

September 10, 2008

Honourable Roger Fitzgerald
Speaker
House of Assembly

RE: Oil and Gas Corporation of Newfoundland and Labrador

Legislation creating the Province's Energy Corporation was passed in 2007. As outlined in the Energy Plan, the Energy Corporation of Newfoundland and Labrador ("Energy Corporation") was created to be the parent company which will manage the Province's investment and involvement in the development of all aspects of the Province's energy sector. It was anticipated that subsidiary entities would be created under the Energy Corporation to provide a means to separate commercially competitive activities from the core traditional activities of Newfoundland and Labrador Hydro and Churchill Falls (Labrador) Corporation. The Province's interests in Hebron, White Rose and other offshore and onshore petroleum development projects will be managed through Oil and Gas Corporation of Newfoundland and Labrador, a subsidiary of the Energy Corporation.

Pursuant to subsection 10(3) of the *Transparency and Accountability Act*, the following information is presented with respect to the newly formed Oil and Gas Corporation of Newfoundland and Labrador, incorporated on August 12, 2008.

Purpose of Incorporation

Oil and Gas Corporation of Newfoundland and Labrador is a provincial Crown corporation that:

- (i) will hold the Province's equity interests in, participate in, and partner with third parties with respect to activities related to hydrocarbon and hydrocarbon product developments.

The Objects of the Crown Corporation are as follows:

- (i) to invest in, engage in, and carry out activities in the Province and elsewhere with respect to:
 - a. the exploration for, development, production, refining, marketing and transportation of hydrocarbons and products from hydrocarbons;
 - b. research and development; and
 - c. those other activities that the Energy Corporation may approve.

The Powers of the Corporation are as follows:

- (i) same general powers of the Energy Corporation including the ability to:
 - a. enter into contracts or other agreements and acquire and dispose of and otherwise deal with real and personal property and all rights of all kinds in the name of the corporation;
 - b. acquire, lease, establish, construct, maintain and operate works in a part of the province or elsewhere in connection with the attainment of its objectives;
 - c. purchase power from a person and generally use the power for the purposes of the corporation;
 - d. contract with a person for the purchase of petroleum products, notwithstanding another Act;
 - e. acquire by purchase, lease or otherwise, property, both real and personal, and water privileges, rights, easements, privileges, proprietary rights, interests, and works of every description which the corporation considers necessary, convenient or advisable to acquire for or incidental to the exercise of the powers and duties of the corporation and the attainment of its objects;
 - f. sell or otherwise dispose of its property, real or personal, of every nature and kind or an interest in it which is found by the corporation to be unnecessary for the purposes of the corporation, and grant an estate, term, easement, right or interest in, over or respecting the property;
 - g. deposit money or securities with a bank, trustee, trust company, or other depositary in Canada or outside of Canada;
 - h. carry on business incidental and subsidiary to the carrying out of the objects and necessary to enable the corporation to profitably carry out those objects;
 - i. generally do all things which the corporation considers necessary, convenient or advisable for or incidental to the exercise of the powers and the discharge of the obligations of the corporation;
 - j. acquire, lease, construct, maintain, operate and use in the province and elsewhere land, works, plants, buildings, structures, machinery, equipment, devices, pipe lines, tunnels and other property used or useful for carrying out the objects of the corporation; and
 - k. all other powers that are incidental or conducive to the attainment of the objects of the corporation;
- (ii) the corporation shall not engage in an activity that, were it to be undertaken by the Energy Corporation, would require the prior approval of the Lieutenant Governor-in-Council, including the creation of a subsidiary, without the prior approval of the Energy Corporation, and
- (iii) The *Public Tender Act* does not apply to the corporation, but the corporation must develop and adopt, subject to the approval of the Lieutenant Governor-in-Council,

procurement principles that follow best industry practices for procurement and contracting including transparent supplier development, monitoring and reporting.

The Governance Structure of the Corporation will be as follows:

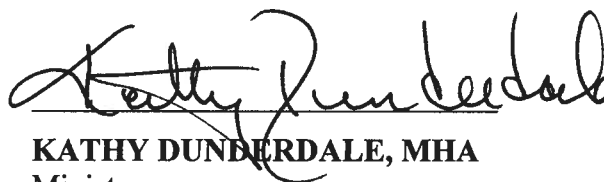
- (i) the corporation is a subsidiary of the Energy Corporation and is not an agent of the Crown;
- (ii) the property of the corporation is not the property of the Province or the Energy Corporation;
- (iii) the debts and obligations of the corporation are not the debts and obligations of the Province or the Energy Corporation;
- (iv) The Board of Directors shall be appointed by the Energy Corporation;
- (v) The Board of Directors shall be composed of not less than 5 and not more than 10 members, with the following number of independent directors:
 - a. where the board has 5 or 6 members, 2 independent directors,
 - b. where the board has 7 or 8 members, 3 independent directors,
 - c. where the board has 9 or 10 members, 4 independent directors; and
- (vi) the Chief Executive Officer of the corporation shall be appointed by the Board of Directors of the corporation.

The Authority of the Corporation to Borrow Money and Incur Debt will be as follows:

- (i) to lend money to or invest in a subsidiary of the corporation;
- (ii) to guarantee the repayment by a subsidiary of the corporation of money advanced to that subsidiary by a lender, together with the payment of interest on it and of all charges incurred in connection with it;
- (iii) to guarantee the performance by a subsidiary of the corporation of an obligation of that subsidiary contracted by it with a person to perform, fulfill or observe a covenant, obligation or provision of an agreement, deed, bond, promissory note or other document or instrument;
- (iv) the corporation has some or all of the borrowing powers of Energy Corporation and more particularly described in sections 14.1 and 18 of the *Energy Corporation Act*, as amended by Bill 35 (the "Act"), which provide the corporation with the authority to borrow and to secure the payment of money borrowed for purposes of carrying out its day-to-day operations, subject to the prior approval of the Minister of Finance

pursuant to subsection 11(1) of the *Transparency and Accountability Act*. Such security related to money borrowed will be the same as the Energy Corporation and includes:

- a. to issue bonds, debentures or other securities;
 - b. to execute and deliver mortgages, assignments, conveyances, charges or other encumbrances of and over present and future title to property vested in the corporation; and
 - c. to execute trust deeds, trust indenture or an agreement with a lender, trustee acting for the holders of bonds and debentures or other person; and
- (v) subject to prior approval of Lieutenant Governor-in-Council, the Minister of Finance may, unconditionally guarantee loans of and performance by the corporation pursuant to sections 19 and 25 of the Act.



KATHY DUNDERDALE, MHA
Minister