation and transmission;
- Overall responsibility for provincial energy supply and demand;
- Development, monitoring, supervision, assistance or other government intervention into any of the industries as described above;
- Petroleum royalties and associated matters;
- Identifying, assessing and monitoring industrial benefits commitments from major resource development projects.

The department's programs and services are delivered through two main branches, supported by shared executive and support services. The Mines Branch is divided into three main divisions:

The **Mineral Development Division** is responsible for the approval and permitting of mining operations through the Mining Act; the administration of the Mineral Incentive Program; the collection, analysis and publication of mineral production data; and the assessment and rehabilitation of abandoned mine sites across the province.

The **Mineral Lands Division** is responsible for the administration of mineral land tenure through the Mineral Act, the Mineral Holdings Impost Act and related legislation, including the issuance of exploration licenses and mining leases; the administration of quarry material rights and developments, including on-going field investigations, through the Quarry Materials Act; issuing exploration approvals and the performance of follow-up inspections; the maintenance of the core library system and the provincial mineral rights registry.

The **Geological Survey Division** is responsible for mapping and interpreting the province's geology; conducting geochemical and geophysical surveys; conducting mineral deposit studies; maintaining and publishing maps, reports and databases concerning the province's geological and mineral endowment, including geographic information system databases and web-delivery; and promoting the province's mineral potential.

The Energy Branch is divided into three main sections, each made up of several divisions:

The **Petroleum Development Section** is responsible for fostering the exploration, development and production of the province's hydrocarbon resources. Responsibilities include: the provision of technical services in the areas of petroleum geoscience, petroleum engineering and petroleum operations to facilitate sustainable development and management for both onshore and offshore deposits; and, the provision of marketing and promotional services, both nationally and internationally, to help ensure continued interest and investment by industry.

The **Royalties and Benefits Section** is responsible for maximizing the benefits to the local economy from the development of major resource projects.

Responsibilities include: the negotiation, development and administration of energy and mines project agreements and royalty legislation/regulations; the negotiation and monitoring of industrial benefits commitments related to energy and mines resource developments; the auditing of petroleum project costs and revenues to verify the accuracy of royalties paid to the province; the provision of energy-related economic/financial and supply/demand information, analysis and advice to inform resource management decisions; and the promotion of the province's industrial capacity and capabilities.

The **Energy Policy Section** is responsible for developing, planning and coordinating legislative, regulatory and policy matters relating to the province's energy sector. Responsibilities include: the management/co-management of onshore/offshore petroleum exploration and development, including regulatory development and compliance; electricity industry governance and structure, electricity industry markets, alternative energy, and responsibility for the Electrical Power Control Act; and general policy, planning and coordination related to the energy sector.

More information about the department's structure, responsibilities, programs and publications can be found on the Department of Natural Resources' web site at: <http://www.nr.gov.nl.ca/nr/>

Staff and Budget

As of March 31, 2017, the Department of Natural Resources had 174 positions. At the time of reporting there were 159 active staff members.

| Branch / Functional Area | Female | Male | Total |
|--|-----------|-----------|------------|
| Mines Branch | 33 | 48 | 81 |
| Energy | 24 | 25 | 49 |
| Financial Operations ¹ | 4 | 6 | 10 |
| Information Management | 3 | 0 | 3 |
| Executive/Executive Support ² | 11 | 5 | 16 |
| Total³ | 75 | 84 | 159 |

¹ Financial Operations staff are shared with the Department of Fisheries and Land Resources.

² Total includes the Administrative Assistant to the Minister.

³ Totals exclude the Minister, Executive Assistant and Constituency Assistant.

The budget for the divisions and sections of the department for fiscal year 2017-18 is \$18.95 million.

| Division/Section | Total |
|-------------------------|---------------------|
| Mineral Development | \$3,964,100 |
| Mineral Lands | \$1,523,900 |
| Geological Survey | \$4,907,700 |
| Petroleum Development | \$1,598,400 |
| Royalties and Benefits | \$2,573,600 |
| Energy Policy | \$4,382,700 |
| Total | \$18,950,400 |

The department's budget for the year also includes \$2.85 million for Executive and Support Services, a portion of which is shared with the Department of Fisheries and Land Resources.

In addition to these amounts, the budget also includes \$485.4 million for allocation to Nalcor Energy and its subsidiaries for the Lower Churchill Project and oil and gas activities.

Issue One – Increasing the Provincial Economic Potential Derived from the Oil and Gas Sector

The province of Newfoundland and Labrador has been an active player in the global oil and gas industry for several decades. We have benefitted significantly from projects to date in the building of local capacity and infrastructure, the growth of the province's supply and service sector and through the revenues accrued to the provincial treasury. In fact, there has been no other area that has contributed as much to the province in recent years. Since first oil from the Hibernia field in November of 1997, the province has been focused on maximizing the benefits from the development of these resources to the people of the province.

The rapid decline in commodity prices, the changing map of resource potential around the globe, the advancement of products and technologies that influence resource development practices, and the evolving role of these projects in the overall provincial economy requires a renewed strategic focus - a change in the way the province must compete and be viewed as competitive on the global stage.

This change has begun. We have expanded our seismic acquisition activity and have identified new leads and prospects, and delineated basins that show world class levels of prospectivity. We have attracted new entrants to our offshore with significant work commitments approaching two billion dollars in the last two years alone, and over three billion in total work expenditure commitments. As outlined in The Way Forward we are modernizing our regulatory framework and we have established the Oil and Gas Industry Development Council to develop a vision, goals and actions for the future of our offshore.

While we will always be focused on maximizing value to our province, over the coming three years, the Department of Natural Resources will be leading a

number of initiatives to support overall growth of our oil and gas sector. The province will work with industry and other stakeholders to increase our capabilities, redefine our competitive advantage, and bring that advantage to the world stage.

We can now begin to strategically grow the oil and gas sector, while also supporting the provincial economy through deliberate and collaborative actions in the areas of innovation, research and development, strategic business development, and labour.

The opportunities are numerous, but the efforts required to affect change will not be easy. For the most part, strategic priorities for the department will evolve from the Oil and Gas Industry Development Council Vision document expected to be finalized at the end of 2017. The following goal lays out the planned implementation model for the vision document.

GOAL:

By March 31, 2020, the Department of Natural Resources will have implemented priority actions from the Vision document for the Oil and Gas Sector to enable growth of the sector and support overall growth of the provincial economy.

Indicators:

- Improved regulatory certainty for the offshore
- Implemented priority recommendations to improve our competitiveness and grow opportunities
- Advanced collaborative efforts to assess and build provincial capabilities
- Advanced priority initiatives designed to increase innovation and technology partnerships to support sector advancement and broader business growth in the province

Objective 1:

By March 31, 2018, the Department of Natural Resources will have initiated action on priority Vision document initiatives.

Indicators:

- Supported completion of the vision document
- Completed an assessment of priority action items
- Begun implementation and/or coordination of priority initiatives

Objective 2:

By March 31, 2019, the Department of Natural Resources will have advanced priority initiatives.

Objective 3:

By March 31, 2020, the Department of Natural Resources will have completed implementation and/or coordination of priority initiatives.

Issue Two – Targeted Promotion of the Mining Sector

Newfoundland and Labrador has enjoyed a strong, prosperous minerals industry for over 100 years. As a mineral exploration and development destination, Newfoundland and Labrador measures up to some of the most popular mining regions in the world. We possess excellent resource potential with a unique geological endowment and vast tracts of land as yet unexplored; competitive taxation and regulatory regimes; a stable political climate; and numerous industry supports, including a world-class public geoscientific knowledgebase to stimulate and complement prospecting and other private exploration efforts.

While our strengths are well defined, our challenges relate to how we promote and capitalize on these strengths. More than ever a global perspective is required to properly manage the sector. Developing economies in Asia have led to changes in traditional patterns of commodity supply and demand as well as financing models for major mining developments. Frequent fluctuations in commodity prices on the world markets influence corporate decisions about where and when to explore for specific commodities (e.g., iron ore, nickel, etc.) and affect the profitability of operating mines. As a province we are keenly focussed on increasing our competitive position within the global mining sector.

In alignment with The Way Forward, we will work to stimulate growth in the industry by strategically marketing and promoting the province's mineral potential; expanding access to our core library through digitization; identifying target areas for geoscience and exploration activities; and ensuring that economic and regional development considerations are included in promotion and program decisions.

GOAL:

By March 31, 2020, the Department of Natural Resources will have supported advancement in the mining sector through targeted geoscience, promotion and core digitization.

Indicators:

- Independent advisory committee in place with a renewed focus on targeted geoscience activities
- Mineral resource marketing and promotion strategy completed and implementation underway
- Core digitization process actioned with increased public access to samples in priority areas.

Objective 1:

By March 31, 2018, the Department of Natural Resources will have re-established the Independent Advisory Committee with renewed focus for the direction of geoscience activity and initiated the core digitization process.

Indicators:

- Committee established and recommendations for 2018-19 field program under-development
- Core digitization process established

Objective 2:

By March 31, 2019, the Department of Natural Resources will have begun implementation of a marketing and promotions strategy for the province's mining sector.

Objective 3:

By March 31, 2020, the Department of Natural Resources will have targeted promotion activities underway and increased access to core sampling in priority areas of interest.

Issue Three – Sustainable and Reliable Electricity

Ensuring the people of the province have stable, secure and reliable electricity, while balancing electricity rate impacts, will be the department's focus over the planning period. Efforts in this regard will be targeted in four main areas.

1. Interconnection

Historically, Newfoundland and Labrador's electrical systems have been isolated from each other and from the North American grid. This includes the province's Interconnected Labrador System, Interconnected Island System, and 21 remote diesel systems. Through completion of the Muskrat Falls Project, the Island System will become connected with Labrador through the Labrador-Island Link transmission line, and with Nova Scotia and North America through the Maritime Link transmission line. Through the Muskrat Falls Project, the province will have an electricity supply that is 98 per cent renewable. Further, interconnection will allow the province to sell its excess power in the North American market, and add reliability to the Island Interconnected grid. During this planning period, interconnection with the North American grid will require the province to continue its work to implement a number of policy, regulatory and legislative changes to reflect North American market rules, transmission access rules, and reliability oversight.

2. Maximizing Benefits from our Renewable Energy

Newfoundland and Labrador's abundance of developed and undeveloped renewable electricity resources makes the province a jurisdiction that few in North America can match. During the planning period, the department will act

to maximize the net benefits from use of our renewable electricity within the province and for electricity export.

3. Alternative Energy

During the planning period, the department will also explore the potential to diversify our energy mix by seeking out opportunities for alternative energy generation including wind farms and small scale hydro, with a priority for the 21 remote diesel-generated electricity systems along the province's coasts. Further, the department will monitor the province's net metering and biogas programs to ensure they are the right fit for the people of Newfoundland and Labrador. Net metering allows the province's utility customers to generate power from small scale renewable sources for their own use and supply surplus power to the utility when available. Biogas is a renewable energy source that generates electricity from raw materials such as landfill and agricultural waste. The net metering and biogas programs provide utility customers options for electricity generation and support a sustainable, clean energy future for Newfoundlanders and Labradorians.

4. Rate Management

Future electricity rate management is a priority for government. During the planning period, the department will work with Nalcor Energy to ensure that all options are explored for minimizing electricity rate increases as the Muskrat Falls project enters service. This includes: maximizing the value of energy available to the province from the Churchill Falls generating station; bringing surplus power from Labrador across the Labrador Island Link for use on the island; importing less expensive power via the Maritime Link when it is advantageous to do so; electrification (such as increasing usage of electric vehicles and electric space heating); and using revenues from export sales.

GOAL:

By March 31, 2020, the Department of Natural Resources will have enhanced the reliability and sustainability of the province's electricity system.

Indicators:

- Support the connection of the Island Interconnected electricity grid with Labrador
- Implemented policy, regulatory or legislative changes to reflect North American market rules, transmission access rules, and reliability oversight
- Exercised opportunities to maximize the net benefits from use of electricity within the province and export for electricity ratepayers
- Explored opportunities for alternative energy generation including wind farms and small scale hydro, with priority for communities that are isolated from the primary power grid, including coastal regions of Labrador

Objective 1:

By March 31, 2018, the Department of Natural Resources will have taken measures to pursue the development of, and markets for, renewable electricity projects.

Indicators:

- Worked with the Nunatsiavut Government and Newfoundland and Labrador Hydro to explore opportunities for alternative energy development in the Nunatsiavut territory
- Pursued domestic and export markets for the province's excess power
- Explored opportunities to develop the Gull Island hydro project
- Developed options for advancing the structure of the province's electricity sector in order to meet required standards for participation in the North American electricity grid/market

Objective 2:

By March 31, 2019, the Department of Natural Resources will have taken measures to improve the reliability and sustainability of the province's electricity system.

Objective 3:

By March 31, 2020, the Department of Natural Resources will have advanced priorities related to the Muskrat Falls Project.

Annex A: Strategic Directions

A strategic direction is the articulation of a desired physical, social, or economic outcome that would normally require action by, or involvement of, more than one government entity. They are normally communicated through White Papers, or other major platform documents. The following have been established by the Provincial Government as strategic directions for the mines and energy sectors.

1. Energy Security and Reliability

Outcome: Energy security and reliability in Newfoundland and Labrador.

This outcome supports the policy direction of government and will require focus in the following areas:

- Transparent project development with improved management and oversight
- Long-term planning for the electricity sector in preparation for 2041
- Distributed energy generation including wind and small hydro with focus on rural communities

2. Maximized Value

Outcome: Maximized value from domestic use and export of energy

This outcome supports the policy direction of government and will require focus in the following areas:

- Minimized burden on ratepayers and taxpayers
- Intensive marketing of wind and hydro

- Investment and innovation in electricity generation projects
- Options for the advancement of the Gull Island Project

3. Oil and Gas Industry Development

Outcome: Advanced the oil and gas Industry in the province.

This outcome supports the policy direction of government and will require focus in the following areas:

- Long-term vision and policy for the industry
- Strong benefits agreements that maximize employment and business access
- Effective monitoring and oversight
- Research and development in deep-water oil and gas fields
- Streamlined regulatory approval processes
- Development and application of a generic royalty regime
- Natural gas development
- Evidence-based approach to Hydraulic Fracturing

4. Growth in the Mining Sector

Outcome: Mining Sector Growth

This outcome supports the policy direction of government and will require focus in the following areas:

- Investment in programs that support exploration activity in the province
- Venture Capital Fund for mineral exploration and development
- Supporting the development of a competitive mining tax regime
- Focused promotion of emerging areas of mineral potential