

ANNUAL REPORT 2018-19

Natural Resources





MESSAGE FROM THE MINISTER

As Minister of Natural Resources, I am pleased to present my department's 2018-19 Annual Report outlining achievements toward objectives and indicators established for the 2018-19 fiscal year as set out in the department's 2017-20 Strategic Plan.

I look forward to working with the department to build on the successes of 2018-19 and embrace the opportunities and challenges that 2019-20 has to offer. In 2019-20 the department will be embarking on a new set of commitments as outlined in the 2017-20 Strategic Plan and I am confident that we will continue to make great strides.

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

A handwritten signature in black ink, appearing to read 'Siobhan Coady', written in a cursive style.

Hon. Siobhan Coady
Minister of Natural Resources

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Departmental Overview

Organizational Structure

The Department of Natural Resources (the department) is responsible for the supervision, control and direction of all matters relating to the promotion, exploration and development of mineral and energy resources and related industry developments in Newfoundland and Labrador.

These responsibilities extend to the following natural resource areas/considerations:

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

The department's programs and services are delivered through four main branches, supported by shared executive and support services.

1. The **Mines Branch** is divided into three main divisions:

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

- The **Mineral Lands Division** is responsible for the regulatory functions and information services that facilitate discovery and development of the province's mineral resources. Additionally, this division is responsible for the administration of mineral land tenure through the **Mineral Act**, the **Mineral Holdings Impost Act** and related legislation, including the issuance of exploration licenses and mining leases; the administration of quarry material rights and developments, including on-going field investigations, through the **Quarry Materials Act**; issuing exploration approvals and the performance of follow-up inspections; the maintenance of the core library system and the provincial mineral rights registry.
 - The **Geological Survey Division** carries out impartial, state-of-the-art geo-scientific investigations throughout the province in order to interpret and explain the geological evolution of Newfoundland and Labrador. In addition, this division conducts geochemical and geophysical surveys and mineral deposit studies; maintains and publishes maps, reports and databases concerning the province's geological and mineral endowment, including geographic information system databases and web-delivery; and promotes the province's mineral potential.
2. The **Petroleum Development Branch** is responsible for fostering the exploration, development and production of the province's hydrocarbon resources. This includes the provision of technical services in the areas of petroleum geoscience, petroleum engineering and petroleum operations to facilitate sustainable development and management for both onshore and offshore deposits.
3. The **Royalties and Benefits Branch** is responsible for maximizing the benefits to the local economy from the development of major resource projects. Responsibilities include: the negotiation, development and administration of energy and mines project agreements and royalty legislation/regulations; the negotiation and monitoring of industrial benefits commitments related to energy and mines resource developments; the auditing of petroleum project costs and revenues to verify the accuracy of royalties paid to the province; the provision of economic and financial research, analysis,

modeling, support and advice for energy resource management and policy decisions; and the promotion of the province's industrial capacity and capabilities.

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

The department also has an Assistant Deputy Minister, **Corporate and Strategic Services**. Publications & Information, Marketing & Promotions, Access to Information and Protection of Privacy functions, Corporate Policy and Planning, and Information Management functions of the department are direct reports.

Staff, Budget and Expenditures

As of March 31, 2019, the Department of Natural Resources had 186 positions and 147 active staff members¹. The budgets for the divisions and sections of the department for fiscal year 2018-19 were \$21.078 million.

Division	# of Employees	Expenditures
Minister's Office/Executive Support/Administrative Support ²	30	\$2,681,526
Geological Survey	42	\$4,490,993
Mineral Lands	15	\$1,437,508
Mineral Development	12	\$3,746,485
Energy Policy	10	\$3,212,264
Petroleum Development	15	\$1,603,438
Royalties and Benefits	23	\$2,120,914
Total	147	\$19,293,128

During the year, the department recorded **(\$337,100)** in revenue related to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) that, while at full cost recovery, reflects the amount of additional revenue received that straddled the C-NLOPB and government fiscal years. The department also provided **\$571.74** million to Nalcor Energy (Nalcor) and its subsidiaries in order to facilitate its participation in oil and gas activities and other energy projects, as well as recorded **\$3.75** million in revenue under the department's Innovation and Business Development Fund due to only **\$2.25** million of the **\$6** million received under the fund being expended in the 2018-19 fiscal year. The remainder of unexpended funds have been carried forward to future years.

Refer to pages 25-26 of this report for more information on 2018-19 expenditures.

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

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

Highlights and Partnerships

Highlights

Oil and Gas

Newfoundland and Labrador has four producing oil projects that collectively, since 1997, have produced approximately 26 per cent of Canada's conventional light crude. As well since 1997, the industry accounted for approximately 25 per cent of cumulative provincial GDP and contributed \$22 billion in cumulative royalties. Over 8,900 people were directly employed in construction and operations as of June 2019; 82 per cent were residents of the province. Geological prospectivity is evidenced by \$4.3 billion in current exploration commitments and eight new entrants in the past three years.

The 2018-19 year was an important period for the oil and gas industry.

In April 2018, the Provincial Government released a jurisdictional review by Wood Mackenzie titled, "Newfoundland and Labrador Competitiveness in Oil & Gas Investment." The report identified several areas where the province is attractive from an investor perspective and other areas where challenges exist.

In May 2018, Premier Ball, Minister Coady and Minister Byrne, presented to the National Advisory Panel on Marine Protected Area Standards. The panel gathered perspectives and offered recommendations to the Federal Government on categories and associated protection standards for federal Marine Protected Areas.

In July 2018, Premier Ball and Minister Coady announced a framework agreement to develop the Bay du Nord Project – the first deepwater (1100m) production in the province's oil and gas industry, which opens up a new basin – the Flemish Pass. It is also the first project under the new Generic Oil Royalty Regulations (GORR).

In September 2018, Minister Coady provided an update on the independent resource assessment for the 2018 Call for Bids. The assessment identified an additional 11.7 billion barrels of oil and 60.2 trillion cubic feet of gas in place.

In October 2018, Minister Coady signed a Memorandum of Understanding with the Cooperative Republic of Guyana to further our respective oil and gas industries. Also in October, the Provincial Government launched a virtual data room to provide industry and oil and gas explorers with access to seismic programs, offshore well data and related reports and further assist with de-risking of province's prospectivity to offshore oil and gas explorers.

In November 2018, Premier Ball and Minister Coady highlighted that record bids for exploration licenses offshore were received, totaling \$1.38 billion with a record single bid of \$621 million from BHP Petroleum.

In February 2019, Premier Ball and Minister Coady presented the Provincial Government's submission on Bill C-69 to the Senate Standing Committee on Energy, the Environment and Natural Resources. Bill C-69 proposes to replace the **Canadian Environmental Assessment Act, 2012** with the **Impact Assessment Act** - setting a new federal process for impact assessments of major projects.

In March 2019, Minister Coady introduced legislation to establish a new crown corporation focused on maximizing opportunities for growth in the province's offshore oil and gas industry.

Mining

Mining is one of the province's most important industries. With \$45.4 million in exploration expenditures, \$2.87 billion in mineral shipments, \$2.3 billion in investment announced since 2017, \$90 million in mining taxes in 2017/18, and the employment of 5,726 people in 2018 (including construction), mining is a major contributor to our economy.

The Provincial Government has continued to support mineral exploration and growth in the mining industry, with \$1.7 million in support of the Mineral Incentive Program through Budget 2018.

During 2018-19 the province saw substantial growth in the mining industry.

In April 2018, the Government of Newfoundland and Labrador announced it was working with the Government of Québec to develop new mining and employment opportunities within Labrador - advancing geotechnical knowledge and assessing required infrastructure.

In June 2018, Premier Ball and Minister Coady announced the Voisey's Bay Underground Mine was proceeding with construction, extending the operating life of Voisey's Bay by at least 15 years.

In September 2018, the opening of Moss Pit in Labrador West was announced, which will help IOC ramp up its annual production capacity, extending the life of operations and securing employment, while maintaining production of high quality iron ore concentrate and pellets.

In November 2018, the Provincial Government released Mining the Future 2030: A Plan for Growth in the Newfoundland and Labrador Mining Industry. This plan was created through collaboration with Mining Industry NL, to grow the Newfoundland and Labrador mining industry and create jobs throughout the province in collaboration with Indigenous governments, groups and community stakeholders. This plan envisions Newfoundland and Labrador as a globally competitive, top tier jurisdiction for mineral exploration and development. The mining industry has the potential to increase mineral exploration expenditures, mineral shipments, revenues and jobs.

Tacora Resources Inc. announced the restart of Scully Mine in Wabush in late November 2018. Restarting Scully Mine demonstrates that by working together, we can unlock our natural resource wealth creating safe, high-paying jobs and supply opportunities.

Premier Ball, along with Minister Coady, and other ministers, welcomed the reopening of the Beaver Brook Mine in central Newfoundland in March 2018. The reopening creates new opportunities for tradespeople, engineers, and in other fields, as well as opportunities for small businesses – such as restaurants, gas stations, and accommodations providers – to grow and expand their operations.

Throughout 2018-19 research by the Geological Survey focused on the potential for new discoveries of gold and other metals in central Newfoundland. The till geochemistry report indicates potential for gold discoveries in the Pipestone Pond and Coy Pond complexes of central Newfoundland.

For more than 150 years, the province's Geological Survey has mapped the mineral resources in our province. Exploration activity stimulates local economies through increased demand for services, supplies, and people. Information from the Geological Survey provides a catalyst for claim staking. Geoscience has increased staking to about 20,000 claims in each of the past two years. Gold in central Newfoundland is a commodity of great interest and has contributed to about 50 percent of claims staked since 2016.

The department also implemented a continuous improvement program in 2018-19 to increase efficiencies in service delivery by streamlining business processes within the Mines Branch. This program has aligned operations within the branch through improved divisional collaboration, increasing consistency and transparency that has resulted in time and cost reduction in the delivery of services.

Energy

Providing secure, stable, reliable power continues to be a top priority of government. Work continues to keep the Muskrat Falls project on track and to mitigate electricity rates for consumers once the project is complete. The following summarizes action taken during the year.

In May 2018, the government amended the **Energy Corporation Act** allowing for the release of information related to independent contractors working at Nalcor. Independent contractor names, position, remuneration and payments received can now be released. Previously, such information was shielded by **Energy Corporation Act** provisions. The change ensures that independent contractors are treated the same as those working in other crown corporations or agencies with respect to information disclosure and accountability under the province's **Access to Information and Protection of Privacy Act**. The amendments demonstrate government's commitment to openness and transparency.

In July 2018, six new members were appointed to Newfoundland and Labrador Hydro's Board of Directors. The appointments were based on recommendations provided by the Independent Appointments Commission.

In September 2018, the Provincial Government brought the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) back into the Muskrat Falls Project. The province provided a reference question to the PUB allowing it to examine options to reduce the impacts of Muskrat Falls, including both cost savings and revenue opportunities involving the electricity-related activities of Nalcor Energy and its subsidiaries; the domestic need for Muskrat Falls' power versus export availability; and the impact of the identified options on electricity rates.

In November 2018, NL Hydro filed its Reliability and Resource Adequacy Study with the PUB. The study addresses NL Hydro's long-term approach to providing least-cost,

reliable service for customers by establishing a recommended resource plan to meet customer demand and system requirements, considering of a range of scenarios.

The PUB is reviewing the study with independent expert analysis and input from the public, including key industry stakeholders.

At the end of 2018, the Muskrat Falls Project was 96 per cent overall complete. Concrete placement on the North Dam was completed. The North Dam is the third and final dam required for the generating facility and is now ready for operation. In the powerhouse, installation and the assembly of the turbine generators has begun.

In February 2019, the department released the PUB interim report on options to prevent the significant cost of the Muskrat Falls Project from impacting people in the province. Government released its rate mitigation plan in April 2019. The PUB's final report is due in January 2020 and will inform government's final plan on paying for Muskrat Falls.

Partnerships

The department works with many industry stakeholders on a regular basis in supporting the growth and sustainability of our natural resource sectors. Companies, the supply and service community, industry associations, regulatory bodies, other governments, Indigenous groups, educational institutions, labour development entities and unions are just a few of the partners involved in the day-to-day operations of our sectors.

The department continues to work closely with:

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

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

In March 2019, the Atlantic Premiers and the Government of Canada committed to the development of a Clean Power Roadmap for Atlantic Canada. When completed the roadmap will outline a collective vision for how the Federal Government, the Atlantic Provinces and electric utilities will collaborate to build a clean power network to produce and use more clean power in the region while improving transmission networks, better

integrating regional markets and regulatory regimes, and strengthening reliability. The department is an active participant in Atlantic Regional Clean Power Planning Committee and work is on-going.

In March 2019, the Federal Government released the Canadian Minerals and Metals Plan (CMMP). This plan includes a vision, principles and strategic directions that governments, industry and stakeholders can pursue. Through this plan the Government of Canada is taking steps to solidify its status as a global mining leader, and to ensure the industry continues to contribute prosperity for Canadians. Federal, provincial and territorial jurisdictions have collaborated on the development of the CMMP.

Newfoundland and Labrador's participation in this plan is important as we further our goal to be consistently ranked as a leading Canadian jurisdiction for mining and mineral resource development.

Report on Performance

The following sections of the report detail the department's progress towards achieving objectives for 2018–19.

1. Increasing the Provincial Economic Potential Derived from the Oil and Gas Sector

This province has tremendous opportunities for growth in the offshore oil and gas industry. In less than seven per cent of our offshore, we have a combined resource potential of 49.2 billion barrels of oil and 193.8 trillion cubic feet of natural gas.

There are over 650 leads and prospects identified to date, eight new entrants, and \$4.3 billion in recent exploration work commitments. As referenced earlier, in November 2018, the province received record bids for offshore exploration totaling \$1.38 billion, and the record highest single bid was worth \$621 million, from BHP Billiton.

Through The Way Forward on Oil and Gas - Advance 2030, a Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry, the Provincial Government and oil and gas industry stakeholders committed to positioning the province as an internationally preferred location for oil and gas exploration and development. Work to implement priority actions in Advance 2030 is well underway. In its first year, government, industry and other stakeholders have undertaken significant work on the 37 immediate priorities, with 95 per cent in progress or complete.

To complement Advance 2030, the Provincial Government introduced an Act to Establish an Oil and Gas Corporation for the Province, which created a new directly-held oil and gas corporation to enhance and maximize the resource potential in the offshore. This new crown corporation will enhance existing opportunities in our oil and gas industry, attract new entrants, grow investment, strengthen the supply and service sector and create new private sector jobs.

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

Continued investment in oil and natural gas exploration and development is critical to achieving Advance 2030 and to building the provincial economy.

Planning Period Goal

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

2018-2019 Objective:

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

Indicator:

- Demonstrated advancement on “Immediate Focus Areas” listed in Advance 2030 - A Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry.

Results:

Planned progress was achieved on a number of Immediate Focus Areas listed in Advance 2030, including the following:

- On April 30, 2018, the Provincial Government released an International Competitiveness Review of the Oil and Gas Industry – a jurisdictional review by Wood Mackenzie to assess the international competitiveness of the province’s offshore oil and gas industry.
- On September 19, 2018 Premier Ball launched the Innovation and Business Development Fund (IBDF). The IBDF will provide \$60 million in funding over 10

years to strengthen and diversify the province's oil and gas supply and service capabilities.

- On October 16, 2018, the Government of Newfoundland and Labrador signed an MOU with the Government of the Cooperative Republic of Guyana to further our respective oil and gas industries.
- On November 1, 2018, the Department of Natural Resources launched a Virtual Data Room to provide information on the province's prospectivity to offshore oil and gas explorers.
- On November 1, 2018, the Department of Natural Resources' Petroleum Development Mapping Application Hub became operational, averaging 300-500 visits per week.
- On November 8, 2018, a record \$1.38 billion in exploration license bids were received including a record single bid of \$621 million from BHP Billiton, a new entrant in the NL offshore.
- The Department of Natural Resources engaged international consultant Rystad Energy to undertake a jurisdictional scan of natural gas fiscal frameworks which was completed in March 2019.
- The Department of Natural Resources engaged international consultant Wood Mackenzie to undertake a jurisdictional scan of exploration incentives, which was completed in March 2019.
- The March 2019 Atlantic Accord Review strengthened the joint management of Newfoundland and Labrador's offshore development in the area of regulator modernization; it also includes a dispute settlement clause that ensures Newfoundland and Labrador's rights are respected.
- In March 2019, the Department of Natural Resource engaged consultant Ledingham Chalmers to undertake research on international best practices for fallow field management and third party access to infrastructure.

As of March 31, 2019, 95 per cent of immediate priority actions were in progress with several completed.

2019-2020 Objective:

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

Indicator:

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

2. Targeted Promotion of the Mining Sector

The mining sector, in 2019, is forecasted to directly employ approximately 6400 people (including construction). Along with a forecasted \$4 billion of gross value in mineral shipments, mining has proven to be a major contributor to the Newfoundland and Labrador economy representing a 47 per cent improvement in gross value since 2016. In 2018 the first shipment from Canada Fluorspar Incorporated took place, Vale commenced underground construction, IOC opened Moss Pit, and Tacora reactivated Wabush Mines. As well, the reopening the Beaver Brook Antimony Mine was announced in Q-1 2019 resulting from concerted efforts throughout 2018.

The province is keenly focused on increasing our competitive position within the global mining sector. As identified in the strategic plan, the province is committed to initiatives that support exploration activity and help us to get information on the vast resource potential out to exploration companies and investors around the world. As exploration is the key to finding the next mine, growth of exploration investment in the province is a critical step. With \$45.4 million invested in mineral exploration in 2018, \$39.5 million of exploration activity is forecasted for 2019 representing a 55 per cent increase since 2016.

Over the past year, the Mines Branch, in collaboration with industry, worked to develop, and launch a provincial mining strategy, Mining the Future 2030, along with a new national strategy, the Canada Minerals and Metals Plan. These strategies along with the

various targeted promotional activities for the sector provide the basis upon which the department will work to position our province as a competitive, top tier jurisdiction for mineral exploration and development.

Planning Period Goal:

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

2018-2019 Objective:

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

Indicators:

- Priority focus areas for marketing and promotions are identified as part of new provincial minerals strategy and actions are initiated.

The department has identified priority areas for marketing and promotions within the mining and mineral exploration industry. Analysis of Asian investment markets such as China, Japan and Korea are ongoing to assess their viability for investment attraction. The European market is also under review focusing on major investment forums in London. Actions to exploit these markets are in the planning and development stage and include the review and selection of specific events, securing funding sources and enhancing our marketing delivery channels.

2019-2020 Objective:

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

Indicators:

- New global target markets such as Europe, Australia, the United States and Asia are prioritized for investment attraction value and immediate promotion activities are underway
- Core digitization process actioned with increased public access to samples in priority areas

3. Sustainable and Reliable Electricity

Government is focused on completing the Muskrat Falls Project and is committed to electricity rate management. In September 2018, government posed reference questions to the Board of Commissioners for Public Utilities (PUB) to examine options for mitigating the impacts of Muskrat Falls. The PUB submitted an interim report in February 2019; its final report is due in 2020.

In addition, the Provincial Government has been working the Federal Government and other Atlantic Canadian provinces to create the Clean Power Roadmap for Atlantic Canada. The action plan will outline how jurisdictions will collaborate over the coming decades to build a clean power network across Atlantic Canada.

The Province is exploring other renewable energy opportunities. Newfoundland and Labrador's abundant renewable energy resources provides an opportunity for the province to meet its own domestic needs, and to assist other jurisdictions in meeting their energy demands and clean energy targets. To chart this renewable future, in 2018 government committed to developing a future renewable energy plan focused on creating employment opportunities and further positioning the province as energy hub.

Planning Period Goal:

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

2018-2019 Objective:

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

Indicators:

The department will have directed the Public Utilities Board to assess options to mitigate Muskrat Falls electricity cost increases.

On September 5, 2018, the Provincial Government provided Reference Questions to the Board of Commissioners of Public Utilities (PUB) seeking its input on options to mitigate the impact of the Muskrat Falls Project on electricity rates. In February 2019, the Minister of Natural Resources received an interim report from the PUB of its preliminary findings that outlined options to prevent the significant cost of the project from impacting Newfoundlanders and Labradorians. The Minister then released this report to the public.

The department will have supported proponents, communities and Indigenous governments/organizations in renewable energy development.

From April 2018 to March 2019, the Department of Natural Resources, in partnership with Newfoundland and Labrador Hydro, worked to draft a request for Expression of Interest to gain input from the local, national and international industry for potential renewable energy solutions in 14 of the province's isolated diesel-powered electricity systems.

The Department of Natural Resources has worked with several partners, including the Nunatsiavut Government, NRCan and Indigenous and Northern Affairs Canada, in support of the Nunatsiavut Government Energy Security Plan. To support these efforts, the department participates as members of the Nunatsiavut Energy Security Working Group.

Legislative and regulatory options will be developed to adopt an open access transmission framework for the province’s electricity transmission system.

In 2018, Legislative Counsel was engaged to draft amendments to the **Electrical Power Control Act** and the **Public Utilities Act**, in consultation with the Department of Natural Resources, to implement an open access regime for Newfoundland and Labrador’s high-voltage transmission system. On May 31, 2018, under the authority of the **Electrical Power Control Act** and the **Public Utilities Act**, the Lieutenant Governor in Council (LGIC) made regulations entitled “Open Access Transmission Regulations”.

Also on May 31, 2018, under the authority of the **Electrical Power Control Act** and the **Public Utilities Act**, the LGIC made regulations entitled “Open Access Transmission Regulations.”

The department will have worked with industry and stakeholders on the development of a renewable energy plan.

Since autumn 2018, officials from the Department of Natural Resources have been working to develop a framework for a Renewable Energy Plan. Next steps include targeted stakeholder consultations.

2019-2020 Objective:

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

Indicators:

- Integration of the findings from the final PUB report into policy decisions related to mitigating the impacts of the Muskrat Falls Project on electricity rates
- Evaluation of the findings of the Muskrat Falls Inquiry Commission Report
- Advancement of the electrification of government funded space heating
- Implementation of a public process to seek expressions of interest for a quantity of energy surplus capacity to add value to the province’s energy surplus

Opportunities and Challenges

The Provincial Government is continuing to position Newfoundland and Labrador as a preferred destination for oil and gas and mining activity. Over the last two years, over \$18 billion in investments in mining and oil and gas projects have been announced in the province. In addition, the province has vast renewable energy resources including wind, tidal and hydro with the potential to further employment opportunities and promote the province as an energy hub.

Oil and Gas

An immediate priority of government is to position Newfoundland and Labrador as an internationally preferred location for oil and gas exploration and development as presented in Advance 2030 – A Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry.

Since the launch of Advance 2030, the Oil and Gas Industry Development Council has been actively engaged in overseeing the implementation of actions. The council, which meets frequently, has established an implementation committee with government representation, as well as representatives from Noia and the Canadian Association of Petroleum Producers. The work of the council is continuing.

The province's new oil and gas corporation will help realize the goals of Advance 2030. The corporation will drive exploration by attracting new investment, maximizing returns through equity investments, and enhancing local supply chain opportunities by leveraging existing capabilities. Bull Arm Fabrication Inc. will become a subsidiary of the new corporation and support this effort. Work is ongoing regarding the establishment of the new corporation and is expected to be finalized early next year.

To date, approximately \$3 million in funding from the Innovation and Business Development Fund has been announced. More announcements are expected in the

coming year. With an annual budget of \$6 million, the fund is facilitating strategic investments in innovation and business development to grow the oil and gas industry in the province.

To compete in a global industry, the regulatory environment governing the oil and gas industry must be prudent and balanced. The Provincial Government has been working with the Federal Government for changes to Bill C-69 to ensure the development of resources for the benefit of Newfoundland and Labradorians in an environmentally acceptable manner while remaining globally attractive. This work is continuing.

Mining

The Department of Natural Resources will continue to work with its partners on the implementation of Mining the Future 2030. This industry development plan was created through collaboration with Mining Industry NL, with the goal of strategically positioning Newfoundland and Labrador as a globally competitive, top tier jurisdiction for mineral exploration and development.

To be successful, the plan recognizes four areas of focus for future actions:

- Being competitive, with clear and efficient regulatory processes;
- Advancing targeted public geoscience, marketing and education;
- Promoting effective Indigenous and community engagement; and
- Pursuing innovation and emerging technologies.

Beginning the implementation of the immediate actions outlined in Mining the Future is a priority for this year. The department's mineral industry support programs will be reviewed and industry, government departments and the public will be consulted on the effectiveness and possible changes to the **Mineral Act** and the **Mining Act**. An independent Geoscience Technical Advisory Committee will be appointed to provide advice on where to focus the Geological Survey's geoscience programs including consideration of economic zones and identification of critical minerals that should be

targeted. Global promotion of the province will be refocused and rebranded to grow investment in mineral exploration and development in the province. Cutting-edge airborne technologies to enhance detection of new mineral deposits will also be assessed.

The Muskrat Falls Project

In April 2019, government released “Protecting You from the Cost Impacts of Muskrat Falls.” It is designed to protect residents from increases to electricity rates and taxes resulting from the Muskrat Falls project that would affect the cost of living. Work is underway on rate management and we remain open to all options that can protect Newfoundland and Labrador taxpayers and ratepayers from the costs of Muskrat Falls.

The Department is working with stakeholders such as Memorial University and Newfoundland and Labrador Hydro to advance electrification of heating and transportation. Government is also working with Newfoundland and Labrador Hydro and Nalcor to develop an expression of interest for a quantity of surplus energy and capacity to achieve greater value for the province.

Construction of the Muskrat Falls Project continues. As of the end of March 2019, overall construction of the Muskrat Falls Project was 97 per cent complete. The Muskrat Falls generation project is 94 per cent complete; and both the Labrador-Island Transmission Link and the transmission line connecting Churchill Falls to Muskrat Falls remain at over 99 per cent complete.

The final report of the Commission of Inquiry Respecting the Muskrat Falls Project is due to be delivered to the Minister of Natural Resources on or before December 31, 2019. Commissioner LeBlanc will make findings and recommendations related to the inquiry’s terms of reference in the final report.

Renewable Energy

Newfoundland and Labrador has vast renewable energy resources including wind, tidal and hydro and the province is working to create a low emission future by reducing diesel generation in isolated diesel systems as well as through electrification, which is a key energy policy priority to grow electricity revenue and reduce carbon emissions.

The Department of Natural Resources and Newfoundland and Labrador Hydro are evaluating the expressions of interest for renewable energy solutions in the province's regulated isolated diesel-powered electricity systems, and are working diligently to advance the process.

The Provincial Government is committed to working with industry and stakeholders to develop a renewable energy strategy that is focused on creating employment opportunities and further positioning the province as an energy hub.

The Department of Natural Resources participates in regional and federal, provincial and territorial working groups and committees to advance opportunities for Newfoundland and Labrador renewable energy exports. The province, through the Atlantic Regional Clean Power Planning Committee, is working to develop a roadmap to use more clean power and improve transmission networks in the region.

Financial Information

Expenditure and revenue figures included below are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2019.

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
Executive and Support Services³				
1.1.01	Minister's Office	319,285	337,400	240,800
1.2.01	Executive Support	1,500,701	1,619,300	1,578,500
1.2.02	Administrative Support	930,443	976,900	976,900
	Less: Revenue	(68,903)	(5,000)	(5,000)
1.2.03	Administrative Support (Capital)	-	100	100
Total		2,681,526	2,928,700	2,791,300
Mineral Resource Management				
2.1.01	Geological Survey	4,490,993	4,936,900	4,920,900
	Less: Revenue	-	(352,300)	(352,300)
2.1.02	Mineral Lands	1,437,508	1,485,100	1,470,100
2.1.03	Mineral Development	3,746,485	4,226,700	4,402,700
Total		9,674,986	10,296,200	10,441,200
Energy Resources and Industrial Benefits Management				
3.1.01	Energy Policy	3,212,264	3,745,000	3,745,000
3.1.02	Petroleum Development	1,684,968	1,777,200	1,662,200
	Less: Revenue	(81,530)	(81,000)	(81,000)
3.1.03	Canada/NL Offshore Petroleum Board	9,475,000	9,475,000	9,475,000
	Less: Revenue	(9,812,100)	(9,475,000)	(9,475,000)
3.1.04	Royalties and Benefits	2,120,914	2,420,900	2,528,300
3.1.05	Innovation and Business Development	2,255,469	6,000,000	6,000,000

³ In 2018-19, a portion of Executive and Support Services – specifically the Financial Operations function – was shared with the Department of Fisheries and Land Resources.

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		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
	Less: Revenue	(6,000,000)	(6,000,000)	(6,000,000)
3.1.06	Energy Initiatives (Capital)	571,743,254	723,900,000	723,900,000
Total		574,598,239	731,761,100	731,754,500
Total Department		586,954,751	744,987,000	744,987,000

Inactive Entities

Mineral Rights Adjudication Board

The Mineral Rights Adjudication Board is a Category 3 public body, set up under Section 37 of the **Mineral Act**, which reports to the Minister of Natural Resources. It is the function of the board, and the board has exclusive jurisdiction, to hear and determine a question, dispute or matter arising out of the application of the **Mineral Act** or the **Mining Act** and applicable regulations. This board was inactive during the 2018-19 fiscal year.

Muskrat Falls Project Land Use and Expropriation Arbitration Panel

This Panel is a Category 3 public body set up under Section 24 of the **Muskrat Falls Project Land Use and Expropriation Act** and Section 16 of the Muskrat Falls Project Land Use and Expropriation Regulations. The Panel was set up to determine compensation for, or related to, an expropriation of land required for the Muskrat Falls Project. This entity was inactive during 2018-19.

