

ANNUAL REPORT 2019-20



Natural Resources

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MESSAGE FROM THE MINISTER

As Minister of Industry, Energy and Technology, I am pleased to present the former Department of Natural Resources' 2019-20 Annual Report outlining achievements toward objectives and indicators established for the 2019-20 fiscal year and for the overall goals identified in the department's 2017-20 Strategic Plan.

I look forward to working with the new department to build on the successes of 2019-20 and embrace the opportunities and challenges that the next planning cycle has to offer. I am excited about the potential we have in the "T" in "IET" - technology is a driver of growth across all sectors and we are thinking of creative solutions to help them at this exceptional time.

Throughout the next three years, the department will be embarking on a new set of commitments as outlined in the 2020-23 Strategic Plan and I am confident that we will continue to make great strides.

As the new Minister of Industry, Energy and Technology, I am accountable for the results reported in this document. This annual report has been prepared in accordance with the requirements of the **Transparency and Accountability Act**, under which the Department of Natural Resources was classified as a Category 1 entity.

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a horizontal line and a small flourish.

Honourable Andrew Parsons
Minister of Industry, Energy and Technology

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Departmental Overview

Organizational Structure

The Department of Industry, Energy and Technology (the department formerly known as Natural Resources during the reporting period in question) 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.

As this report is focused on the 2019-20 fiscal year, it will only discuss the responsibilities which fell under the former Department of Natural Resources. 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;
- Negotiation and monitoring industrial benefits commitments from major resource development projects.

The department's programs and services are delivered through three main branches.

1. The **Mineral Resource Management Branch** is divided into three main divisions:

The **Mineral Development Division** is responsible for approvals for the development and operations of mines through the **Mining Act**, the monitoring and analysis of the mining industry, development of mineral policy, management of incentive programs for exploration, and for the rehabilitation of hazards associated with abandoned mines.

The **Mineral Lands Division** is responsible for the regulatory functions that facilitate discovery and exploration of the province's mineral resources. Additionally, this 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 mineral 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** carries out impartial, state-of-the-art geo-scientific investigations throughout the province in order to interpret and explain the geological evolution of Newfoundland and Labrador. This division conducts geochemical and geophysical surveys and mineral deposit studies; maintains and publishes maps, reports and databases concerning the province's geological and mineral endowment, including geographic information system databases and web-delivery; and promotes the province's mineral potential.

2. 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. This includes 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.

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 project agreements and royalty legislation/regulations; the negotiation and monitoring of industrial benefits commitments related to energy resource developments; the auditing of petroleum project costs and revenues to verify the accuracy of royalties paid to the province; the provision

of economic and financial research, analysis, modeling, support and advice for energy resource management and policy 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.

3. The **Corporate and Strategic Services Branch** includes three main divisions

The **Financial Operations Division** includes the Departmental Controller and provides financial operations support for Natural Resources, and the Department of Fisheries and Land Resources.

The **Resource Promotions and Development Division** is responsible for advancing strategic investment attraction and promotions for Newfoundland and Labrador's extensive portfolio of petroleum, mineral, hydro and other natural resources. The division is responsible for the development of strategic promotion strategies for each sector with a focus in international investment attraction, the development of digitization strategies, and representing the province at global industry related trade and investment forums, exhibitions and conferences.

The **Corporate and Strategic Services Branch** is responsible for Promotions, Information Management, Geofiles Management, Geoscience publications, Access to Information and Protection of Privacy functions, and other general corporate policy activities of the department.

Staff, Budget and Expenditures

As of March 31, 2020, the former Department of Natural Resources had 185 positions and 160 active staff members¹. The budgets for the divisions and sections of the department for fiscal year 2019-20 were \$20.55 million.

Division	# of Employees	Expenditures
Minister's Office/Executive Support/Administrative Support ²	43	\$2,602,336
Geological Survey	34	\$4,474,051
Mineral Lands	17	\$1,379,426
Mineral Development	15	\$2,886,196
Energy Policy	11	\$2,701,467
Petroleum Development	13	\$1,567,388
Royalties and Benefits	27	\$2,207,706
Total	160	\$17,818,570

During the year, the department recorded an expenditure of **\$3,149,091** related to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) that, while at full cost recovery, reflects the amount of revenue yet to be received from the C-NLOPB that straddled the C-NLOPB and government fiscal years.

The department also provided **\$379.2** million to Nalcor Energy (Nalcor) and its subsidiaries in order to facilitate its participation in oil and gas activities and other energy projects. As well, the department recorded **\$6.32** million in revenue under the Innovation

¹ These numbers do not include the Minister, Parliamentary Secretary, Executive Assistant or Constituency Assistant.

² Includes the Finance and General Operations Division of the Corporate and Strategic Services Branch, which is a shared service between the Department of Natural Resource and the Department of Fisheries and Land Resources.

and Business Development Fund. **\$2.69** million of the **\$9.01** million received under the fund was expended in the 2019-20 fiscal year. The remainder of unexpended funds have been carried forward to future years.

Expenditures under the department related to Oil & Gas Corporation of Newfoundland and Labrador (Oil Co.) for the 2019-20 fiscal year totaled **\$4.27** million.

Refer to page 28-29 of this report for more information on 2019-20 expenditures.

Highlights and Partnerships

Highlights

Oil and Gas

In April 2019, the departments of Natural Resources and Tourism, Culture, Industry, and Innovation announced approximately \$2 million in funding for five projects related to oil and gas in the province. These projects will help to grow and diversify Newfoundland and Labrador's oil and gas supply and service capabilities.

In April 2019, the departments also announced a funding partnership with the Government of Canada to expand the Holyrood Marine Base. The expansion will allow for further innovation, collaboration, growth, and better utilization of the ocean economy. The department contributed \$1 million, Tourism, Culture, Industry, and Innovation contributed \$2.5 million, and The Government of Canada contributed \$5 million.

In June 2019, the department released the 2018-19 Implementation Update for Advance 2030. The implementation update showed significant progress on the immediate priority actions and initiatives, with 95 percent under way or complete.

In August 2019, Minister Coady hosted a meeting with C-NLOPB and Natural Resources Canada to discuss the protection of Canada-Newfoundland and Labrador offshore environment. The discussion focused on the existing regulatory framework and mechanisms currently in place and how to balance environmental protection and responsible resource development in the future.

In October 2019, Minister Coady released the 2019 Oil and Gas Resource Assessment results which identified an additional three billion barrels of oil and 5.8 trillion cubic feet of gas potential offshore Newfoundland. The study, conducted by Beicip-Franlab, identified vast potential for offshore development and helps to position the province as an internationally preferred location for oil and gas exploration.

In January 2020, the Oil and Gas Corporation began operations and welcomed a new chair of the interim board of directors, Heather Jacobs, QC. The interim board has a diverse skillset and worked with government and stakeholders to implement Advance 2030.

In February 2020, the departments of Natural Resources and Tourism, Culture, Industry, and Innovation, announced \$750,000 through the Innovation and Business Development Fund for a project led by Score Canada Limited. This project included the digitization of various processes, which creates a safer offshore working environment and employs an estimated additional 15 skilled workers.

Also in February 2020, Ministers Coady and Davis announced \$524,000 in funding for a project led by Virtual Marine Technology Incorporated. The program supports the priorities outlined in Advance 2030 and was expected to create 20 new high-skilled positions in the province.

Mining

In August 2019, Tacora Resources Inc. achieved a significant milestone with its first shipment of iron ore concentrate from the reactivated Scully Mine in Labrador. Mining in Labrador West continues to be a key economic driver in the province. The three iron ore operations in the Labrador Trough generated \$2.6 billion in mineral shipments and 2,265 person years of employment during 2019, representing approximately 70% and 35% respectively of the province's mineral industry total. In addition to Tacora, the Iron Ore Company of Canada has reserves sufficient to sustain a generation of mining and Tata Steel Minerals Canada Limited continues to invest in its processing facility in Labrador. Iron ore mining was not the only significant mining operation in Labrador, as Vale Newfoundland and Labrador Limited continued to advance the Voisey's Bay Mine Expansion Project to replace the Ovoid open pit at the end of 2022. The underground project will extend operations in Voisey's Bay until at least 2032.

In November 2019, Minister Coady highlighted work undertaken by the Geological Survey division, including a project that presents findings of ruby and sapphire in northern

Labrador. The project completed through the Geological Survey used the results of an airborne geophysical survey as a guide to direct mapping and targeted sampling in Hopedale. Results showed small grains of sapphire and ruby in sediments originating from rocks that are similar to those of the gemstone-rich areas of Greenland, where rubies are currently being mined. Industrial uses for these minerals include lasers and semiconductors. Additionally in November, Minister Coady highlighted the importance of benefits agreements for the province which include gender equity and diversity plans. These agreements, made between the department and industry partners, maximize jobs and business opportunities for Newfoundlanders and Labradorians.

In December 2019, the department began consultations regarding a review of the legislation that regulates quarry activity in the province. Consultations will help to develop modern and comprehensive legislation that addresses gaps and adopts best practices from other jurisdictions to support the development of the province's quarry resources.

Energy

During 2019-20, Minister Coady welcomed three new members to the Muskrat Falls Project Oversight Committee. In June, 2019, Lynn Zurel and Judy Morrow, QC, were appointed and David Billard joined the committee in November, 2019. These appointments brought new independent members to the committee and a wealth of diverse knowledge.

In April 2019, the Government of Newfoundland and Labrador released a document entitled Protecting You from the Cost Impacts of Muskrat Falls. The plan outlines how government is taking action to ensure ratepayers and taxpayers do not bear the additional finances of the project.

In August 2019, the Department of Natural Resources, along with Rural and Economic Development Canada announced funding for a new transmission line and terminal station in western Labrador. The project is to be constructed by Nalcor and will support the continued growth of Labrador's mining industry while lowering the greenhouse gas emissions for a cleaner environment.

In October 2019, the first meeting of stakeholders took place to discuss focus areas and themes for a renewable energy plan. To maximize every opportunity of Newfoundland and Labrador's renewable future, a renewable energy plan is being developed with a clear and sustainable long-term vision for Newfoundland and Labrador. The plan will help create maximum value of the province's abundant renewable energy resources by identifying resource development potential and market opportunities for electrification/fossil fuel switching, green energy industrial development and export, as well as funding attraction, innovation, and workforce development.

Also in October 2019, Minister Coady announced that the Natural Resources Building in St. John's now has two Electric Vehicle Charging Stations, for use by both the visiting public and provincial government employees. Demand for renewable electricity is continuing to increase and it is a priority for the department to make these resources more accessible to the public.

In February 2020, Premier Ball, Minister Coady and Federal Minister O'Regan announced a sustainable, long-term solution to protect ratepayers from the negative impacts of the Muskrat Falls Project now and into the future. Both governments agreed to undertake a financial restructuring of the projects to ensure that they are financially stable over the long-term and ratepayers are protected. The solution involved transitioning the Muskrat Falls/Labrador Transmission Assets revenue model to a traditional cost of service model which will ensure that equity returns from Nalcor are redirected to benefit ratepayers.

In March, 2020, Premier Ball and Minister Coady released the report on the Muskrat Falls Inquiry. The report contained several recommendations which government has reviewed, analyzed, and begun to implement.

Partnerships

The department works with many industry stakeholders on a regular basis in supporting the growth and sustainability of the province's natural resource sectors. Private companies, the supply and service community, industry associations, regulatory bodies, Indigenous groups, other governments, educational institutions, labour development

entities and unions are just a few of the partners involved in the day-to-day operations of our sectors.

The Department of Natural Resources also worked with the Department of Tourism, Culture, Industry and Innovation on the delivery of the Innovation and Business Development Fund – a fund focused on investments to grow and diversify the province’s oil and gas supply and service capabilities. This fund is playing a role in facilitating the necessary collaboration, investment and industry growth required to position this province globally as a preferred location for oil and gas development. The two department’s also collaborated on a number of projects related to research and development in the mining and oil and gas industries such as the expansion of the Holyrood Marine Base.

The department continues to work closely with:

- the Department of Municipal Affairs and Environment and the Department of Fisheries and Land Resources on issues related to responsible resource development and issues related to land use;
- the Intergovernmental and Indigenous Affairs Secretariat on inter-jurisdictional and Indigenous matters;
- the Labrador Affairs Secretariat pertaining to natural resource matters relevant to Labrador;
- the Department of Finance on matters related to the forecasting and monitoring of royalties and taxation from oil and mining developments;
- the Department of Justice and Public Safety on legislative and legal matters; and
- Other departments on numerous other issues and opportunities.

Also noteworthy was the department’s ongoing cooperation with the Federal Government and the C-NLOPB in the joint management of offshore petroleum resources. It is through this co-management system that significant offshore exploration and development activities are approved and regulated.

Report on Performance

The following section of the report details the department's achievements towards its objectives for 2019–20, as well as its overall goals for the 2017-20 planning period.

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

Newfoundland and Labrador is a significant player in the global oil and gas industry; yet recent times have not been without their challenges. The current COVID-19 pandemic and the Russia-Saudi Arabia oil price war have had a major impact on global markets and industry. In the past, the province has benefited greatly from numerous oil and gas projects by means of development of local infrastructure, growth in the service sectors, an increase in business travel - government intends to see those benefits continue. The province has always been, and will continue to be, focused on maximizing the benefits from the development of these resources to the people of the province.

Over the past three years, the department has made substantial progress on securing and enhancing the benefits set in the Strategic Plan. We continue to support these resource sectors, while also supporting the provincial economy through deliberate and collaborative actions in the areas of innovation, research and development, strategic business development and labour.

Through the development of Advance 2030: A Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry, the Provincial Government and oil and gas industry stakeholders committed to positioning the province as an internationally preferred location for oil and gas exploration and development.

Work is continuing with the Oil and Gas Industry Development Council, chaired by the Minister of Industry, Energy and Technology, which is integral to creating conditions for increased offshore exploration and development, ensuring certainty, and maintaining an attractive and stable business environment for operators and investors.

Over the past three years, the Energy Branch has worked to develop Advance 2030, improve regulatory certainty for the offshore, position the province to improve its global competitiveness, and action a variety of tactics to stimulate growth in the province's oil and gas sector.

Planning Period 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**

The department continues to work with the Federal Government on the development of modern offshore operational, health and safety, and land tenure regulatory frameworks. The Regional Assessment of exploratory oil and gas drilling east of Newfoundland and Labrador was completed in February 2020. The assessment's purpose is to make the assessment process for offshore exploratory drilling projects more efficient and timely, while simultaneously ensuring environmental protection standards are maintained and effective. The Regional Assessment creates a more predictable regulatory process for future offshore projects, reduces duplication of efforts, and will result in more efficient project reviews.

- **Implemented priority recommendations to improve our competitiveness and grow opportunities**

In February 2018, The Province launched Advance 2030, a Plan for Growth in the Newfoundland and Labrador Oil and Gas Sector. Development of the strategy was led by the Oil and Gas Industry Development Council and involved consultation with more than 150 industry stakeholders.

Implementation of Advance 2030 is well underway. An Implementation Committee was established as well as three working groups focused on Supply Chain Development, Workforce Development, and Digitalization.

Immediate Priority actions have been implemented and work has commenced on Mid-Term actions.

- **Advanced collaborative efforts to assess and build provincial capabilities**

The development of Advance 2030 included consultation with more than 150 industry stakeholders. The strategy takes a collaborative approach and identifies actions required by government, industry and others to advance the NL oil and gas industry.

In 2018, government contracted WoodMackenzie to undertake a global competitiveness review to assess provincial capabilities and identify ways to build global competitiveness.

Also in 2018, government launched the Innovation and Business Development Fund (IBDF), a 10-year, \$60 million fund focused on investments to grow and diversify Newfoundland and Labrador's oil and gas supply and service capabilities.

- **Advanced priority initiatives designed to increase innovation and technology partnerships to support sector advancement and broader business growth in the province**

Advance 2030 recognizes the importance of innovation and technology partnerships and includes specific actions to support innovation.

IBDF funded projects include: Newfoundland and Labrador Environmental Industry Association's Exploration of Clean Technology Opportunities within the Oil and Gas Supply Chain Project as well as support for Kraken Robotics to develop an underwater robotics technology service hub in Newfoundland and Labrador.

2019-2020 Objective:

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

Indicator:

- **Where applicable, complete immediate action area items and advance toward implementation of mid-term actions identified in Advance 2030**

Immediate priority actions of Advance 2030 have been implemented and work has commenced on mid-term actions. In June 2019 a year one implementation update was released.

Progress on implementation continued in year two with the completion of a study to assess local supply chain capabilities and gaps, initiation of the development of a natural gas framework and the funding of multiple projects through the IBDF to support Advance 2030 deliverables.

Issue Two – Targeted Promotion of the Mining Sector

For over 100 years, Newfoundland and Labrador has enjoyed a strong, prosperous minerals industry. The province is positioned as a strong mineral exploration and development destination and measures up to some of the most popular mining regions in the world.

The COVID-19 pandemic has brought uncertainty across the world and slowed mining activities, but the mining industry was among the quickest to respond. The mining industry was a leading force in adjusting to their new normal and many projects are back in operation. Historic trends indicate it may take a few years to recover from the pandemic's impacts. Through all this, the department is keenly focused on keeping and increasing the province's competitive position within the global mining sector. As identified in the Strategic Plan, the department is committed to initiatives that support exploration activity and marketing the province's resource potential to exploration companies and investors around the world. As exploration is the key to finding the next mine, growth of exploration investment in the province is a critical step.

Over the past three years, the Mines Branch worked to develop a provincial mining strategy, Mining the Future 2030, focused on the development of targeted geoscience activities, launched a marketing and promotions strategy, and made significant headway on the core digitization process.

Planning Period 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**

Establishment of the Technical Advisory Committee is undergoing. The final paper is expected to be submitted in 2020-21. There were some unanticipated delays in establishing the committee primarily due to staff turnover and an ongoing review of the best means to maximize the role and function of the committee.

- **Mineral resource marketing and promotion strategy completed and implementation underway**

A digitization strategy has been developed which includes website re-launch, social media presence, digital advertising, video series, virtual conferences, etc., which will support increased access to geoscience and increased focus on investment attraction. Focus is placed upon development of a comprehensive investment attraction portfolio and renewed promotional materials for daily use within the department.

The following initiatives have been implemented:

- Release of geoscience research and reports conducted under the Geological Survey of Newfoundland and Labrador
- Working groups established with mining industry partners and stakeholders to focus in increased exploration and investment attraction
- Print advertisements developed to support the mining sector
- Participation in the Atlantic Trade and Investment Growth Strategy (ATIGS) working groups for mining as part of the Atlantic Growth Strategy
- Collaboration of promotional activities continued with the executive committee for the Mineral Resources Review (MMR), which is held as part of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) annual meeting held in St. John's. The MMR promotes the provinces resources potential to an international audience.

During the planning period, the department participated six shows annually focused on the province's mining and mineral sector. In addition to exhibiting at the events on the Trade Show Circuit (TSC), the department had many presentation opportunities and speaking engagements to international audiences with focus on resource potential and investment attraction within the province. Many of the events on the TSC were done in

partnership with various industry associations such as Mining Industry NL with support from the Atlantic Canada Opportunities Agency (ACOA) and Invest in Canada.

- **Core digitization process actioned with increased public access to samples in priority areas**

The department formed a partnership with the College of the North Atlantic (CNA) through the Office of Applied Research and Innovation (OARI) which was able to secure funding for its Hyper Spectral Scanning Project (HSU). Additionally, a working group committee was established under Mining the Future 2030, comprising of representatives from the department and stakeholders to advance the drill core digitalization process. The committee is progressing and a project charter is under development. Increasing public access to samples has been delayed due to time delays in the acquisition of the Hyper Spectral Imaging Unit.

2019-2020 Objective:

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.

Indicators:

- **New global target markets such as Europe, Australia, the United States and Asia are prioritized for investment attraction value and immediate promotion activities are underway**

To further global reach, with increased focus on geoscience activities and investment attraction, a digitization strategy has been developed to supplement current promotions activities and the trade show circuit. The digitization strategy includes website re-launch, social media presence, and targeted geoscience promotion, which will increase access to and exposure of geoscience in the province. All digital and physical promotions are plotted into the Tactical Promotions Plan (TPP), which is an annualized calendar that provides all promotions activity and content for each digital strategy. The department has

identified global targets for increased promotions with aim to increase investment in the province. These areas are Australia, Europe, USA and Asia.

- **Core digitization process actioned with increased public access to samples in priority areas**

CNA-OARI have secured funding through TCII, ACOA and other mining industry stakeholders. They have created a HSU project team and the initial scanning was completed. The team established priority of gold bearing projects for Phase One scanning selection and a College of the North Atlantic student completed a capstone project to review and recommend improvements to Core Storage Program Inventory Management System. The project milestone of the completion and delivery of the Hyperspectral Scanning Container and drill core scanning is commencing in 2020-21. Increasing public access to samples has been delayed due to time delays in the acquisition of the Hyper Spectral Imaging Unit.

Issue Three – Sustainable and Reliable Electricity

Ensuring stable and reliable electricity, while maintaining sustainable electricity rates, has been another priority area for the department. Government is focused on completing the Muskrat Falls Project and is committed to electricity rate mitigation. In February 2020, government received and released the Board of Commissioners for Public Utilities' (PUB) Final Report on Rate Mitigation Options and Impacts. The recommendations outlined in the report have been reviewed and tasked to various government bodies for implementation.

The province is exploring other renewable energy opportunities. Newfoundland and Labrador's abundant renewable energy resources provides an opportunity for the province to meet its own domestic needs, and to assist other jurisdictions in meeting their energy demands and clean energy targets.

Over the past three years, the department has worked to support interconnectivity with Labrador, implement regulation and oversight, maximize benefits to the people of our province, and explore alternative energy opportunities.

Planning Period 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**

The department supports ongoing regulatory and policy support for the construction and integration of the Labrador Island Transmission Link between Muskrat Falls and Soldier's Pond. Additionally, continued oversight of the project through participation with the Muskrat Falls Oversight Committee, which supports communication between Nalcor, government, Government of Canada, and the Independent Engineer. The department

also monitors PUB filings on interconnection status and facilitates conversations regarding the current status with Nalcor and Newfoundland and Labrador Hydro (NL Hydro).

- **Implemented policy, regulatory or legislative changes to reflect North American market rules, transmission access rules, and reliability oversight**

Government adopted an Open Access Framework for electricity transmission in March, 2018. The framework is consistent with the principles of open access transmission adopted by the US Federal Energy Regulatory Commission. The department publicly supports the work of the PUB in its ongoing review of system reliability after Muskrat commissioning. The department is also engaging with other Atlantic Provinces and Government of Canada in the Atlantic Clean Power Roadmap, which seeks increase regional power flow, which can improve Newfoundland and Labrador's system reliability. The department's reference question to the PUB enabled the PUB to seek information from Nalcor relating to rate management including assessing operations of the unregulated assets. The Muskrat Falls Inquiry and PUB Rate Mitigations report also discussed systems reliability and system efficiencies for further consideration.

- **Exercised opportunities to maximize the net benefits from use of electricity within the province and export for electricity ratepayers**

As a part of Budget 2019, government allocated \$1 million toward the development of the province's first electric vehicle fast-charging network in partnership with NL Hydro. With this funding commitment, NL Hydro was successful in securing \$770,000 in federal funding from Natural Resources Canada. This first phase of establishing a fast-charging network will see the installation of Direct Current Fast Chargers on 14 sites in the province, generally along the Trans-Canada Highway from St. John's to Port Aux Basques. Upon completion of Phase 1 installation at the end of 2020, electric vehicle owners will be able to travel along the Trans-Canada Highway with ease. Based on a study prepared for NL Hydro and Newfoundland Power; investments in electric vehicle charging infrastructure will dramatically increase the number of electric vehicles in the

province thus lending to the province's electrification efforts. Additionally, increasing the number of electric vehicles in the province will reduce greenhouse gas emissions from the transportation sector, provide rate mitigation benefits, and provide operational savings for electric vehicle owners.

- **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**

The department supported the Nunatsiavut Government's (NG) pursuit of renewable energy solutions for its five communities through the Nunatsiavut Energy Security Working Group, including pursuit of a 1.6 megawatt wind micro-grid project in Nain (15-60 min. battery storage). Additionally, the department and NL Hydro pursued renewable energy solutions for the remaining 14 diesel systems through a joint 2019 expression of interest (EOI), which received 22 proposals. Next steps will likely involve a request for proposals. Third party, Natural Forces is working to integrate hydro, solar and lithium-ion battery storage to offset approximately 30 percent or 300,000 liters of diesel in Mary's Harbour. The hydro plant commissioned in fall 2019, and the solar and battery components are expected to be operational in 2021.

Furthermore, the department worked with the NG to submit a joint proposal to obtain 100 percent federal funding to purchase and install high-efficiency wood stoves in NG communities, as well as to fund a feasibility study for high-efficiency wood stoves in the province's remaining diesel systems. In 2019/20, NL passed the federal due diligence process for this funding. Next steps include completion of a contribution agreement with the Government of Canada, and flowing of funds.

2019-2020 Objective:

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

Indicators:

- **Integration of the findings from the final PUB report into policy decisions related to mitigating the impacts of the Muskrat Falls Project on electricity rates**

The PUB report was received and released publicly in February, 2020. The recommendations have been studied with responsibility for implementation assigned to various divisions – Federal Negotiations team, Rate Management Secretariat, and the Electricity and Alternative Energy Division. The integration of recommendations, where appropriate, are underway and development will continue into 2020-21.

- **Evaluation of the findings of the Muskrat Falls Inquiry Commission Report**

The department received the Muskrat Falls Inquiry Report on March 5, 2020, and began an immediate review. The report was released to the public on March 10, 2020. Various provincial government departments are reviewing the report to determine whether there are grounds for civil claims.

In order to continue the review and develop an implementation plan, government established a Deputy Ministers Steering Committee comprising the Clerk of the Executive Council and Deputy Ministers from the former Natural Resources, Finance, Justice and Public Safety, former Municipal Affairs and Environment, and former Intergovernmental and Indigenous Affairs. The province has accepted all recommendations in principle, and has already implemented some actions, while others require further study.

- **Advancement of the electrification of government funded space heating**

Electrification of Newfoundland and Labrador's economy is a key energy policy priority given that 98 per cent of the province's electricity will come from renewable energy by 2021. The department is accelerating opportunities to take advantage of the province's clean grid with policies and investments that support electrification. Powering homes, buildings, vehicles and industrial sector with clean electricity will both set the path for long-term clean growth and help mitigate the cost impact of Muskrat Falls. As demand for the province's clean electricity increases, so too does the revenue available to help pay for

the Muskrat Falls project. To demonstrate a commitment to supporting fuel switching and electrification, as part of its Rate Mitigation Plan the Government of Newfoundland and Labrador has:

- Approved approximately 35 government-owned buildings for conversion to electricity. This includes K-12 education facilities, post-secondary institutions, health care facilities and core government buildings. These projects are at various levels of completion, including concept design, engineering and construction. These projects are cost-shared by federal government through the Low Carbon Economy Leadership Fund. A further inventory of approximately 270 provincial facilities with various levels of electrification potential have been identified for next stage analysis;
- Issued a Request for Proposals (RFP) to complete a feasibility study associated with converting Memorial University (MUN) to electricity. According to MUN, converting one oil-fired boiler to an 18 MW electric boiler should provide an annual reduction of furnace oil consumption by 5,678,652 liters (equal to 50.3 million kWh of electricity or an estimated \$5 million utility revenue); and,
- **Implementation of a public process to seek expressions of interest for a quantity of energy surplus capacity to add value to the province's energy surplus**

In 2019-20, the department, in collaboration with NL Hydro, advanced its work to add value to available surplus energy from the Muskrat Falls Project through sales to one or more new, large domestic customers for a specified quantity of firm and non-firm surplus energy and capacity. There are several important factors the department considered as it worked to develop options for the surplus energy. A NL Hydro Reliability and Resource Adequacy Study is before the PUB and this will identify precisely what energy and capacity reserves are available to undertake a public competitive bid process. Work is continuing to identify the optimal uses of the province's surplus energy and capacity.

Opportunities and Challenges

There is no doubt 2020 has brought challenges. The Covid-19 pandemic and the Russia-Saudi Arabia oil price war have created mass uncertainty and depressed markets, not just locally, but across the world. Nevertheless, the Provincial Government will continue to position Newfoundland and Labrador as a preferred destination for oil and gas and mining activity. There are promising activities on the horizon and the province is committed to working with the Government of Canada and other industry partners to support economic recovery. A number of initiatives are underway regarding mining and oil and gas projects with a focus on exploration. In addition, the province has vast renewable energy resources including wind, tidal and hydro with the potential to further employment opportunities and promote the province as an energy hub.

Oil and Gas

A major theme of Advance 2030 is to position Newfoundland and Labrador as an internationally preferred location for oil and gas exploration and development. At present time, the oil and gas industry has suffered a substantial loss due to the COVID-19 pandemic and global price wars. Numerous industry stakeholders were forced to halt operations due to the uncertainty and instability of the market.

However, to help the local oil and gas industry through these challenging times, the province is working with industry partners and collaborating on strategies to move forward initiatives such as the digital marketing and promotional strategy, exploration investment incentives. These initiatives, as well as, support from the Federal Government will help the province's oil and gas industry to get through these challenging times. Advance 2030 has outlined various priority actions which continue as key objectives of the department.

The Oil and Development Industry Council has been actively engaged in overseeing the implementation of Advance 2030 which will drive exploration by attracting new investment, maximizing returns through equity investments, and enhancing local supply chain opportunities by leveraging existing capabilities.

To compete in a recovering global industry, the oil and gas regulatory environment must be prudent and balanced. With less than 10 per cent licensed, the province's office offers significant opportunity for oil and gas exploration. The province's robust seismic program coupled with the Regional Assessment will improve the assessment of offshore exploratory drilling projects, increasing Newfoundland and Labrador's attraction to global investors.

Mining

The mining industry has not been without its challenges as well. With the ongoing pandemic, global participants in mining have experienced a sharp decline in demand for commodities. With a decrease in demand comes the devaluation of the industry and minerals. However, the industry has moved past the price shock and organizations are beginning to adjust to its new normal and operations and demand are establishing its new pace.

With its abundance of critical elements, the NL mining industry is in a good position to weather the economic downturn caused by the pandemic. These elements are essential to everyday lives and are vital to a modern economy and green technologies. Additionally, critical elements have limited substitutes, thus making the demand for such materials more stable in a volatile market.

Furthermore, there is a tremendous opportunity for the development of gold in the province. Gold is another element which remains reliable through economic downturns as it is a fixed income asset and viewed as a safe haven for investors. The Valentine Gold Project in central Newfoundland is the largest undeveloped gold resource in Atlantic Canada with the potential for a 12 year mine life. The environmental assessment for the project is ongoing, however there is significant opportunity for job creation and investment into the province.

Through the implementation of Mining the Future 2030, the department continues to strive to position the province as a globally competitive, top tier jurisdiction for mineral exploration and development. The department has been actively working on the action

items outlined in Mining the Future 2030 with creation of 17 working groups responsible for the implementation of the 19 immediate action items. A digitization strategy has been developed, and the department is working toward a re-branded, investment attraction focused website. The Mines Branch and Marketing and Promotions division have been working diligently to support increased investment in the province and continue to highlight Newfoundland and Labrador as a desirable mining location for critical elements and exploration opportunities.

The Muskrat Falls Project

In March, 2020 the Commission of Inquiry Respecting the Muskrat Falls Project (the Inquiry) presented government with its final report Muskrat Falls: A Misguided Project. All the recommendations in the report have been accepted by government and plans for implementation is underway. The recommendations will assist government in setting guidelines for future projects and ensure appropriate monitoring and oversight.

Construction of the Muskrat Falls Project is nearing completion. As of the end of March 2020, overall construction of the Muskrat Falls Project was 99 per cent complete and progress is considered substantially complete across all project assets (Muskrat Falls hydroelectric generating facility, Labrador Island Link, and Labrador Transmission Assets).

Additionally, there is an opportunity for the province to create additional revenue through the expected energy surplus from the Muskrat Falls Project. The department and NL Hydro are actively engaged in exploring opportunities with large domestic customers. Overall domestic load growth, including electrification, can add more value from this surplus. The province is also looking at electricity export and the ability to use any associated revenues to mitigate rate increases that are expected to result from the increased costs of the project.

Renewable Energy

Newfoundland and Labrador has vast renewable energy resources including wind, tidal and hydro. These resources provide the province with a strong position to capitalize on global trends that are creating lucrative markets for products and services that use green renewable energy. As a result, simple bulk exporting of renewable energy is not the only option for the province.

The province is also working to create a low emission future by reducing diesel generation in isolated diesel systems. The department has supported the Nunatsiavut Government's pursuit of renewable energy solutions for its five diesel systems through its Nunatsiavut Energy Security Working Group. The department has also supported NL Hydro and Natural Forces in integrating hydro, solar and lithium-ion battery storage to offset diesel use in Mary's Harbour. The department is enthusiastic to continue work with other industry players and stakeholders in order to exploring further opportunities for collaboration. The department is focused on creating employment opportunities for the people of the province and further positioning it as an energy hub.

Furthermore, the department participates in regional and federal, provincial and territorial working groups and committees to advance opportunities for Newfoundland and Labrador renewable energy exports.

Financial Statements

Expenditure and revenue figures included below are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2020.

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
Executive and Support Services³				
1.1.01	Minister's Office	225,215	227,200	247,200
1.2.01	Executive Support	1,341,178	1,566,800	1,566,800
1.2.02	Administrative Support	836,161	997,100	997,100
	Less: Revenue	(1,000)	(5,000)	(5,000)
1.2.03	Administrative Support (Capital)	200,782	202,100	100
Total		2,602,336	3,038,200	2,806,200
Mineral Resource Management				
2.1.01	Geological Survey	4,474,051	4,659,400	4,635,100
	Less: Revenue	(757)	-	-
2.1.02	Mineral Lands	1,379,426	1,469,900	1,469,900
2.1.03	Mineral Development	2,886,196	3,705,000	4,021,300
Total		8,739,673	9,834,300	10,126,300
Energy Resources and Industrial Benefits Management				
3.1.01	Energy Policy	3,114,616	3,464,100	3,555,100
	Less: Revenue	(413,149)	-	-
3.1.02	Petroleum Development	1,654,485	1,823,000	1,642,000
	Less: Revenue	(87,097)	(81,000)	(81,000)
3.1.03	Canada/NL Offshore Petroleum Board	11,187,500	11,187,500	11,187,500
	Less: Revenue	(8,038,409)	(11,187,500)	(11,187,500)

³ In 2019-20, a portion of Executive and Support Services – specifically the Financial Operations function – was shared with the Department of Fisheries and Land Resources.

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
3.1.04	Royalties and Benefits	2,207,706	2,475,100	2,505,100
3.1.05	Innovation and Business Development	2,685,671	9,000,000	9,000,000
	Less: Revenue	(9,010,000)	(9,000,000)	(9,000,000)
3.1.06	Oil and Gas Corporation of Newfoundland and Labrador	3,370,072	27,739,500	27,739,500
3.1.07	Oil and Gas Corporation of Newfoundland and Labrador (Capital)	904,500	112,107,500	112,107,500
3.1.08	Energy Initiatives (Capital)	379,200,000	379,200,000	379,200,000
Total		386,775,898	526,727,700	526,667,700
Total Department		398,117,904	539,600,200	539,600,200

Inactive Entities

Muskrat Falls Project Land Use and Expropriation Arbitration Panel

This Panel is a Category 3 public body set up under Section 24 of the **Muskrat Falls Project Land Use and Expropriation Act** and Section 16 of the Muskrat Falls Project Land Use and Expropriation Regulations. The Panel was set up to determine compensation for, or related to, an expropriation of land required for the Muskrat Falls Project. This entity was inactive during 2019-20.