

ANNUAL PERFORMANCE REPORT



2008-2009

Cover: Design by Dave Leonard, Geological Survey

Photo Credits: Department of Natural Resources, Provincial Airlines and Electromagnetic Geoservices (EMGS).

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Message from the Minister



Speaker of the House of Assembly

Dear Mr. Speaker:

In accordance with the *Transparency and Accountability Act*, I hereby submit the 2008-09 Annual Performance Report for the Department of Natural Resources. The report includes the Mines and Energy Branches of the department and the Forestry and Agrifoods Agency.

The outcomes reported reflect government's strategic direction for the province's natural resources. My signature below is indicative of my accountability for the actual results reported.

Sincerely,

A handwritten signature in black ink that reads "Kathy Dunderdale". The signature is fluid and cursive.

KATHY DUNDERDALE
Minister
Natural Resources



Mines and Energy Branches



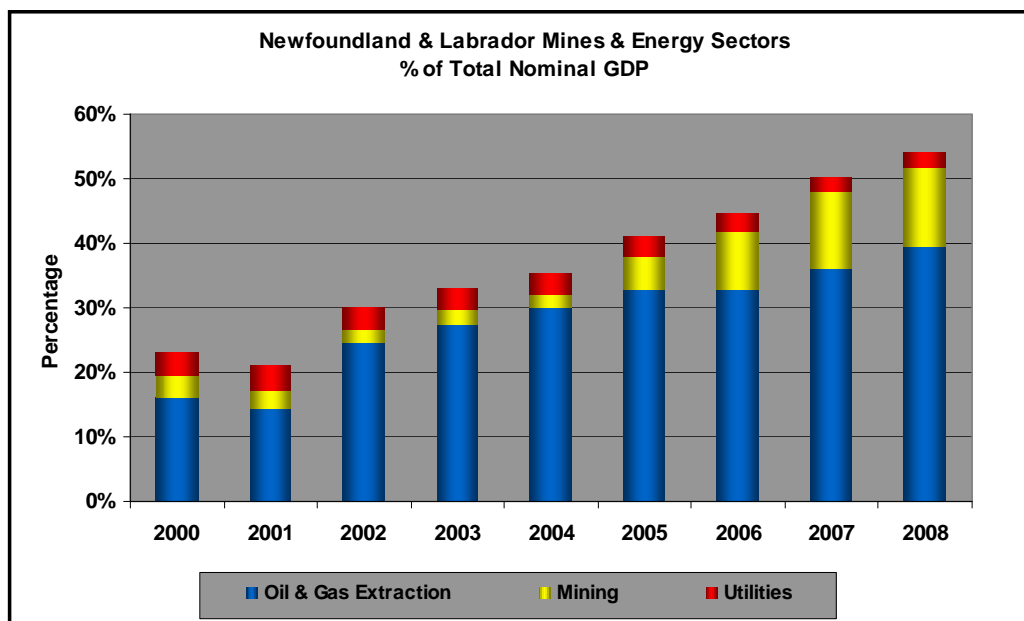
April 1, 2008 to March 31, 2009



Introduction

The 2008-09 year marked a significant period for the Department of Natural Resources and the province as a whole with numerous accomplishments and milestones in the resource sectors.

The mines and energy sectors in Newfoundland and Labrador provide the province with approximately 30 per cent of its annual revenue and contribute approximately 50 per cent of the GDP. The continued success of these industries has contributed positively to the development of the province's economy, and to a renewed sense of confidence among Newfoundlanders and Labradorians. A number of major resource developments on the horizon will help sustain the momentum of these industries and ensure a bright future for Newfoundland and Labrador.



NOTE:

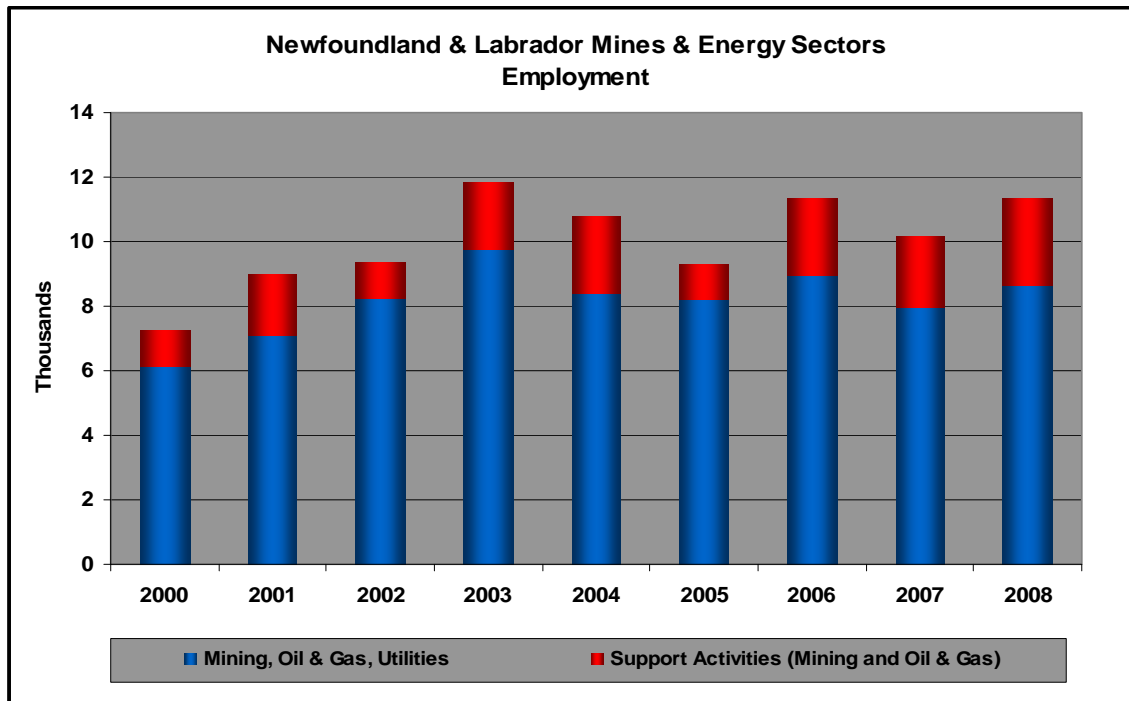
(1) Excludes GDP data for NL petroleum downstream sectors (crude oil refining and petroleum products distribution).

(2) Oil & Gas Extraction includes GDP from support activities related to oil & gas extraction and mining.

SOURCE: Calculated based on information from Statistics Canada & NL Department of Finance

A revised development agreement was negotiated for Vale Inco's multi-billion dollar hydromet facility in Long Harbour to process nickel concentrate from the Voisey's Bay mine in Labrador. The project will provide 4,500 person years of work, and is expected to partially offset the impact of the global economic downturn on employment elsewhere in the mining sector in the province. For the first time, the province has meaningful ownership in resource projects in the form of an equity stake through Nalcor Energy. Hebron, the province's fourth offshore oil project,

is in the pre-Front End Engineering and Design (FEED) phase with construction scheduled to begin in 2012. Production from the North Amethyst field, the first White Rose expansion, is expected later this year or early in 2010 and the province continued work towards a Memorandum of Understanding (MOU) for the development of the Hibernia Southern Extension.



NOTES:

(1) Employment information does not fully distinguish employment attributed to direct and indirect sources and there may be other related employment that has not been captured in this information.

SOURCE: Statistics Canada, NL Department of Finance and Canada-Newfoundland and Labrador Offshore Petroleum Board.

The Provincial Government is also pursuing the development of the Lower Churchill, the most attractive undeveloped hydroelectric project in North America. This project alone has the potential to produce 3,000 megawatts of clean, green energy and to reduce greenhouse gas emissions by approximately 13 million tonnes a year. This project, if sanctioned, will play an important role in the province's renewable energy future.

These resource developments will provide a significant boost to the province's economy and contribute to the continued growth of these sectors. The impact of these developments will be felt for years to come as they move through the various phases of design, construction and production. With every potential discovery or new project, the province is building on its successes and growing its industries.

The *Energy Plan: Focusing our Energy*, released in 2007, provides a clear course of action for the strategic development of our natural resources for the next 30 years and beyond. Considerable work has gone into the implementation of key initiatives that will contribute to the long-lasting success of these resource industries. With strategic planning, our province has the natural resources to build a sustainable economy for today and generations to come.

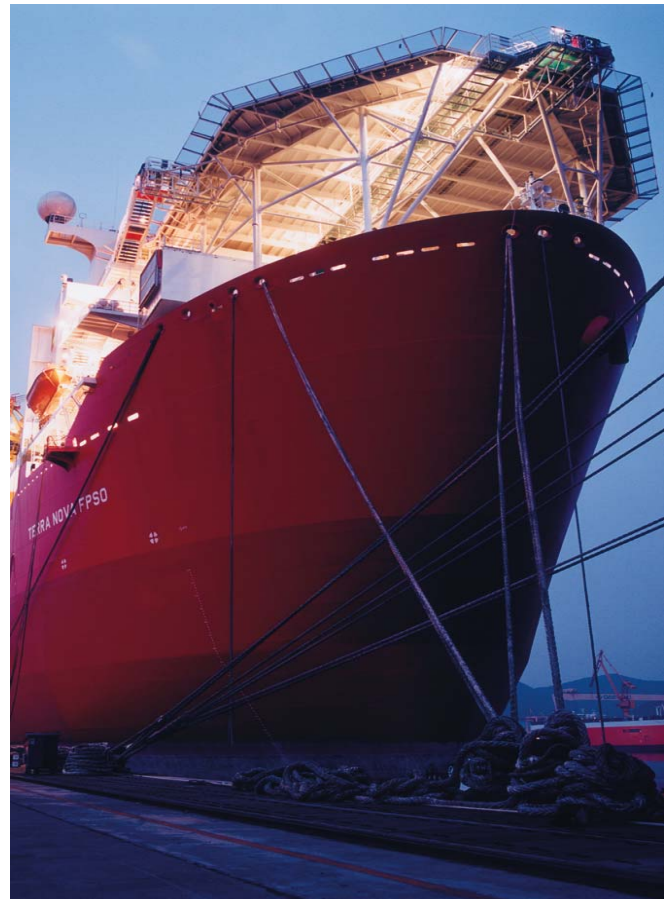


Photo: Bow of the Terra Nova FPSO

Overview of the Department

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*.

Mandate

The mandate of the Mines and Energy Branches includes supervision, control and direction of all matters relating to promotion, exploration and development of mineral and energy resources and related industry developments including:

- mines, minerals, quarries, and quarry materials;
- onshore petroleum resources, and in conjunction with the federal government, offshore petroleum resources;
- 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, within or outside the province; and
- identifying, assessing and monitoring industrial benefits commitments from major resource development projects.

The department's responsibilities for natural resource development in the mining and energy sectors are provided through two branches.

1. MINES

The Mines Branch is divided into three main divisions:

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

The **Mineral Lands Division** is responsible for the administration of mineral land tenure through the *Mineral Act* and the *Mineral Holdings Impost Act*, including the issuance of exploration licenses and production leases; the administration of quarry material rights and developments through the *Quarry Materials Act*; the issuance of exploration approvals and follow-up inspections; and the maintenance of the core library system.

The **Geological Survey Division** is responsible for mapping and interpreting the province's bedrock geology and surficial material; for conducting geochemical and geophysical surveys; for mineral deposit studies; for the maintenance and publication of maps, reports and databases concerning the geological and mineral endowment, including GIS-based databases and web-delivery; and for promoting the province's mineral exploration potential.

2. ENERGY BRANCH

The Energy Branch is divided into three main sections:

The **Petroleum Development Section** is responsible for fostering the exploration, development and production of the province's hydrocarbon resources, and providing related geological, geophysical, engineering, and regulatory services. Responsibilities include:

- the provision of technical services in the areas of petroleum engineering and operations to facilitate sustainable development and management of petroleum resources both onshore and offshore;
- the provision of technical services in the areas of petroleum geoscience to facilitate sustainable development and management of petroleum resources both onshore and offshore; and
- the provision of marketing and promotional services to foster the exploration, development and production of the province's hydrocarbon resources.

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 maximization of fiscal benefits to the province from petroleum resource development through the negotiation, development, administration and monitoring of project agreements, and legislation;
- the auditing of project costs and revenues to verify the accuracy of royalties paid to the province;
- the provision of overall energy economic/financial and supply/demand information review, analysis, and advice for resource management decisions; and
- the maximization of industrial benefits to the local economy from the development of major mining and energy projects through negotiation of benefits commitments, benefits monitoring and international promotion of the province's industrial capacity and capabilities.

The **Energy Policy Section** is responsible for developing, planning and coordinating policy matters relating to the province's energy sector. Responsibilities include:

- the management/co-management of onshore and offshore petroleum exploration and development, regulatory compliance and regulatory development;
- electricity industry governance and structure, electricity industry markets and alternative energy, and responsibility for the *Electrical Power Control Act*;

- the provision of technical, economic, analytical and program design expertise to government to enable informed decisions on matters relating to energy efficiency;
- the design and/or delivery of specific energy efficiency programs and services; and,
- general policy, planning and coordination in the energy sector, including a lead role in the implementation of the provinces Energy Plan.

For a complete list of all legislative responsibilities that inform the departmental mandate, please see the Department of Natural Resources 2008-11 Strategic Plan or government's website: <http://www.assembly.nl.ca/Legislation/sr/NaturalResources.htm>

Employees

As of March 31, 2009, the Department of Natural Resources, Mines and Energy Branches, had 165¹ staff on payroll. There is one employee working in Goose Bay, one in Wabush, one in Grand Falls-Windsor, two in Pasadena and the remainder of employees work in St. John's.

Branch	Female	Male	Total
Mines	31	62	93
Energy	21	28	49
Financial Operations	14	9	23
Total	66	99	165

1. Does not include 32 employees in executive support, some of which are shared with the Forestry and Agrifoods Agency.

Physical Location

The main offices of the Department of Natural Resources, Mines and Energy Branches, are in one location:

Natural Resources Building
50 Elizabeth Avenue
P.O. Box 8700
St. John's, NL
A1B 4J6

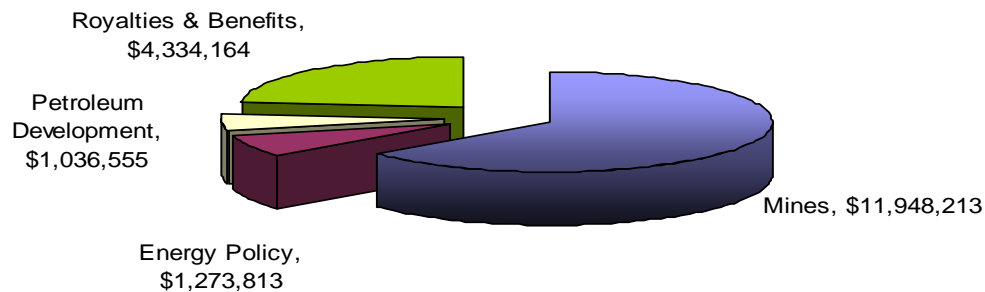
Website

The Department of Natural Resources website, including the Mines and Energy Branch components, is located at <http://www.gov.nl.ca/nr>.

Expenditures

Expenditures for the Mines and Energy Branches in fiscal year 2008-09 totaled \$343.5 million. This figure does not include \$8.5 million related to executive and support services which are shared with the Forestry and Agrifoods Agency. The Energy Resources and Industrial Benefits Management sector included an allocation of \$319.5 million for capital projects associated with the Energy Plan implementation. See Appendix II for additional details.

2008-09 Expenditures by Branch/Division



Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.

Mission Statement

By March 31, 2011, the Mines and Energy Branches will have enhanced departmental programs and services to optimize the benefits received from mines and energy resource developments and promoted the sustainability of these sectors.

The mission statement was taken from the Department of Natural Resources, Mines and Energy Branches, strategic plan for the period April 1, 2008 to March 31, 2011.

Lines of Business

Resource Policy

Working closely with key stakeholders, the department develops resource policy, and coordinates and facilitates sustainable development and management. Based on these frameworks, the branches directly and indirectly develop, monitor and/or initiate supporting regulatory and benefits optimization activities.

Resource Management

In the onshore area of the province, the branches ensure industries follow appropriate resource management practices and comply with mines and energy regulations. The Branches facilitate well-planned, responsible resource management activities and are responsible for monitoring almost all aspects of these activities. Mineral and petroleum resource management activities also include title allocation, administration and ensuring compliance with site development and rehabilitation requirements.

In the offshore area, the department discharges its operational management and administration functions for offshore petroleum activity under a federal-provincial joint regime administered by the Canada-Newfoundland and Labrador Offshore Petroleum Board (CNLOPB).

In the electricity resource area, involvement in resource management is indirect and implemented through the Board of Commissioners of Public Utilities and Newfoundland and Labrador Hydro (a subsidiary of Nalcor Energy).

The department is also responsible for petroleum royalty development and administration of onshore and offshore petroleum royalties.

Resource Exploration and Assessment

This line of business includes several activities that precede resource development, including the gathering, interpretation and dissemination of geoscience data and the provision of exploration incentives. The activities of the department in this area are designed to support and encourage exploration, investment decisions, permitting and development opportunities.

Promotion and Facilitation of Resource Development

Resource development builds on exploration and resource assessment. Resource development projects generally tend to be long term and capital intensive and, as such, generate significant economic and employment benefits. These projects can be important catalysts, particularly for rural area growth, as well as industrial infrastructure and supply and service capabilities. Activities are specifically directed to negotiating, promoting and facilitating well-planned, responsible mineral and energy development and associated business and employment opportunities.

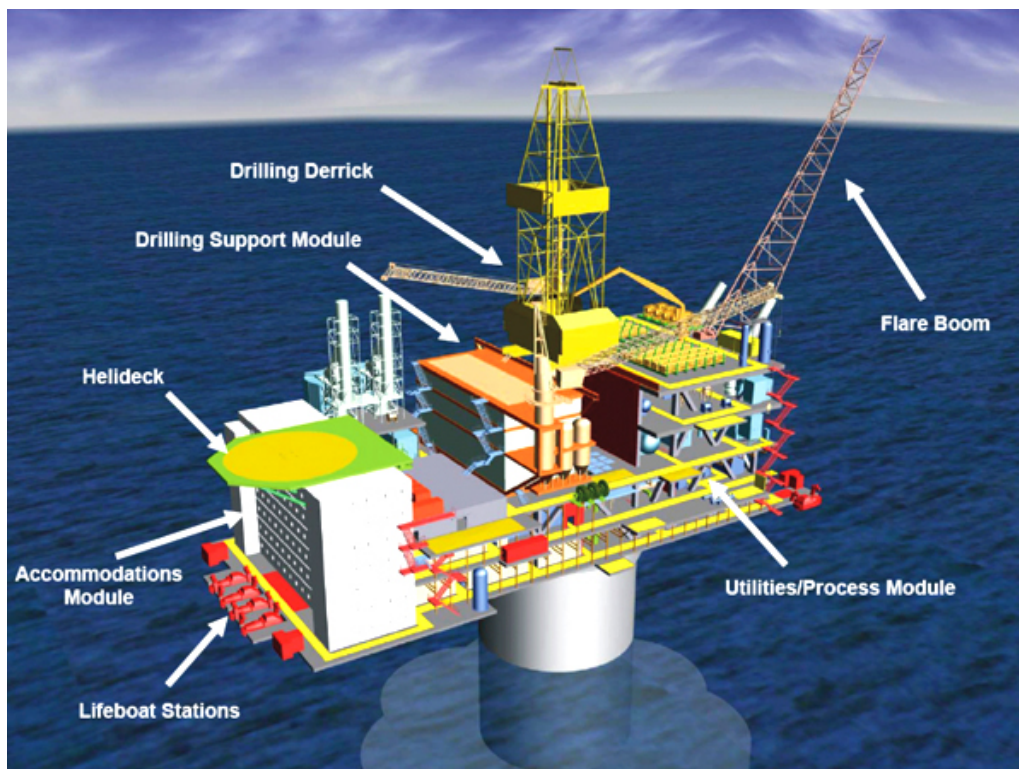
2008-09 Year in Profile

The following sections are included to provide a focused look at major accomplishments that occurred during the 2008-09 year.

1. Hebron Agreement Signals New Era in the Province

In August 2008, government announced and celebrated the successful signing of the province's fourth major offshore oil project. The Hebron agreement marked the first project in a new era of energy projects in which the province stepped forward as a full partner and active participant in energy resource development.

Hebron Project Development Concept



The Hebron project field is located approximately 350 kilometres offshore from the island portion of Newfoundland and Labrador. The project is operated by ExxonMobil and is a joint venture among ExxonMobil Canada, Chevron Canada, Petro-Canada and StatoilHydro Canada and Nalcor Energy Oil and Gas, the province's oil and gas corporation. Under the agreement, the Provincial Government, through Nalcor Energy Oil and Gas, owns 4.9 per cent of the equity in the project. On top of the existing royalty structure, the deal adds a super royalty of 6.5 per cent of net revenues when the average monthly price of West Texas Intermediate (WTI) exceeds \$50 US a barrel. The CNLOPB estimated that the development contains 581 million barrels of recoverable oil.

Local benefits from the project are estimated to exceed those provided by White Rose or Terra Nova. During construction, it is estimated that more than 3,500 people will work on the project at peak employment. In the province, there will be a minimum of 50,000 person hours of Gravity-Base Structure (GBS) Front-End Engineering and Design; a minimum of 1.2 million person hours of detailed engineering; and a minimum of one million person hours of project team activities prior to first production. First oil is expected between 2016 and 2018 with production reaching a peak of approximately 150,000 barrels per day two years later.

During construction and throughout the production phase, the Hebron project will deliver significant benefits to the people of Newfoundland and Labrador, generate a competitive rate of return for ExxonMobil and the co-venture companies, including Nalcor, and provide additional energy supplies for the North American marketplace.

“We have indeed entered a bold new era in this province,”

Minister Dunderdale

2. Nalcor Energy: Our Future in Energy Development



During the 2003 provincial election, Premier Williams made a commitment to position this energy producing province as an internationally-competitive player in the resource sector. That commitment was delivered in 2007 when government enacted legislation creating the province's energy corporation, Nalcor Energy.

In June 2008, the House of Assembly passed amendments to the Energy Corporation Act to establish the governance and accountability structure for Nalcor Energy and its subsidiaries to allow the company to compete on the world stage. These amendments provided for the creation of subsidiaries, established the public accountability process for the corporation and its subsidiaries, and protected the corporation and the Provincial Government, to the best extent possible, from risks associated with the activities of the subsidiaries.

In December of 2008, government successfully launched Nalcor's brand and corporate identity. Nalcor Energy has five lines of business: Newfoundland and Labrador Hydro, Churchill Falls, Lower Churchill Project, Oil and Gas and Bull Arm Fabrication.

While continuing to manage the performance of its operating units, the company has acquired equity interests in offshore oil projects, facilitated wind development in the province and continues to pursue growth opportunities in the energy sector.

“The new name and logo will establish a strong corporate identity for our energy corporation that is reflective of the place it comes from, and our vision for it as laid out in the Energy Plan. Nalcor Energy will help us market our energy potential to the rest of the world and will ensure we get the most out of our resource developments.”

Minister Dunderdale

3. Vale Inco Hydromet Plant

In January 2009, government negotiated improvements to the development agreement with Vale Inco for the construction of a commercial hydromet processing plant at Long Harbour. The improvements included more certainty that the project will proceed on this new schedule, as well as enhanced local employment benefits and greater protection of the province's resource.

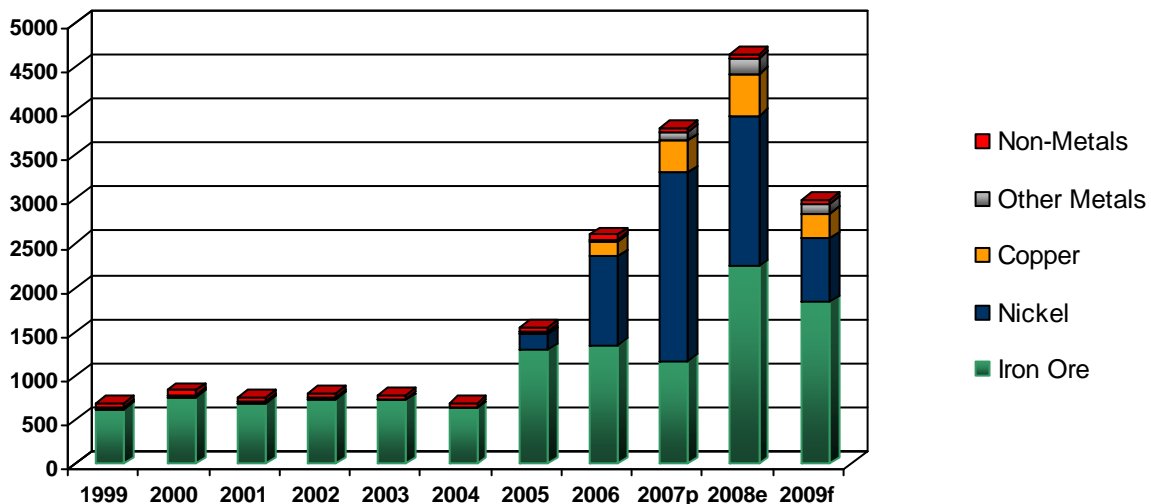
Vale Inco met an important condition of the 2002 Development Agreement for the company to decide by November 15, 2008, which processing technology it would use. Hydromet processing was chosen as the method of production. Hydromet processing involves using water-based chemical treatment to extract nickel from the concentrate and refining it to finished nickel. The overall economic and employment impact on the province is greater with hydromet compared to other options.

Vale Inco had been required to deliver implementation plans for the project by December 31, 2008. The Provincial Government extended the deadline for submission of the final plan to January 22, 2009, to provide an opportunity for further discussion with the company on its contents. Vale Inco and government reached a final agreement on amendments to the Development Agreement on February 28, 2009. This accommodated a 14-month delay in completion of the plant but in return provided for greatly increased security, including milestones and financial security, that the initial phases of earthworks and construction would meet the implementation plan schedule. The agreement also provided for targets in respect of construction and engineering employment, for a much improved force-majeure clause, for greater certainty of underground resource development and the use of the island industrial rate for electrical power pricing.

During the three-year construction period, which commenced in April 2009, more than 3,000 workers are expected to be employed. The company expects an average of 1,630 workers to work during each year of that period. Upon completion, the plant will have a permanent staff of about 450 workers. The total GDP value to the province of the hydromet plant, including the mine and mill at Voisey's Bay over the life of the project, is \$20.7 billion.

4. Record Year for Mineral Production and Mineral Exploration in 2008

The gross value of shipments of mineral products reached an all time high of \$4.65 billion in 2008. This was despite the onset of the financial crisis in the latter part of that year and the ensuing cut backs, especially in the iron ore sector. The growth in 2008 was built on a steady escalation of metal prices that had been underway since 2005 driven largely by a surge in raw material demands by China, and to a growing extent, India. Even in cost-adjusted terms, this represents twice the previous peak of 1979. The growth was driven chiefly by the province's traditional iron ore sector in Labrador West, but also by nickel exports from the Voisey's Bay Mine in northern Labrador which began production in 2005.



As illustrated above, copper was the third most significant metal and is produced by Voisey's Bay but also by Tecks Island-based Duck Pond operation which opened in 2007.

The steady increase in iron ore prices had led to plans for a significant expansion in production capacity, notably at the Iron Ore Company of Canada's operations near Labrador City. However, the onset of the financial crisis in the latter part of 2008 resulted in a rapid collapse of nearly all metal prices, including iron ore, and led to cancellation or postponement of many expansion plans, including those of IOCC. The deepening crisis led to cutbacks and layoffs at Wabush Mines and to planned scheduling of one-month shutdowns for summer 2009 for IOCC and Voisey's Bay.

2008 was also a record year for mineral exploration which reached an expenditure of \$138 million, 67 per cent of which came from work in Labrador where exploration was directed to the

search for uranium, iron ore and nickel. Exploration in Newfoundland was also very active and directed a wide range of commodities chiefly copper, gold and uranium.



Photo: Iron ore pellets move along a conveyer at IOC's operation in Labrador City

5. Commitment to Gender Equity

The Department of Natural Resources is committed to advancing the issues of women and supporting their role in resource sectors. Consistent with the commitments in our Energy Plan, we are taking steps to implement special measures which will increase women's opportunities to acquire positions in business, trades and professional occupations.

For large-scale projects fully within our regulatory jurisdiction, the Provincial Government will require proponents to include employment plans for women, stating corporate objectives to achieve employment equity for women in all project phases. Employment equity will give women equitable access to all employment opportunities and eliminate barriers that create discriminatory practices.

Energy Plan

In August 2008, the province signed the MOU for the development of the Hebron Offshore Project. Included in the significant benefits that this project will deliver are gender equity program commitments. The project operator, ExxonMobil, will implement gender equity programs which will include training and recruitment programs for women. A required gender equity plan and project activities will address access to business opportunities for women. The programs will have quantifiable objectives and goals applied to all phases of the project, and all major contractors will share in the implementation and success of these efforts. The gender equity programs of Hebron have the potential to bring new talent, knowledge and skills to the workforce and will promote the development of a more inclusive industry. They will support the creation of a diverse and capable workforce and are true milestones for our industry.

"I am pleased to announce today that for the first time in an offshore development agreement in this province, we have negotiated a Gender Equity and Diversity Plan for all phases of the Hebron project".

Minister Dunderdale

The department has also taken significant action in the development of additional women's employment plans in the mining and agrifoods sectors. New standards have been set with respect to gender equity expectations for all future significant resource development agreements.

Outcomes of Objectives

This section of the Annual Report details the significant work undertaken and completed by the department on its objectives for 2008-09. The outcomes achieved by the Mines and Energy Branches with respect to their objectives for the year are consistent with the Minister's strategic directions for the strategic planning period. These strategic directions for the natural resource sectors are contained in the Department of Natural Resources Strategic Plan. It can be viewed at www.gov.nl.ca/nr.

Issue 1: Identification and Promotion of Resource Development Opportunities

“Our budget initiatives this year focus on gaining a greater understanding of our resources and marketing this information to industry to attract exploration and investment to our region,”

Minister Dunderdale

One of the strategic directions identified in the 2008-11 plan focused on the efficient and effective management of natural resources to ensure their sustainable utilization and optimization of resulting benefits. In support of this direction, the department engaged in several activities throughout the year related to the generation and distribution of high quality resource information. Meeting the data needs of resource-based industries as they experience increasing growth improves the province's competitive position as a place to explore and develop.

Goal:

By March 31, 2011, the Mines and Energy Branches will have enhanced our knowledge base of geo-science data to identify opportunities for resource development and will have improved promotion of these opportunities.

Objective:

By March 31, 2009, the Mines and Energy Branches will have enhanced programs to expand the information capacity for geo-science data including onshore and offshore seismic data and developed plans to strategically promote this information to potential investors.

Progress 2008-09

Measure 1: Enhanced Programs

1. Acquired new geo-science data through the new Petroleum Exploration Enhancement Program (PEEP)

Additional funding in 2008-09 resulted in the commencement of an onshore high resolution aeromagnetic survey over western Newfoundland. The program is a joint venture between Nalcor Energy (PEEP) and the Department of Natural Resources – Geological Survey and the Petroleum Geoscience Division. Geological surveys were completed during the year in the Stephenville and Deer Lake areas. Further surveys were underway in the Port au Choix Extension, Port au Choix and Corner Brook regions. Additional funding in 2008-09 also resulted in enhanced field programs, as well as the commissioning of a major geophysical survey of western Newfoundland.

2. Acquired new mineral related onshore geoscience data through expanded field programs

The 2008-09 budget provided an additional \$1 million to the geological survey program's base budget. In total, \$1.5 million was devoted to field activities.

- \$800,000 was invested in the most extensive mapping effort in Labrador in over a decade. The Labrador program included two major bedrock mapping projects in the Makkovik and Seal Lake areas, a study of uranium mineralization in the Central Mineral Belt and the conclusion of a 20-year mapping effort in southern Labrador.
- Five projects on the island valued at \$700,000 included: three full-scale mapping projects in western Newfoundland, north-east Newfoundland and the Buchans area; a project to study gold mineralization around Grand Falls-Windsor; and a small-scale field project on the Avalon Peninsula to conduct geochemistry surveys on surface material, or till.

All studies were completed and resulted in significant increases in new mineral related onshore geoscience data.

3. Participated in an initiative with the Canada Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) to complete a gap analysis on seismic data in the Newfoundland and Labrador offshore region

The department directed the initiation of a project to analyze seismic data in the Newfoundland and Labrador offshore region. The department also identified project parameters and participated in a number of meetings related to the initiative. CNLOPB has finished and presented to the Department of Natural Resources a Geophysical Gap Analysis for offshore

Newfoundland and Labrador. The analysis is currently being used to assist planning for the use of Energy Plan commitment funds for offshore seismic data acquisition and/or re-evaluation.

4. Supported the development of an offshore data management repository within the CNLOPB

The province has allocated \$1,050,000 for this activity and the installation of the CNLOPIMS (CNLOPB Offshore Petroleum Information Management System) is substantially complete. Departmental staff have had monitored the development and implementation of the system.

5. Supported the expansion of the Core Storage and Research Centre in order to increase capacity for the physical storage and curatorship of all geophysical records and geological and hydrocarbon samples related to the offshore area

This initiative has been supported by the department through the provision of provincial funding. In addition, some site clearing and geophysical site work has been initiated for the expansion. CNLOPB has engaged an architect to commence priority-based facility planning.

6. Completed scanning and on-line posting of mineral assessment file records and on-shore seismic sections to improve access to information

The second phase of mineral assessment report scanning was complete as of year end. Upon assessment of the paper files, it was determined that approximately 80% of these records were suitable for electronic scanning. The Petroleum Geoscience Division has scanned these on-shore seismic sections. On-line posting of this information has been delayed due to large file sizes and their overall impact on the website. Work is underway with OCIO regarding the site structure and the associated logistical and security issues that will need to be addressed.

The Geological Survey Division has completed scanning of its approximately 9000 mineral industry exploration assessment files through a collaborative project with OCIO, and is now well advanced in the process of posting these for on-line access through the department web site.

7. Initiated discussions with the Inco Innovation Centre at Memorial University to investigate cooperative programs on minerals-related research

The Mines branch of the department has been involved in review and approval of the Inco Innovation Centre project and has established a working relationship with the IIC director. Initial discussions have occurred regarding program opportunities of mutual interest.

Measure 2: Developed Plans**8. Developed a minerals promotion plan**

The Mines Branch Minerals Promotions Plan was completed in 2008-09. In addition there were a number of activities completed during the year which aligned with the key recommendations from the plan, including:

- Prepared country supplement “Newfoundland and Labrador: Resource Rich, Development Friendly”, published in UK-based international mining trade magazine “Mining Journal”
- Presented talks and exhibit at China Mining (Beijing) and facilitated meetings at the event; presented to Chinese industry and government ministries overseeing outbound mining investment (Ministry of Lands and Resources and National Development and Reform Commission)
- Developed promotional materials targeting domestic and international audiences, including Mandarin materials for Asian markets.
- Presented promotional exhibits at domestic trade shows: Prospectors and Developers Association of Canada Convention (Toronto) including participation in Atlantic Canada Pavilion; Quebec Exploration 08 (Quebec City); Exploration Roundup (Vancouver); and provincial conferences in St. John’s, Happy Valley-Goose Bay and Baie Verte.
- Expanded, enhanced and more fully integrated the annual Mineral Resources Review (MRR) conference and trade show, targeting local and national attendees, and increased involvement of the mining sector in same. MRR is now Atlantic Canada’s largest mineral exploration and investment conference/trade show.
- Enhanced partnerships with provincial Department of Business and federal Department of Foreign Affairs and International Trade on domestic (PDAC etc) and international (China Mining) fronts, in the area of investment attraction into the provincial minerals sector.

9. Developed a comprehensive petroleum resource marketing plan

The Petroleum Resource Marketing Plan was drafted in fiscal 2008-09. Steps toward the finalization of the plan are underway. The plan includes a number of strategies that will be implemented by the department to effectively market the province's petroleum resources.

Objective, Measure and Indicators – 2009-10

Objective:

By March 31, 2010, the Mines and Energy Branches will have continued the expanded collection of geo-science data and implemented promotional plans.

Measure: Continued the expanded collection of data and implemented promotional plans

Indicators:

- Supported additional onshore and offshore geoscience data collection
- Continued funding for Nalcor for additional onshore and offshore geoscience studies
- Promoted key findings from geoscience information collected through initiatives completed in 2008-09
- Supported expanded field programs and on-line posting of information
- Developed agreement with Natural Resources Canada for cost-shared geoscience work in western Labrador
- Continued review of offshore seismic data for gaps
- Onshore Aeromag survey processed and available online
- In partnership with the Federal Government, supported enhanced geoscience databases for Labrador
- Finalized the Petroleum Resource Marketing Plan and commenced implementing recommendations
- Completion of the Mineral Exploration Approval Management System
- Furthered implementation of the Mineral Promotions Plan

Issue 2: Improved Efficiency and Effectiveness of Regulatory Systems

The department recognizes that the significant growth in the resource sector will need to be matched by the development of enhanced legislative, regulatory and policy regimes. Throughout 2008-09 there were significant levels of activity associated with the improvement of legislation, regulations, policy and other resource management practices. These activities also support the minister's strategic direction related to sustainable resource development and usage for the long term benefit of residents of the province.

Goal:

By March 31, 2011, the Mines and Energy Branches will have improved regulatory systems to enhance the competitiveness of the mines and energy sectors.

Objective:

By March 31, 2009, the Mines and Energy Branches will have commenced review and development of new and revised regulatory systems.

Progress 2008-09

Measure: Commenced review and development

1. Commenced review of standard practices for the electricity industry

A joint working group was formed with Nalcor Energy. The group held initial discussions regarding the process that would be used to complete the review process. Consideration was given to engaging the use of consultants to make recommendations regarding key areas for government action. The reallocation of key personnel led to working group delays. Resumption of the discussions is pending.

Budget 2008-09 allocated \$300,000 for the electricity industry for new initiatives focusing on industry structure, regulatory process and rate setting.

2. Commenced development of Offshore Natural Gas Royalty Regulations

The Province released its Offshore Natural Gas Royalty Regime structure as part of the Energy Plan in September 2007. This regime provides clear information for companies assessing project economics. During the year, the department continued with detailed policy development necessary to support the development of detailed Natural Gas Regulations.

3. Commenced development of Offshore Oil Royalty Regime

Work was initiated in the 2008-09 fiscal year toward the development of the Offshore Oil Royalty Regime. In particular, the department completed reviews of existing agreements and legislation with a view to identifying any gaps with existing policy direction.

4. Drafted revised regulations for offshore drilling and production in which goals are outcome based.

Proposed outcome-based *Drilling and Production Regulations*, an amalgamation and modernization of the *Drilling Regulations* and *Production and Conservation (DP) Regulations* that are currently under the *Canada-Newfoundland Atlantic Accord Implementation Act*, were drafted during the year. These regulations were then submitted for publication in the *Canada Gazette* as required under the federal regulatory process.

5. Completed a review of the applicability of performance based petroleum regulations in our offshore area

Through its partnership in the Frontier and Offshore Regulatory Renewal Initiative (FORRI) the province is moving forward with a transition from prescriptive to goal-oriented regulation through a phased renewal of offshore petroleum regulations. During 2008-09 a number of important initiatives were completed.

The Energy Branch, in partnership with the Nova Scotia Department of Energy, contracted for the development of a first consolidation of provisions for a draft "Framework Regulations". The Energy Branch also contracted for:

- a gap analysis and identification of policy issues study for the identification of gaps,
- a comparison with approaches used in other regimes internationally, and
- identification of potential policy issues that may need to be considered in the development of "Framework Regulations".

Both of these studies respecting the development of the Framework Regulations were completed in the 2008-09 fiscal year. These studies were an important initial step in providing a structural outline for the development of the Framework Regulations to ensure the transition from prescriptive to a goal-oriented regime. Further studies, policy and legal analysis will be needed in order to complete these regulations as phases progress. FORRI is anticipating promulgation in 2011.

6. Commenced a review of the applicability of performance based petroleum regulations for the onshore area

A review of the applicability of performance based petroleum regulations for the onshore area commenced and a draft goal oriented Drilling Production and Conservation Regulation has been prepared to replace the existing prescriptive based Petroleum Drilling Regulation. Intergovernmental and industry stakeholder consultations are currently being planned.

7. Completed design stage and initiated development of the Mineral Exploration and Management System (MEAMS) to facilitate the timely processing of mineral exploration projects

Although it was initially anticipated that the MEAMS design would be complete by fiscal year end with initial steps toward development, additional effort was required on the development of the MEAMS business rules requirements as a critical precondition to successful and efficient design and development.

It is anticipated that the first phase of a developed operational system will commence testing in late 2009 and be complete as an online application system in early 2010. The second phase will involve interactive land use planning information for use by the mineral exploration sector; this should be completed in 2010-11. When fully operational, a substantial portion of land use data will be accessible through the Resources Atlas function on the department web site.

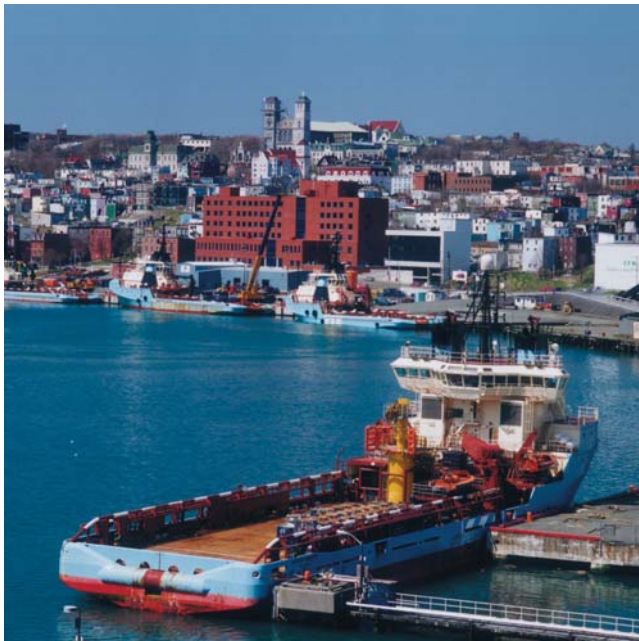


Photo:
Supply Vessels in St. John's Harbour

8. Continued to work with the Federal Government and other stakeholders to improve the efficiency and effectiveness of our current regulatory systems

To further promote targeted exploration activity, the department must consult with industry on the development of regulatory and fiscal measures that will be attractive to investment. To do this, the province has established two working groups that reflect the diversity of the province's oil and gas industry – one for the east coast offshore region and another for western Newfoundland (both onshore and offshore).

As previously mentioned, the department also works with the Federal Government, and others, through its partnership in the Frontier and Offshore Regulatory Renewal Initiative (FORRI) on a phased renewal of offshore petroleum regulations.

Objectives, Measures and Indicators – 2009-10

Objective:

By March 31, 2010, the Mines and Energy Branches will have improved regulatory systems in priority areas.

Measure: Improved regulatory systems

Indicators:

- Improved regulatory systems through further work in the following priority areas:
 - Natural Gas Royalty Regime
 - Onshore and Offshore petroleum drilling regulations
 - Modernization of the offshore royalty regime
 - Occupational Health and Safety changes to regulations
- Completion of Regulatory gap analysis to determine priority areas for new regulation
- Initiated review of electricity regulation

Issue 3: Sustainable Economic Benefits

The benefits to the provincial economy from the development of the mines and energy sectors are considerable. They include royalties and taxes providing government with the financial resources to build and maintain public infrastructure and fund social programs, as well as employment to individuals and business opportunities for growth and development.

From a public policy perspective, the Mines and Energy Branches play an important role in maximizing benefits and ensuring the sustainable use of the resources from which they come. In 2008-09 the Branches implemented and planned for initiatives consistent with this role and government' strategic direction related to increased natural resource development and diversification

Goal:

By March 31, 2011, the Mines and Energy Branches will have supported an increase in the province's capacity to ensure long-term economic sustainability of the mines and energy sectors.

Objective:

By March 31, 2009, the Mines and Energy Branches, working with their partners, will have completed preliminary assessments to identify opportunities for future growth and development of the mines and energy sectors.

Progress 2008-09

Measure: Completed preliminary assessments and identified opportunities

- 1. Initiated studies to identify energy-related opportunities, including opportunities for the supply and service industries and pursuing refining, petrochemical and other value-added secondary processing opportunities**

With respect to West Coast energy-related opportunities, a consultant was retained and has submitted a draft report to the department that is currently being reviewed and finalized. This report provides direction related to the potential supply and service opportunities associated with development of the West Coast.

An initial Request for Proposal for additional energy-related studies was developed and the

department is currently working with Nalcor to support the development of gas studies.

2. Developed a comprehensive information system for the province's supply and service capability

Budget 2008-09 allocated \$450,000 in new initiatives to maximize opportunities for the supply and service sector, including development of a comprehensive information system for the province's supply and service capability.

A contract was awarded to a private consulting firm in January 2008 to identify business requirements for the information system. Due to delays in scheduling stakeholder consultation sessions, the contract work was not completed by fiscal year end. During the next fiscal year, a recommended solution for implementation will be identified and initial development steps will occur.

3. Developed a promotional plan for the supply and service sector

Due to delays in awarding the contract, the promotional plan was not completed during the fiscal year. Initial steps, including the development of the Terms of Reference have been initiated and the department has engaged in discussions with key players in the fabrication sector in an effort to determine the optimum approach for developing the plan in a manner that will ensure maximum benefits for the sector. Further details on industry growth objectives, existing marketing strategies and the role that government can play to support the sector are being collected.

4. Supported the completion of a major projects capacity study to assess scheduling, timing, employment and infrastructure requirements for upcoming potential large-scale projects in the province.

In 2008-09 the department planned a major projects capacity study to assess the scheduling, timing, employment and infrastructure requirements for the upcoming potential large-scale projects, including Hebron, Hibernia South, White Rose Extension, Voisey's Bay commercial processing plant, a possible second refinery, proposed Liquid Natural Gas transshipment facility and the Lower Churchill Project.

Phase 1 of this study process was completed, with project management undertaken by Nalcor. Additional phases have not started, in part because of easing in labour supply conditions and scheduling changes associated with ongoing and anticipated projects. Study parameters are now being reassessed based on these changes and it is anticipated that the study will resume with new assumptions.

Objectives, Measures and Indicators – 2009-10

Objective:

By March 31, 2010, the Mines and Energy Branches will have implemented priority initiatives in response to opportunities identified through preliminary studies.

Measure: Implemented priority initiatives

Indicators:

- Completed further consultations with industry to determine government's role in marketing the supply and service industries
- Worked with Research Development Corporation to support the growth of research and development related to the resource sector
- Enhanced audit and benefits monitoring processes
- Enhanced energy supply and demand, and energy economics modeling to inform negotiation processes
- Completed/supported further studies on value-added potential (with Nalcor)
- Supported development of a Supply and Service database
- Increased investment in Mineral Incentive program to promote mineral exploration and ensure maintenance of prospecting activity
- Initiated work on the development of a mineral policy for the province.
- Furthered benefits discussions for 2 new iron ore projects in northwestern Labrador
- Continued negotiations to provide for construction of the Bloom Lake Railway and provision of associated benefits for completion in mid-2009

Issue 4: Sustainable Resource Development

Through developing the province's natural resources, it is important to ensure that the environment is protected, and, where possible, improved. The Energy Plan provides the path forward for the development of the province's natural resources over the long-term, with emphasis on this province's ability to supply clean, green energy, which will ensure a secure, reliable and competitively priced supply of energy for current and future needs and will also be used as a tool to promote economic development in the province. Economic growth related to mineral developments also requires significant stewardship efforts on behalf of the province to support long-term sustained industry development while reducing environmental impacts. These priorities, combined with energy efficiency programs directly support the sustainable resource development strategic direction of the department. A number of activities occurred during 2008-09 related to this priority.



Photo: Ramea Wind Plant

Goal:

By March 31, 2011, the Mines and Energy Branches will have made significant advances in support of the sustainable development of natural resources in the province.

Objective:

By March 31, 2009, the Mines and Energy Branches will have coordinated and/or completed key planning and development activities to improve sustainable resource development in the province.

Progress 2008-09**Measure: Coordinated and/or completed key planning and development activities****1. Supported research and development into alternative energy for isolated communities**

The Energy Branch, in partnership with Newfoundland and Labrador Hydro, commenced a \$500,000 alternative energy study and an energy efficiency community pilot project in coastal Labrador communities.

The alternative energy study is being conducted in seven coastal Labrador communities – Cartwright, Charlottetown, Hopedale, Makkovik, Mary's Harbour, Nain and Port Hope Simpson. The study will determine the potential for alternative energy sources to complement existing diesel generation systems, including solar, wind and mini-hydroelectric facility developments. The information collected through the study can be used to help identify the best alternative energy options for isolated diesel communities.

Budget 2008-09 also allocated \$250,000 for a detailed assessment of non-diesel electricity supply options for coastal Labrador communities.

2. Developed an Energy Innovation Roadmap for the province

Initial stages of the development of the Energy Innovation Roadmap are underway. A formal working group has been established. A request for proposals has been developed for Phase 1 of the Energy Innovation Roadmap and has been approved by the working committee. Extra time in the development of the RFP was required to ensure that the roadmap initiative would develop in a manner consistent with the strategic direction of government.

3. Increased monitoring of mineral exploration activities to ensure compliance with approved development plans

Additional inspection of exploration sites was carried out, with specific focus on Labrador.

4. Updated and assessed an inventory of contaminated mine sites and assessed the need for further remediation

Based on work completed in 2008-09, the Mines Branch inventory of contaminated mines sites was updated to reflect the following work:

- Colliers Point (Barite Mine Site) - completed remediation work.
- Buchans (Various Mine Sites) – completed remedial work on the Glory Hole fencing, replaced one gate, installed warning notices and contracted to install fencing around Oriental East and West pits.
- Whalesback (Mine Site) – removed concrete footings/ foundations and recontoured the hillside.
- Baie Verte (Terra Nova Mine Site) – completed a desk top study of cave-in areas with the Department of Municipal Affairs.
- Hope Brook (Gold Mine Site) – completed monitoring water quality and ALT studies.
- Baie Verte (Baie Verte Mines and Consolidated Rambler Mines Sites) – completed year 2 work on removing safety and human health hazards, instituted water quality study at Rambler, demolished several buildings, and prepared shaft for capping and fencing. Also initiated air quality studies at for Baie Verte Mines and the Town areas, and completed site demolition of the warehouse and other structures.

Eight sites were evaluated for potential work in 2009-10.

5. Developed an Energy Conservation and Efficiency Plan with initial steps toward implementation

The Energy Branch undertook initial steps toward development of an Energy Conservation and Efficiency Plan; however, due to delays in staffing key positions until late in the fiscal year, the plan was not fully developed. Key aspects of the plan have been confirmed and initial steps have been taken to implement the Newfoundland and Labrador EnerGuide for Houses Program and the Residential Energy Efficiency Program for lower income households.

The *Newfoundland and Labrador EnerGuide for Houses Program* provides \$300 towards the cost of a complete home energy efficiency audit and will top up the federal *ecoEnergy Retrofit Program* grant, to a maximum of an additional \$1,500 towards home improvements. This will make energy efficiency home improvements much more affordable and help homeowners

reduce their energy costs. The program is effective immediately, with the audit portion retroactive to September 11, 2007.

The *Residential Energy Efficiency Program* (REEP) for lower income households will be available to homeowners with a household income level of \$32,500 or less and who use either home heating fuel or electricity as their source. The program will be administered through Newfoundland and Labrador Housing (Housing) and it is expected to assist approximately 1,000 households per year for the next two years. Housing will pay for pre- and post-energy inspections, as well as provide grants of up to a maximum of \$3,000 per house on the island and \$4,000 in Labrador to make identified improvements. The program started on January 19, 2009, at which time application forms were available.

Budget 2008-09 also allocated \$320,000 for new efficiency and conservation programs to specifically engage the province's young people.

Objectives, Measures and Indicators – 2009-10

Objective:

By March 31, 2010, the Mines and Energy Branches will have commenced implementing enhanced programs or policies to improve sustainable resource development.

Measure: Commenced implementing

Indicators

- Completed Phase 1 of the Energy Innovation Roadmap and initiated action in priority areas.
- Completed additional remediation work at Baie Verte, Buchans and Whalesback mines
- Promotion of Energy Efficiency practices within government
- Further implementation of EnerGuide for Houses Program

Additional Highlights and Accomplishments

In addition to the accomplishments outlined in the Outcomes of Objectives section, the following key results occurred in other business areas of the department.

Billionth Barrel of Oil - On the heels of celebrating its 10th year as an oil-producing province, Newfoundland and Labrador achieved another significant milestone on January 23, 2009 with the production of its one billionth barrel of oil from its three offshore oil projects – Hibernia, Terra Nova and White Rose.

Hibernia first began producing in 1997, followed by Terra Nova in 2002 and White Rose in 2005. The project operators are Hibernia Management Development Corporation, Petro-Canada and Husky respectively. The one-billion barrel milestone is from the combined production of the three fields. Revenues from these three projects accounted for a significant percentage of the province's revenue in 2008-09. Total royalties to the province since 1997 to the fiscal year end is in excess of \$5 billion. In 2008, based on CNLOPB and National Energy Board data, it was estimated that Newfoundland and Labrador currently produces nearly half of Canada's conventional light crude.



Photo: Kometik Oil Tanker

Rate Assistance to Diesel-Powered Communities - Government allocated approximately \$400,000 in 2008-09 to defer electricity rate increases for isolated diesel-powered communities on the island and Labrador coast for a third year in a row. In past years, the Provincial Government has ensured stable electricity rates in isolated diesel-powered communities by providing similar funding. The province spent \$400,000 to offset the planned rate increase for 2007 and another \$400,000 to offset the increase in 2008. This approach has given these customers some relief from electricity rate increases until Newfoundland and Labrador Hydro files its next general rate application.

Offshore Technology Conference (OTC) in Houston- Our province was represented as a prosperous oil producing province with the potential for more developments and discoveries at the Offshore Technology Conference (OTC) in Houston, which is the largest offshore oil and gas show in the world. The province's delegation in May 2008 was led by the Premier and the Minister of Natural Resources and included 121 representatives from 60 companies and organizations in the province. OTC set an attendance record in 2008 with more than 70,000 delegates from 110 countries participating.

Progress on Lower Churchill Development - The Churchill River is an attractive, renewable, clean energy source. The Lower Churchill Project can displace an estimated 16 megatonnes of carbon dioxide emissions annually from comparable production from coal thermal generation. Combined with the existing Churchill Falls Generating Station, the three developments could produce the electrical equivalent of 225,000 barrels of oil a day in perpetuity.

Development of an asset the size of the Lower Churchill Project requires significant planning over many years to provide a sound project plan to the people of the province. Efforts in engineering and environmental investigations have already paid substantial dividends in project planning. The effort to assess the feasibility of the development continued during the year and involved further study on the project's technical elements, its configuration, and market access options, as well as commencement of an environmental impact assessment.

Nalcor Energy implemented a comprehensive planning and decision process to develop the resource using industry recognized mega-project best practices. The overarching execution process being used is called the Gateway Process. This process identifies work which has to be complete prior to committing additional funds for the next phase of development. The project is currently in Phase 2, which is essentially selection of the optimal development scenario. In order to pass through to the next phase, a comprehensive list of deliverables is required. These deliverables are part of a due diligence process which provide the certainty required to move into Phase 3 of the development.

While the province's energy corporation will take the required time to complete due diligence on the feasibility of this project, a planning time-frame has been developed that could see major construction begin in 2010 and potentially first power in 2015. Depending on the development

option chosen, the project costs are expected to be \$6-9 billion.

Repatriation of Resource Rights - The province took great steps in December 2008 to ensure that the resources managed by Abitibi in central Newfoundland were returned to their rightful owners – the people of Newfoundland and Labrador. There were numerous charters and licensing agreements which allowed Abitibi to operate in this province. Under the terms of the legislation, natural resources relevant to the operations of the mill in Grand Falls were repatriated to the province. As well, the provincial Government also took control of the power plants of Abitibi as without these power plants the hydro power would be wasted. Nalcor Energy is now managing this asset.

Water Rights - Lower Churchill Project - In June 2008, the House of Assembly passed legislation to enable the issuance of water rights to Nalcor Energy for the Lower Churchill River. This legislation extinguished all other rights on the Lower Churchill River.

Intergovernmental Relations - The provincial government continued to ensure that the interests of the people of Newfoundland and Labrador were represented on the regional and national stage. At the Energy and Mines Ministers' Conference, held in Saskatchewan in September 2008, ministers discussed issues of vital importance to Canadians, including social license, energy efficiency, and regulatory improvement. This province also accepted an invitation to host the 2009 conference, which will be held in St. John's in August 2009.

At the 2008 new England Governors/Eastern Canadian Premiers meeting, held in Bar Harbour in September 2008, Premiers and Governors agreed to pursue cost-effective, energy efficiency, education and conservation opportunities, as well as find ways to develop and use the region's renewable energy resources.

Finally, the province continued to encourage greater renewable energy development and transmission through the Council of Atlantic Premiers. At the December 2008 meeting, Atlantic premiers agreed to encourage the federal government to make a major investment in electricity transmission infrastructure in the Atlantic region. The creation of a green energy transmission corridor through each of the Atlantic provinces will provide the critical eastern anchor to Canada's energy superpower profile, as well as allow for the development of the region's attractive hydro, wind, and tidal regimes, including the Lower Churchill and our large scale wind resources.

Mine Development - On July 24, the province's newest mine at Pine Cove near Baie Verte poured its first gold bars. The opening of the Anaconda Mining operation was the newest mineral exploration and development achievement for the province. The successful completion of the mine and mill represent important contributions to the economy of the Baie Verte area. The company estimates the mine will produce approximately 16,000 ounces of gold annually for the next 13 years and will employ 44 people directly. The company is also carrying out additional mineral exploration on the property, which could possibly extend the life of the operation.

New Geoscience Agreement Reached with Natural Resources Canada - The Geological Survey Division has also negotiated a new agreement with Natural Resources Canada as part of the national Geo-Mapping for Energy and Minerals program. This will see a joint federal-provincial geological mapping project start in northwest Labrador in the summer of 2009. The Federal Government will fund a significant aeromagnetic survey as its contribution to the three year program for an approximate cost of \$1.45 million.

Commenced Negotiation of Benefits and Implementation Agreements with New Iron Ore Projects in Labrador West - Two proposals for iron ore mines in northwestern Labrador will be registered for environmental assessment in mid 2009. As part of the associated socio-economic benefits requirements, the department will be commencing discussions with the proponents concerning the levels of provincial benefits to be realized from these projects.

Also in western Labrador, Consolidated Thompson is proposing a new railway to transport or from its Quebec-base Bloom Lake mine to the Quebec North Shore and Labrador railway. The department is in the process of negotiating agreements for completion in mid 2009 that will provide for the construction of the railway as well as the level of provincial benefits that it will provide.



Photo:
Control Room at IOC's iron ore
Concentrator, Labrador City

Rehabilitation of Abandoned Mine Sites - The department is in the second year of a three year, \$10.1 million, program of remediation at the former Baie Verte and Consolidated Rambler Mine sites. This work is directed at removal of dilapidated buildings and mining infrastructure that represent safety hazards, as well as studies to identify environmental contamination and hazards. In 2008, most of the Rambler infrastructure was demolished and removed and studies commenced on water quality (Rambler), air quality (Baie Verte Mines and the Town of Baie Verte), as well as some shaft capping and fencing. The Baie Verte infrastructure will be demolished in 2009.

Enhanced Mineral Promotional Programs - The department also plays a significant role in the organization of Mineral Resources Review, held in November and now Atlantic Canada's largest mineral exploration conference and trade show; and also participated in promotional efforts at the Baie Verte mining conference and Labrador Expo held in June. Attendance at these shows is growing and attests to the increased interest in the province's mineral resources.



Photo: Seal Lake Field Camp

Shared Commitments

The Department of Natural Resources has legislative oversight for the following public bodies related to the mines and energy sectors: Nalcor Energy and its subsidiaries, including Newfoundland and Labrador Hydro, Churchill Falls (Labrador) Corporation, Twin Falls Power Corporation, Lower Churchill Development Corporation, Gull Island Power Corporation, and Bull Arm Fabrication Site; and the Mineral Rights Adjudication Board.

The department also shares jurisdiction over offshore petroleum resources with the Federal Government and participates in its management through the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

The Branches work closely with each of these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources. Some of the more significant shared initiatives that occurred during the 2008-09 fiscal year are as follows:

Land Sales

Offshore Labrador Region - On September 1, 2008, the C-NLOPB announced the results of the 2007 Call for Bids for exploration rights in the Labrador Offshore Region. Bids were awarded on four parcels of land totaling \$186.4 million. The total dollar value of work commitments in these bids represents the third largest in the province's history. These parcels are adjacent to significant discovery licenses where over four trillion cubic feet of gas has been discovered to date.

Offshore Island Region - Ten parcels of land were made available for bidding in four exploration areas in the 2008 Calls for Bids by the C-NLOPB. Two of the areas in the vicinity of the Port au Port Peninsula and the Sydney Basin off the southwest coast – are in offshore basins that are relatively under-explored compared to the Grand Banks. The remaining parcels are located in the offshore eastern Newfoundland (Central Ridge/Flemish Pass Basin) and the Jeanne d'Arc Basin.

The parcels are awarded to the companies who submit the bids representing the highest work commitments, which can include up to five per cent of their bid going into research and development and supporting education and training in the provincial oil and gas industry.

North Amethyst Development Plan - In April 2008, the minister approved the C-NLOPB decision to permit the development of the North Amethyst oil field. Husky Energy, the operator of the White Rose development, estimates that North Amethyst can produce 70 million barrels of oil.

The White Rose Expansion formal agreement provides the province with super royalties of 6.5 per cent of net revenue when the monthly average price of West Texas Intermediate is above US\$50 per barrel. This is in addition to the generic royalty regime's top rate of 30 per cent of net revenue. The agreement also provided Nalcor Energy Oil and Gas with a 5 per cent equity stake in the expansion filed. The operator committed that all work that can be done in the province will be done in the province. Through equity participation, royalties and local benefits, the Provincial Government is ensuring the people of the province and future generations will receive the best possible overall value from the province's oil and gas resources.

Opportunities and Challenges

Opportunities

Resource Discovery, Promotion and Development

Recent resource development announcements and a proven capacity in the offshore oil and gas and mining sectors have led to significant revenues and employment opportunities for the province. Continued acquisition and promotion of geoscience data; support for research and development studies; effective policy development and implementation; and aggressive negotiation and monitoring of benefits agreements will be the focus as the department works to achieve maximum of benefits for all resource development opportunities.

Progressive Gender Equity Action

The number of current and anticipated resource projects in the province presents a significant opportunity with respect to women's employment. The department will continue to work with the Women's Policy Office to ensure that all project proponents are aware of government's commitment to gender equity. Departmental staff will continue to work with companies to set progressive employment targets for women and to support the implementation of Women's Employment Plans.

Challenges

Economic Environment

The current fluctuation in commodity prices is often a deterrent to exploration and development. In addition, the declining commodity prices have caused mining taxes and petroleum royalties to decline. Despite these events, the department remains focused on continued exploration as the first step towards new discoveries and ensuring a sustainable economic future in resource development. Efforts will be directed at implementing initiatives to keep people working and exploring, as well as continue to promote our resource potential.

Further Resource Exploration

As worldwide energy and mineral demand continues to rise, our resource assets continue to increase in value. The key to our success is to unlock their potential by finding the most sustainable and economic ways to develop our resources. Further exploration related to oil and gas, mining and other untapped potential energy sources, such as wave and tidal energy, wood, peat, methane and solar energy is necessary to ensure consistent development and to ensure that current and future generations benefit from these developments.

Human Resource Capacity

The ability of the Department of Natural Resources to develop and implement public policy which ensures a continuation of the important economic contribution of these industry sectors is dependant on having a skilled and knowledgeable public service able to manage our resources and win the confidence of our industry partners. With today's demographic changes and the growth of employment opportunities occurring in industry, the department will focus on targeted recruitment and retention activities to attract highly skilled personnel and to retain our existing qualified and knowledgeable workforce.



Photo: IOC's pink dump truck (breast cancer awareness campaign) receives a load.

Forestry and Agrifoods Agency



April 1, 2008 to March 31, 2009



Introduction

Since its creation in 2007, the Forestry and Agrifoods Agency (the agency) has been building the profile of the province's forest and agriculture industries, which make significant contributions to the economies of many communities across Newfoundland and Labrador. To date, the Provincial Government has provided significant funding to maintain industry growth and success. The Agency had expenditures of \$55.24 million in this fiscal year.

The Provincial Government is taking a strategic approach to the development of these industries and is investing in key areas that will contribute to their growth. In agrifoods, provincial programming is designed to address the challenges facing agribusinesses in the province and to assist in the further expansion and diversification of primary and secondary agricultural sectors. The federal-provincial cost-shared Growing Forward Agreement will also see money spent on initiatives for innovation, competitiveness and best management practices. As well, continued support of programs such as the Provincial Agrifoods Assistance Program and the Agriculture and Agrifoods Development Fund will improve the economic viability and competitive capabilities of the agriculture industry.



Photo: Potato Harvest

We are also working in consultation with industry to identify potential areas for growth and diversification of the forest industry. The global downturn in this industry has severely impacted many rural communities, especially in the Central and Western regions. The closure of the AbitibiBowater mill in Grand Falls-Windsor in 2009 led to significant job losses in that community and its surrounding areas, and the indefinite shutdown of the No. 4 paper machine at Corner Brook Pulp and Paper has affected both mill and woodland operations, resulting in job losses there. Involvement in a comprehensive review of the forest sector is enabling us to find new opportunities for innovation and growth, and the continuation of the Residential Wood Pellet Appliance Rebate Program will help to create a local market for wood pellets to assist the province's sawmill industry. Funding is being provided to this industry through the multi-year Forest Industry Diversification Fund, which is designed to develop new markets and value-added products for the industry.



Photo: Lumber Production

The Provincial Government remains committed to the continued sustainable development, diversification and expansion of these industries. Strategic and targeted programming will ensure successful areas of growth are identified and the appropriate industry supports are in place. We will continue to make investments that support the creation of new businesses, improvements in markets and operation expansion.

Overview of the Agency

The Forestry and Agrifoods Agency was established under the *Executive Council Act*. It is a category one public body under the *Transparency and Accountability Act*.

Mandate

The mandate of the Forestry and Agrifoods Agency includes the supervision, control and direction of all matters relating to:

- forest resources and utilization, constructing and maintaining forest access roads, forest protection from fire and insects, silviculture, inventory, conservation, management, preparation of management plans, surveying, mapping and development of forest resources;
- enforcement and compliance responsibility in the areas of forestry and wildlife and assisting in enforcement in the areas of inland fisheries, motorized snow vehicle and all-terrain vehicle usage;
- agriculture, including, without limitation of the word "agriculture," agrifoods, agronomy, horticulture, animal husbandry, aviculture, the development of forage production and the growing of hay and the products of agriculture, including, without limitation of the word "products," animals, meats, fur, eggs, poultry, wool, dairy products, berries, grains, seeds, fruit, including wild fruit, fruit products, vegetables and vegetable products;
- animal health;
- food technology and marketing; and
- agricultural land and the sustainable utilization, protection, conservation, management, surveying, mapping and development of agricultural land.

The agency's responsibilities for supporting natural resource development in the forestry, agriculture and agrifoods sectors are provided through two branches. The Policy and Planning Division provides policy support and coordination for both branches within the agency.

1. FORESTRY SERVICES

The **Forestry Services Branch** is responsible for managing and regulating the forest resources of the province. Programs and services are provided through the following divisions within the branch: Forest Ecosystem Management, Forest Engineering and Industry Services, Legislation and Compliance and Ecosystem Sustainability and Research. District offices operate within three regions – Eastern, Western and Labrador.

2. AGRIFOODS DEVELOPMENT

The **Agrifoods Development Branch** is responsible for promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agriculture and agrifoods businesses. Programs and services are provided through the following divisions within the branch: Agriculture Business Development, Animal Health, Land Resource Stewardship and Production and Market Development.

Employees

As of March 31, 2009, the Department of Natural Resources - Forestry and Agrifoods Agency - had 392¹ staff on payroll. Approximately 166 employees work in offices located in St. John's and Corner Brook. The remaining employees work in district offices and units located throughout the province.

Branch	Female	Male	Total
Forestry Services	64	222	286
Agrifoods Development	48	58	106
Total	112	280	392

1. This figure does not include: seasonal employees employed in the Forestry Services Branch (majority male), employees in communications and ministerial support shared with the Mines and Energy Branches and employees with corporate services shared with other departments.

Physical Location

In addition to 24 forest management district offices and eight agricultural units throughout the province, the headquarters of the agency are located at the Fortis Building in Corner Brook.

Fortis Building
P.O. Box 2006
Corner Brook, NL
A2H 6J8

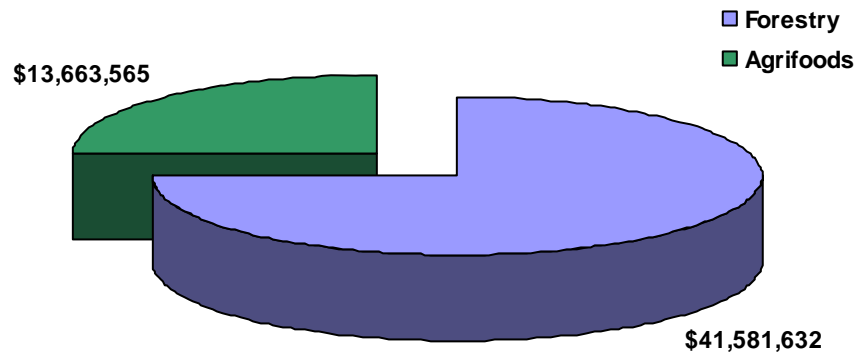
Website

The Department of Natural Resources website, including the Forestry Services Branch and the Agrifoods Development Branch components, is located at <http://www.gov.nl.ca/nr>.

Expenditures

Expenditures for the Forestry and Agrifoods Agency in fiscal year 2008-09 totaled \$55.24 million. This figure does not include \$8.5 million related to executive and support services which are shared with the Mines and Energy Branches. See Appendix I for additional details.

Expenditures 2008-09



Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.

Mission Statement

By March 31, 2011, the Forestry and Agrifoods Agency will have implemented programs necessary to sustain the province's forest ecosystems, identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development and optimized the benefits received from these resources.

The mission statement was taken from the Department of Natural Resources, Forestry and Agrifoods Agency, strategic plan for the period April 1, 2008 to March 31, 2011.

Lines of Business

Enforcement and Compliance of Legislated Requirements

The agency's responsibility for enforcement of the province's forestry and wildlife legislation is delivered through a regional services structure. In addition, the agency collaborates with other government departments and agencies in enforcement of the federal *Fisheries Act (Inland Fish)*, the *All-Terrain Vehicle (ATV) Regulations* and the *Migratory Birds Convention Act*. The agency is responsible for monitoring timber harvesting operations as well as patrolling hunting areas for compliance with the regulations under the various acts noted above.

Licensing and Permitting

The agency's regional and district offices issue licenses and permits for: commercial or domestic timber cutting, commercial or domestic sawmilling, brush burning, harvesting equipment operation during the fire season, timber export, timber scaling, the purchase of timber, protection of livestock from coyotes, bear protection, replacement of a big game license, destruction of problem animals, running dogs, distribution of big game meat, transportation of big game in a closed season, hunting caribou in Labrador, removal of endangered species, entry and exit from Salmonier Nature park, outdoor identification, management of at risk species, possession for taxidermy, and the export of big game and animal parts.

Regional Services

The policy and programs associated with sustainable forest management, health and services are implemented through a regional/district structure. Regional Services is responsible for the delivery of the silviculture, resource roads, forest fire suppression, and enforcement/compliance programs. In addition, Regional Services is responsible for dealing with wildlife issues related to public safety (road kills, injured animals, etc.) public awareness programs (presentations to schools, service clubs, etc.) addressing public concerns on other forest resource management issues and the development of district sustainable forest management plans.

Sustainable Forest Management

Through the agency's headquarters in Corner Brook, and offices in St. John's, the agency is responsible for policy, legislation, programs and forest management planning that enable the residents of the province to benefit from the services that ecosystems provide while ensuring their sustainability and health.

These programs include silviculture, resource roads construction, forest inventory, forest fire suppression, forest insect control, forest management planning, enforcement/compliance and industry development.

Animal Health

Animal health services generally involve any aspect of animal health that is justifiably in the public interest and within those budgetary limits set by the Provincial Government, including: farm animal veterinary services (livestock and poultry); laboratory analyses (veterinary diagnostic and food safety); control of food quality (milk and meat); monitoring and control of animal disease of economic or public health interest; professional witnesses in cruelty to animals complaints; assistance to police and wildlife officials; and control of heritage animals.

Business Development Services

The agency delivers and administers a wide range of business development services and programs including: Production Insurance, the Provincial Agrifoods Assistance Program, and the Agriculture and Agrifoods Development Fund; Grants and Subsidies for the Newfoundland and Labrador Federation of Agriculture, 4-H Program, and the Provincial Training Program; and Professional Advisory Services through nine agriculture representatives and three farm management specialists.

Land Management

The agency's land management program includes: the Land Use Program involving the Real Property Tax Exemption Program, Land Consolidation Program, and Environmental Farm Planning Program; Agriculture Limestone Program; Soil Survey Program; and the Soil Fertility and Laboratory Services Program.

Production and Market Development

The agency offers a wide range of programs and services aimed at maximizing production and market development at the primary and secondary levels. These programs and services include: professional and technical support; pest control training; research and development; market development; market intelligence; on-farm food safety; and marketing and promotion.

2008-09 Year in Profile

As an agency, we strive towards implementing programs and services to facilitate further sustainable advancement of our forestry, agriculture and agrifoods resources. The following sections are included to highlight some of the key accomplishments during the 2008-09 year.

1. Funding for Forest Sector Diversification

Further to announcements made in fiscal year 2007-08 concerning elements of the province's forestry diversification strategy, the agency received a budget allocation of \$14 million for 2008-09 to support these initiatives and thereby assist the industry to compete in the global economy and to identify and develop specific new products and market opportunities.

The decline in the North American lumber market has resulted in surplus supply and low prices. This situation is compounded by a volatile Canadian dollar, high energy prices and the challenges of retaining a skilled workforce. The forestry diversification strategy is designed to position the sawmill sector to secure markets and is consistent with several initiatives brought forward by sawmillers and the ongoing review of the forest sector.

The initiatives included:

- \$11 million to establish a diversification program that will provide for infrastructure required by industry to produce new forest products and gain access to new markets. Program criteria and an application process were established and several proposals for mill modernization and the development of pellet plants were received and are under consideration
- \$1.12 million provincial contribution to a cost-shared economic study with Corner Brook Pulp and Paper to convert wood to an alternate green fuel source to reduce the mill's requirement for bunker C oil. It's estimated that 32,800 barrels of bunker C oil will be replaced through this initiative.
- \$500,000 for the agency to conduct mill diagnostics, a detailed technical and financial analysis of the major sawmills in the province and the development of sustainable business plans. The study on the larger mills was completed and work is planned in 2009 to conduct a similar study of intermediate size mills.
- \$500,000 for a pellet market development program that will provide for a 25 per cent rebate for the purchase and installation of wood pellet stoves. This program was well received with some 294 rebates processed at a total value of \$150K (average rebate of \$560)
- \$1 million to develop a marketing program that supports all integrated sawmills in the province accessing new global markets.

Partial funding (\$1.61 million) was provided through the Community Development Trust, announced by the Federal Government in March 2008. Newfoundland and Labrador can receive \$23.4 million under the program, which is designed to assist vulnerable communities dependent on a single employer or sector under pressure due to exchange rate fluctuations, declining demand or other factors.



Photo: Commercial Sawmill

2. Marketing Strategy for Sawmill Sector

The solid wood products industry in Newfoundland and Labrador comprises two sectors: a sawmilling sector, which primarily manufactures lumber; and, a value-added manufacturing sector, which produces an array of products, such as flooring and cabinetry. The industry has witnessed a number of challenges in recent years with changing global markets, a volatile Canadian dollar and high energy costs, but can remain a viable source of future economic and social value through adapting to the changing circumstances and diversification. The agency commenced development of a comprehensive marketing strategy for the Newfoundland and Labrador sawmill industry that will support diversification and export markets. The marketing strategy will also form the basis of the \$1 million marketing component of the forest industry diversification program announced by the Provincial Government on April 25, 2008. A contract for strategy development was awarded to a Montreal-based marketing company, Laue Guay Inc. Work progressed throughout the winter of 2009, and the strategy recommendations are expected by early summer of 2009.

3. Growing Forward Agreement Signed

The province signed a cost-shared agreement, Growing Forward, with the Federal Government in March 2009. Growing Forward is a national agriculture framework to co-ordinate federal and provincial agriculture policy. In Newfoundland and Labrador, this agreement will see the Provincial Government invest \$11.83 million and the Federal Government invest \$17.75 million over a five year period.

The agreement is designed to respond to the needs of producers and continue to build on an industry that is an important contributor to our provincial economy and rural areas of the province.

This will be accomplished through the following programs under this agreement:

- Agriculture Innovation Program
To enhance the competitiveness, profitability, and innovative capacity of the Newfoundland and Labrador agriculture industry.
- Agriculture Land Development Program
To maximize the productivity and availability of agricultural land within Newfoundland and Labrador

- Agriculture Opportunities Program
To provide financial assistance for business and marketing opportunities, and enhance human resource development
- Agriculture Sustainability Program
To support food safety initiatives as well as enhance environmentally-sustainable practices
- New Farm Investment Program
To address the unique challenges faced by new farmers in the Newfoundland and Labrador agriculture industry.
- Mitigating Agriculture Risks Program
To enable the agriculture industry to mitigate risks pertaining to environment, food safety, wildlife, plant and animal health, and biosecurity threats.

Outcomes of Objectives

This section of the Annual Performance Report details the significant work undertaken and completed by the department on its objectives for 2008-09, and progress toward achieving the goals of the agency's 2008-11 Strategic Plan. The outcomes achieved by the Forestry and Agrifoods Agency with respect to goals and objectives for the year are consistent with the Minister of Natural Resources strategic directions for the strategic planning period. Accomplishments related to issues one and two contribute to strengthening the Agency's ability to increase forestry, agriculture and agrifoods development and diversification. Accomplishments related to issue 3 are important in meeting our strategic direction of improved sustainable resource development and usage for the long term benefit of residents of the province. These strategic directions are contained in the Department of Natural Resources Strategic Plan. It can be viewed at www.gov.nl.ca/nr.

Issue 1: Growth and Diversification of the Agriculture and Agrifoods Industry

The agriculture and agrifoods industry in Newfoundland and Labrador is vibrant and continues to explore opportunities to expand and diversify. The Forestry and Agrifoods Agency, supports agribusinesses in these efforts. The agency is taking a long term approach to planning for the future advancement of the industry through the development of a new industry-wide strategy. As well, our focus is on consumers in this province, to identify how we can enhance our reach to the buyers of agricultural products.

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have enhanced programs to support the growth and diversification of the agriculture and agrifoods industry.

Objective:

By March 31, 2009, the Forestry and Agrifoods Agency will have developed an agriculture and agrifoods strategy and commenced a survey regarding public knowledge of, and attitudes toward, the agriculture and agrifoods industry in Newfoundland and Labrador.

Progress 2008-09

Measure 1: Strategy Developed

1. Review of existing programs and services

A steering committee was established to formulate an agriculture and agrifoods industry strategy. Each division was represented on the committee and was engaged in a review of existing program, service and industry-based documentation. This review was completed and assisted the committee in developing the priority areas for future actions to support economic stimulus of the industry.

2. Identification of challenges facing the industry

An analysis was performed for each agriculture and agrifoods commodity sector (supply and non-supply) and value-added processing. This analysis outlined strengths, weakness, opportunities and challenges for each of these sectors within the industry. Challenges identified included the attraction of new entrants, strengthening production, addressing consumers' expectations and ensuring long term sustainability.

3. Assessment of opportunities for future industry advancement

The steering committee assessed the opportunities for each commodity sector, as well as value-added processing, and identified key thematic areas with strategic action items for future industry advancement. These action items focused on a number of areas including consumers, agribusinesses, local production, long term sustainability, and agrifoods in Labrador.

As part of this process, the decision was made to consult with the agriculture and Agrifoods industry in order to ensure our strategic actions incorporate industry's priorities. The finalization of the strategy is pending, awaiting the completion of industry consultations in the next few months. Program and service directions of the agency will be reflective of final outcomes of the strategy.

Measure 2: Commenced a survey regarding public knowledge of, and attitudes toward, the agriculture and agrifoods industry**4. Taken initial steps towards attitudes/public knowledge/expectations survey for the agriculture and agrifoods industry**

A post agriculture and agrifoods awareness campaign survey was completed in October 2008. This survey has been reviewed and further work will be completed in 2009-2010 which will include determining the knowledge level that consumers have concerning our agriculture industry. This will assist the agency in identifying priority promotional opportunities based on the annual survey results.

Objective, Measure and Indicators – 2009-10**Objective:**

By March 31, 2010, the Forestry and Agrifoods Agency will have identified priority programming to support growth and diversification of the agriculture and agrifoods industry.

Measure: Identified priority programming to support growth and diversification of the agriculture and agrifoods industry

Indicators:

- Completed agriculture and agrifoods industry consultations for the identification of priority areas for industry.
- Identified strategic actions to support growth and diversification of the agriculture and agrifoods industry

Issue 2: Competitiveness in the Forestry Sector

The forestry industry in Newfoundland and Labrador has been impacted over the last year with the many changes in the global economy. As an agency, we are working with our industry to look towards the future and to facilitate innovative solutions to support integrated sawmill operators and develop further growth and market opportunities for forest resources.

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have identified innovative opportunities for value-added production and contributed to the optimization of the benefits received from the forestry resources of the province.

Objective:

By March 31, 2009, the Forestry and Agrifoods Agency will have completed a diagnostic study of the integrated sawmill sector and begun work on a survey of public knowledge of and attitudes toward the forestry industry, with initial steps toward implementation.

Progress 2008-09

Measure 1: Completed a diagnostic study of the integrated sawmill sector

Several diagnostic studies of the integrated sawmill sector within the province were completed.

1. Assessment of study results completed

The diagnostic studies conducted involved mill diagnostics and detailed technical analysis of the major sawmills in the province and the development of sustainable business plans. An internal assessment of the studies were completed which provided the basis for evaluating submission made under the Forest Industry Diversification Fund.

2. Program criteria developed

For priority areas, program criteria and an application process were established and several proposals for mill modernization and the development of pellet plants have been received through the Forest Industry Diversification Fund.

Measure 2: Begun work on a survey**3. Taken initial steps towards an attitude/public knowledge/expectations survey regarding the management and economic use of the province's forest resources**

The agency reviewed the previous 2006 survey that was completed, along with other related documentation, to assess the current public perception on the forest management issues in the province. In 2009-10, the findings of this review will assist the agency in the development and implementation of a survey on public knowledge and expectations surrounding the management and economic use of the province's forest resources.

Objectives, Measures and Indicators – 2009-10**Objective:**

By March 31, 2010, the Forestry and Agrifoods Agency will have identified additional market opportunities for value-added production in the forestry industry.

Measure: Identified additional market opportunities for value-added production

Indicators:

- Supported the completion of a comprehensive marketing strategy
- Identification of key market opportunities for value-added production

Issue 3: Sustainable Resource Management

One of the critical components of growing and diversifying the forestry, agriculture and agrifoods resources in our province, is to ensure that it is achieved in a sustainable manner. Our natural resources are important to many regions of this province and we need to ensure the programs and services that we provide promote the protection and sustainability of our resources. Our efforts have and will continue to be focused in areas such as resource safety and protection, disease and insect surveillance and management, and agricultural land identification.

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have enhanced sustainable resource management measures for the province's forestry, agriculture and agrifoods sectors.

Objective:

By March 31, 2009, the Forestry and Agrifoods Agency will have enhanced its sustainable resource management planning and development for the forestry, agriculture and agrifoods sectors.

Progress 2008-09

Measure: Enhanced sustainable resource management planning and development

- 1. Developed disease and insect surveillance action plan for the forestry and agrifoods sectors**

The Forestry Services Branch Surveillance Action Plan for 2008-09 consisted of a province-wide aerial survey of forested stands followed by intensive ground plot sampling. The areas surveyed focused specifically on areas with historical persistence of insects. As a new initiative, an agreement has been made under the National Forest Pest Strategy which is the first phase in the planning for enhanced forest insect and disease surveillance. With the strategy now in place, resources can be utilized to work towards completing an enhanced insect surveillance action plan that will augment current surveillance activities.

Surveillance activities within the agrifoods sector are carried out as opportunities present themselves and include cooperative work with other governmental agencies (federal or provincial), with private industry, through graduate research projects with universities, with existing divisional staff or otherwise. In 2008-09 planned research activities were initiated with

Memorial University to expand knowledge and research initiatives into vector-borne diseases pertaining to the agrifoods industry. This research initiative builds on the surveillance carried out in monitoring the entry of the West Nile virus and movement of Lyme disease. Expansion of this surveillance plan in future years largely depends on the 2008-09 results.

2. Developed capacity to identify diseases and insect pests

The agency has entered into an agreement under the National Forest Pest Strategy, an important foundation that increases branch capacity. The implementation of the strategy will help branch staff and partners identify disease and insect pests in a timely manner, conduct risk assessments and take the appropriate action. Forestry Services Branch staff are involved in working and technical advisory groups as it relates to the National Forest Pest Strategy.

In addition, the agency collaborated with Memorial University to expand knowledge and research activities into vector-borne diseases pertaining to the agrifoods industry.

3. Improved resources in forest fire training

In 2008-09, a Forest Fire Training Specialist was hired and various training initiatives were implemented. As well, the agency is developing incident management teams in each region and the implementation of an incident command system.

4. Developed Aleutian Disease Management programming

The purpose of the Aleutian Disease Management Program (ADMP) is to enhance the economic viability of the mink industry through the implementation of biosecurity measures, cleaning and disinfection. In 2008-09, the ADMP was implemented and funding of \$1.061 million was approved.

5. Obtained approval to proceed with new forestry legislation

All interdepartmental activities have been completed and departmental authority has been received to proceed with this draft legislation.

6. Identified an agricultural land base enabling farmland expansion

The identification of a five-year land base to expand the agriculture sector has been defined. Identification of agricultural land for farm expansion has been occurring in a number of areas including:

- Identification of land for various sector strategies;
- Development of a peat land inventory database; and
- Purchase of five granted lands for reallocation as agricultural leases in 2008-09 through the Land Consolidation Program via the Land Consolidation Review Committee.

Objectives, Measures and Indicators – 2009-10

Objective:

By March 31, 2010, the Forestry and Agrifoods Agency will have commenced implementation of priority measures to enhance resource sustainability.

Measure: Commenced implementation of priority measures to enhance resource sustainability

Indicators:

- Assessment and facilitation of land use interests and acquisitions
- Further implementation of Aleutian Disease Management Program
- Implementation of initiatives through the National Forest Pest Strategy
- Commenced crown management responsibilities on former private tenure

Additional Highlights and Accomplishments

In addition to the accomplishments outlined in the Outcomes of Objectives section, the Forestry and Agrifoods Agency achieved key results in a number of other business areas. These actions also supported the strategic directions of the Minister related to strengthening the Agency's ability to increase forestry, agriculture and agrifoods development and diversification, and improved sustainable resource development and usage for the long term benefit of residents of the province.

Forestry

Forest Resource Roads

The construction of new forest resource roads along with the re-construction and maintenance of existing road networks ensures commercial and domestic operators have access to the timber resource. In 2008-09 the Capital Resource Road Construction budget was \$4.2 million which funded the tendering of 54 new projects for the construction of 87.5 km of new roads and the reconstruction of 64 km of existing roads. All work was tendered through the public tendering system and was open to all contractors who were in good standing with the Newfoundland and Labrador Construction Safety Association. The work was awarded to a total of 17 different companies throughout many rural areas of the province.

Forest Resource Protection

Forest resource protection helps to maintain sustainability of the forest resource and its associated values. Forest protection within the province consists of insect and disease control and forest fire management services.

Insect Infestation Control

The agency's insect and disease program is critical to forest management efforts throughout the province where the forests are at risk. Fall aerial defoliation surveys supported by a network of sampling plots enable agency staff to determine the location and severity of insect infestations. This data set is analyzed and decisions are made as to the size of the proposed control program. In the summer of 2008, two distinct control programs were implemented by the agency; one for the control of Hemlock Looper in Labrador (Goose Bay and along the south coast) and on the island (Northern Peninsula) with BtK (natural bacteria) and a second program for Balsam Fir Sawfly in the Bonne Bay area of the island (with a naturally occurring virus). A total of 25,500 hectares were treated for Hemlock Looper and 9,700 hectares for the Balsam Fir Sawfly throughout Newfoundland and Labrador. Information about the time and location of treatment activity is made available on a daily basis from local media outlets, on the Department of Natural Resources web site at www.nr.gov.nl.ca/nr/ or by calling the Forest Insect Control Program Update Line at 1-877-636-2996.

Forest Fire Suppression

The 2008 forest fire season on the island portion of the province came into effect May 1, while the season for Labrador commenced two weeks later on May 15. The season remained in effect for both the island and Labrador until September 30. The 2008 forest fire season in Newfoundland and Labrador was slightly below the ten-year average in fire starts and hectares



burned. In total, the province experienced 139 forest fires (72 on the Island and 67 in Labrador), 90 of which were caused by humans with the balance (49) attributed to lightning. Newfoundland and Labrador along with other jurisdictions in the country contribute to the national Mutual Aid Resource Sharing (MARS) Agreement. During the 2008 forest fire season the province shared one CL-215 aircraft with Nova Scotia from June 14 - 23 to assist them with fire suppression activity.

Photo: Provincial CL-215 Water Bomber

Silviculture

Maintaining healthy forest ecosystems is a high priority within the agency. To maintain these ecosystems the Forestry Services Branch continued with the implementation of enhanced programs and services designed to maintain optimal health. The silviculture program received an additional \$1 million in funding during each of the previous two fiscal years, as well as for 2008-09. A total of 7,230 hectares of land were planted with seedlings using provincial funding. Of this, 46 per cent was treated directly by the agency and 49 per cent by Corner Brook Pulp and Paper Ltd. and Abitibi Bowater. An additional five per cent was planted with seedlings through the Newfoundland and Labrador Forestry Training Association.

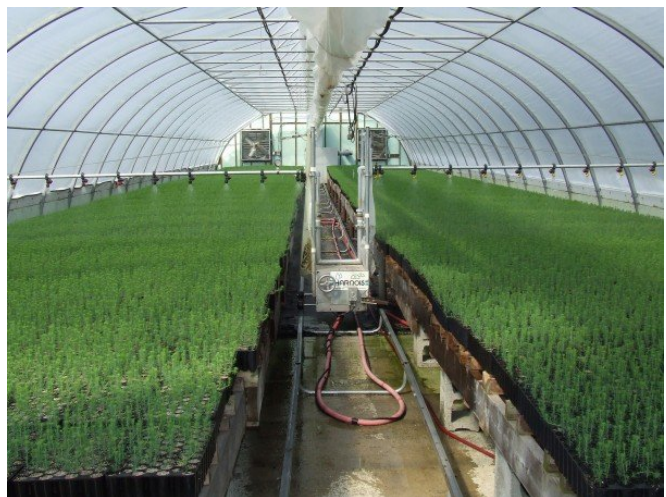


Photo: Goose Bay Tree Nursery

The agency maintains two tree nurseries, one at Wooddale in central Newfoundland and the other at Happy Valley-Goose Bay in central Labrador. Collectively, these nurseries shipped just over 14 million tree seedlings in 2008. Of these, more than 99 per cent were shipped to crown-funded reforestation sites across the province. Approximately 40,000 seedlings were donated to community and non-profit groups or sold to private individuals.

A new seed extraction, storage and testing facility was constructed at Wooddale Provincial Tree Nursery. This upgrade was necessary to help meet the increased demand for seedlings throughout the province, and to enhance the agency's capacity to utilize genetically enhanced seed from seed orchards. This improvement augments the tree improvement program and allows the nursery the ability to extract all required seed locally without sending the cones out of province.

Agrifoods

Agrifoods Promotions

Annual Agrifoods and Garden Show - Western Newfoundland's agricultural industry was featured during the 2008 Agrifoods and Garden Show held October 3 to 5 in Corner Brook. The annual event promoted the province's agriculture and agrifoods industry, provided producers with a venue to promote products and services and demonstrated the agency's commitment to continued expansion and diversification of the agrifoods and agriculture industry.

More than 3,000 people visited the Pepsi Centre venue. Visitors had the opportunity to sample and purchase fresh produce at the 12 exhibits modeled after a 1950s-style general store, learned about farm animals at the petting farm, and handled sea creatures at the touch tank provided by the Department of Fisheries and Aquaculture. A special student exhibit, titled Get the Picture, examined the challenges of growing crops.

Annual Open Farm Day - Six farms in Newfoundland and Labrador participated in the Open Farm Day on September 21, 2008. The farms were located in Steady Brook, Felix Cove, Robinsons and Little Rapids in western Newfoundland, Lethbridge in eastern Newfoundland and St. John's. Visitors had the opportunity to sample some of the vegetables that grow in the province, pet some of the animals and view farm living.



Open Farm Day was created to help raise awareness of the high-quality produce available in the province. The objective is to increase the sale of our agriculture products by encouraging consumers to request local produce when they shop at local grocery stores. It is supported by the agency, as well as the private sector.

Cranberry Development

The agency has been engaged in cranberry research and development initiatives since 1999. This has proven the viability of cranberry production in Newfoundland and Labrador. Based on work completed, the quality of the cranberry crop produced in this province is as good, or even better than, that of other jurisdictions. With these encouraging results the agency partnered with industry to develop a strategic plan for the commercialization of a provincial cranberry industry.

The cranberry strategy developed in 2006 set a goal of having 600 to 800 acres of commercial bogs producing in 10 years. Several large corporations within the province and internationally have been engaged in securing land for cranberry development offering prospects for future development and processing.



The agency has committed to developing the cranberry industry and introduced the Cranberry Industry Development Program in 2008-09. This program will provide \$11.5 million over five years (2008-09 – 2012-13) to assist producers with the expansion of this industry. Funding assistance will include plants for expanded acreage, site development and specialized equipment to assist in the continued commercialization of the industry.

Photo: Cranberry Harvest in Terra Nova

Fur Farm Funding

The fur industry in the province has considerable potential to generate employment and wealth, notably in rural regions and has great potential for expansion beyond the \$9 million in pelt sales (2008 projected) and the 320 people it employs. In recognition of this potential the agency has approved funding assistance through the Agriculture and Agrifoods Development Fund of \$1.88 million to help expand the industry through:

- assistance to new farming entrant;
- assistance with expansion of existing farm;
- increased capacity of feed kitchen and cold storage.

In 2007, Aleutian disease was discovered on a mink farm in Newfoundland. While it is a common disease in other provinces and countries, it was the first time it had been detected in Newfoundland. It is not known how the disease entered the province but it has been detected on several mink farms and in wild mink populations. This viral disease is a concern to the mink industry as it causes economic consequences to the farm as a result of animals that die, animals that don't perform well and lost sales for live breeding stock.

In response to this disease and the threat it poses to the further development of this industry, the province introduced the Aleutian Disease Management Program in 2008-09. The goal of the \$5.4 million program is to help the mink industry to manage and guard against Aleutian disease by improving biosecurity measures at their operations.

Opportunities and Challenges

As we move forward to 2009-2010, the agency will continue to work with the forestry, agriculture and agrifoods industries to overcome challenges and embrace opportunities for sustainable economic development for the future. We will continue to direct our efforts in initiatives that address our strategic goals as outlined in the agency's Strategic Plan for 2008-2011.



Photo: Yellow Birch

Growth and Diversification of the Agriculture and Agrifoods Industry

The agriculture and agrifoods industry has had positive economic impacts on many regions of Newfoundland and Labrador. In the past the agency has focused on programs and services for many sectors to further enhance opportunities to diversify and grow the industry. In addition to the many services that we provide, assistance has also been available through programs such as Agriculture and Agrifoods Development Fund, Agrifoods Assistance Program, the Land Consolidation Program, the Aleutian Disease Management Fund and the Cranberry Industry Development Fund.

As we look towards the opportunities and challenges facing this industry over the next 10 years, the agency believes that it is time to assess where we are as an industry. To move ahead, we need a plan to utilize our resources to obtain the most benefit for our industry and our province.

The agriculture and agrifoods strategy being developed will be a roadmap to guide us in future sustainable development.

Competitiveness in the Forestry Sector

The forestry industry in Newfoundland and Labrador has faced many challenges over the past year with the downturn in the global economy. The agency is directing its efforts to explore areas where the industry can adapt and create further economic benefits for many regions of the province.

Through funding provided through the Forest Industry Diversification Fund, the focus will be on developing a comprehensive marketing strategy for the province's sawmill industry. This strategy will be the foundation for a marketing program for sawmillers to access new global markets. This will allow the forestry sector to focus on opportunities to pursue new global markets and value-added products.

Sustainable Resource Management

Sustainability of our resources is crucial for long term viability for the province's forestry, agriculture and agrifoods resources. There are many changes occurring with our climate and ensuring our resources are protected from the impacts of insects, disease and fire will continue to be an important component of our strategic planning.

The agency will partner with other stakeholders to ensure that factors that can negatively impact the viability of our resources are closely monitored and action taken when necessary. Being part of initiatives such as the National Pest Management Strategy will ensure that the agency is using all of its resources in the best possible manner.

Appendix I: Inactive Entities Reporting to the Minister

The following category three public bodies that report to the Minister of Natural Resources were inactive for the period April 1, 2008 to March 31, 2009. In the event that one of these public bodies becomes active, it will prepare, and table in the House of Assembly, an Annual Performance Report.

Forest Land Tax Appeals Board

The Forest Land Tax Appeals Board was created pursuant to the *Forestry Act (1990)*. The mandate of the board is to hear appeals from landholders who disagree with the way in which Part III of the *Forestry Act (1990)* is applied. Appeals may concern: the contents of a Certificate of Managed Land issued to the appellant; entries made with respect to the appellant in the Assessment Roll; the amount of tax payable by the appellant; or whether or not the appellant is even liable for taxation under Part III of the act.

Timber Scalers Board

The Timber Scalers Board was created pursuant to the *Forestry Act (1990)*. Under section 124 of the act, the duties of the board are to: examine the ability and knowledge of persons who apply to be certified to scale timber; hear appeals to scaling disputes; and recommend to the minister new scaling methods before they are used.

Newfoundland and Labrador Farm Products Corporation

The Newfoundland and Labrador Farm Products Corporation was created pursuant to the *Farm Products Corporation Act*. The corporation has a mandate to establish abattoirs, cold storage plants, warehouses, packing and processing plants and other buildings and establishments of every kind necessary and suitable for the handling, preparation, processing and storage of farm products of every kind both animal and vegetable for the purpose of facilitating the development of farm products in the province. Associated activities may include: making advances of livestock to farmers and livestock keepers, either for cash or on credit; employing instructors to instruct farmers and livestock keepers; purchasing, storing, processing, packing and selling farm products of every kind; and handling, storing and selling or advancing on credit animal feeding stuffs or every kind.

The Lieutenant-Governor in Council may appoint not fewer than five nor more than nine members to the Newfoundland and Labrador Farm Products Corporation. One person is to be chairperson. The members of the corporation, with the exception of the chairperson, shall be appointed for one year and are eligible for reappointment.

DEPARTMENT OF NATURAL RESOURCES

Appendix II: Statement of Revenues and Expenditures

Expenditure and revenue figures included in this document 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 2009.

STATEMENT OF EXPENDITURE AND RELATED REVENUE SUMMARY FOR THE YEAR ENDED MARCH 31, 2009 (Unaudited)

		Actual(\$)	Estimates	
			Amended(\$)	Original (\$)
Executive and Support Services				
1.1.01	Minister's Office	406,709	423,600	386,100
1.2.01	Executive Support	2,909,954	2,919,300	2,000,900
1.2.02	Administrative Support	1,003,281	1,032,500	1,313,400
	Less: Revenue	(3,994)	(10,000)	(10,000)
1.2.03	Administrative Support (Capital)	4,212,270	4,529,700	4,529,700
	Total	8,528,220	8,895,100	8,220,100
Forest Management and Protection				
Forest Management				
2.1.01	Administration and Program Planning	9,448,109	22,931,700	22,775,200
	Less: Revenue	(407,784)	(4,000,000)	(4,000,000)
2.1.02	Operations and Implementation	12,321,634	12,401,200	11,068,200
	Less: Revenue	(4,000)	-	-
2.1.03	Silviculture Development	9,656,242	9,889,500	9,679,000
	Less Revenue	(8,618)	(1,000)	(1,000)
2.1.04	Resource Roads Construction	4,194,271	4,200,000	4,200,000
Forest Protection				
2.2.01	Insect Control	3,815,121	3,960,600	3,542,000
	Less: Revenue	(1,142,705)	(1,924,500)	(1,924,500)
2.2.02	Fire Suppression and Communications	3,710,362	4,161,500	3,964,400

DEPARTMENT OF NATURAL RESOURCES

		Actual(\$)	Estimates	
			Amended(\$)	Original (\$)
	Less: Revenue	(1,000)	-	-
	Total	41,581,632	51,619,000	49,303,300
Agrifoods Development				
Land Resource Stewardship				
3.1.01	Land Resource Stewardship-Administration	1,639,870	1,763,600	1,754,000
	Less: Revenue	(8,386)	(33,000)	(33,000)
3.1.02	Limestone Sales	289,520	442,300	442,300
	Less: Revenue	(73,362)	(140,000)	(140,000)
3.1.03	Land Development	1,188,267	2,300,000	2,300,000
	Less: Revenue	(9,919)	-	-
Production and Market Development				
3.2.01	Production and Market Development- Administration	2,436,675	10,481,400	10,586,400
	Less: Revenue	(68,098)	(454,700)	(454,700)
3.2.02	Marketing Board	191,008	217,400	161,700
Agricultural Business Development				
3.3.01	Agricultural Business Development Administration	1,667,058	2,019,200	1,921,700
	Less Revenue	-	(16,000)	(16,000)
3.3.02	Production and Livestock Insurance	297,133	419,800	419,800
	Less: Revenue	(167,159)	(202,800)	(202,800)
3.3.03	Agricultural Initiatives	1,948,070	2,010,000	2,010,000
	Less: Revenue	(31,215)	(10,000)	(10,000)
3.3.04	Agriculture and Agrifoods Development Fund	1,441,848	7,820,000	7,820,000
	Less: Revenue	(225,000)	-	-
3.3.05	Agricultural Policy Framework	3,327,384	6,475,000	6,475,000
	Less: Revenue	(3,220,609)	(3,444,900)	(3,444,900)

DEPARTMENT OF NATURAL RESOURCES

		Actual(\$)	Estimates	
			Amended(\$)	Original (\$)
Animal Health				
3.4.01	Administration and Support Services	2,764,160	2,853,700	2,723,300
	Less: Revenue	(531,596)	(530,000)	(530,000)
3.5.01	Research and Development	807,916	1,036,000	1,000,000
Total		13,663,565	33,007,000	32,782,800
Mineral Resource Management				
4.1.01	Geological Survey	5,160,216	5,337,800	5,088,600
	Less: Revenue	(1,422)	(34,000)	(34,000)
4.1.02	Mineral Lands	1,362,515	1,397,300	1,104,600
	Less: Revenue	-	(5,000)	(5,000)
4.1.03	Mineral Development	5,426,904	10,147,300	10,280,000
Total		11,948,213	16,843,400	16,434,200
Energy Resources and Industrial Benefits Management				
5.1.01	Energy Policy	1,273,813	1,828,000	1,949,900
5.1.02	Petroleum Development	1,036,555	1,354,100	1,289,000
5.1.03	Canada/Newfoundland and Labrador Offshore Petroleum Board	6,650,000	6,850,000	6,850,000
	Less: Revenue	(4,038,484)	(4,050,000)	(4,050,000)
5.1.04	Royalties and Benefits	4,569,331	7,352,100	7,415,600
	Less: Revenue	(235,167)	(260,000)	(260,000)
5.1.05	Energy Initiatives	2,794,586	12,290,000	13,000,000
5.1.06	Energy Initiatives - Capital	319,500,000	319,500,000	319,500,000
Total		331,550,634	344,864,200	345,694,500
Total Department		407,272,264	455,228,700	452,434,900

