

Energy

BUSINESS PLAN 2008-11



ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2008 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 18, 2008 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

Mel Knight, *Minister of Energy*
April 4, 2008

THE MINISTRY

Alberta owns 81 per cent of the province's mineral rights. The Ministry of Energy manages the development of these resources on behalf of the people of Alberta, within the province's framework for sustainable resource and environmental management.

The Ministry of Energy consists of the Department of Energy (the Department), the Alberta Petroleum Marketing Commission (APMC), the Energy Resources Conservation Board (ERCB or the Board) and the Alberta Utilities Commission (AUC or the Commission).

The Department manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of resource revenue in the form of royalties, freehold mineral taxes, rentals and bonuses. The Department promotes the development of Alberta's energy and mineral resources, recommends and implements energy and mineral policy, grants rights for industry exploration and development and establishes and administers fiscal and royalty systems. The Department is responsible for natural gas, conventional oil, oil sands, petrochemicals, electricity, coal and minerals, renewable energy (wind, bio-energy, solar, hydro, geothermal, etc.) and energy efficiency and conservation.

The Alberta Petroleum Marketing Commission accepts delivery of the Crown's royalty share of conventional crude oil and sells it at current market value. Unlike other energy commodities, conventional crude oil royalties are paid with "in-kind" products which are sold in the market. The operations of APMC are fully integrated within the Department and funded by the Crown.

On January 1, 2008 the former Alberta Energy and Utilities Board (EUB) was separated into the Energy Resources Conservation Board and the Alberta Utilities Commission. This restructuring will allow for more efficient and focused regulation of Alberta's expanding energy and utility sectors.

The ERCB is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource sector. While the ERCB reports to the Minister of Energy, it makes its formal decisions independently in accordance with relevant statutes and regulations. The ERCB has delegated the authority for management of the abandonment and reclamation of oil and natural gas sites, deemed by the ERCB to be orphans, to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association.

The AUC is an independent, quasi-judicial agency of the Government of Alberta with responsibility to oversee the transmission, distribution and regulated retail tariffs for electricity and natural gas services. It reports to the Minister of Energy. Its role is to ensure consumers are provided with reliable service at just and reasonable rates and also provide utility owners with a reasonable opportunity to recover their costs and earn a fair return on their investment. The Commission Chair approves the budget for the Market Surveillance Administrator, which monitors Alberta's electricity market to ensure it operates fairly, efficiently and in an open and competitive manner.

VISION

Alberta is a global energy leader, using its world class knowledge, expertise and leadership to develop the vast energy resources of the province and to market these resources and abilities to the world.

MISSION

Optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

ALBERTA'S ENERGY VISION

Alberta's energy vision is about the integrated development of Alberta's energy resources and world class expertise, positioning Alberta as a globally recognized energy supplier, using an environmentally responsible approach to energy development and meeting the expectations of Albertans as owners of their energy and mineral resources.

Premier Stelmach has identified the Minister of Energy as responsible for taking the lead on ensuring Alberta's energy resources are developed in an environmentally sustainable way. A provincial energy strategy, under development, will assist policy makers and regulators in guiding the long-term environmentally sustainable development of provincial energy resources. It will also support achieving Alberta's energy vision of a broad and integrated approach to Alberta's energy portfolio. Energy, in particular non-renewable energy, will remain the key economic driver of this province for some time, but a strategy is needed to recognize emerging opportunities for renewable and alternative energy development and the role of energy conservation and efficiency.

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

The Ministry of Energy is committed to the Government of Alberta's business plan. The key linkages and contributions of the Ministry to the Government of Alberta goals and Government Priorities are highlighted below:

Goal 1: Alberta will have a prosperous economy

The Ministry promotes expansion of production from Alberta's oil sands, enhanced energy infrastructure, increased recovery of conventional oil and natural gas, development of unconventional gas, renewable energy sources, and increased value-added upgrading of Alberta's energy resources.

Goal 3: The high quality of Alberta's environment will be sustained

The Ministry will support carbon capture and storage, and research and technological innovations that enhance environmentally sustainable energy development.

Goal 4: Alberta will have a financially stable, open and accountable government and maintain its strong position nationally and internationally

The Ministry assesses and collects resource revenue from the development of Alberta's energy and mineral resources. In 2006-07 non-renewable resource revenue accounted for about 32 per cent of the provincial government's total revenue. The Ministry is currently implementing the New Royalty Framework for Alberta. The contribution of the energy and mineral sectors to provincial revenue will continue to support having no provincial sales tax, low personal and corporate income tax rates, and the provision of priority programs and services on which Albertans depend.

Goal 10: Alberta will have effective and efficient transportation infrastructure

The Ministry will develop and implement policy to ensure sufficient and reliable electric transmission facilities are available in a timely manner to support continued economic growth in the province.

Government of Alberta Priorities

Alberta Energy is leading work on the government priority to *ensure Alberta's energy resources are developed in an environmentally sustainable way* and will work with other ministries to *enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.*

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Opportunities:

Alberta's Energy Supply – Alberta has a vast and diverse supply of natural resources. Huge non-conventional oil sands and coalbed methane resources complement our existing large conventional resource base. Abundant coal reserves offer expanded opportunities for increased exports as well as value-added processing, electricity generation and gasification. Alberta also has extensive wind, solar and bio-energy resources. Future energy development in Alberta must build on the strengths of all of these resources, employing integrated strategies that maximize synergies and value-added opportunities for the benefit of Albertans.

Adding Value – Refining and upgrading raw energy resources, as well as further petrochemical processing to produce a diversity of products that can be sold for higher value in the world marketplace can greatly expand work and business opportunities for Albertans. Alberta has the potential to be a world leader in transforming hydrocarbons into a vast array of marketable products. Alberta is responding to increased interest in bio-energy with new opportunities for increased processing of biomass and waste by-products.

Research and Innovation – A renewed emphasis on energy research and development is crucial to unlocking the full potential of Alberta's energy resources. The oil sands hold enormous potential, but will require new technologies to achieve their full production potential. New technologies will expand the use of Alberta's abundant coal resources in low emission/clean power generation, coal gasification and industrial feed stocks. We also need to use innovative approaches to improve our capture and use of carbon dioxide (CO₂), reduce the use of natural gas and water in both oil sands operations and ethanol production, reduce emissions from oil sands operations, and develop Alberta's renewable energy sources.

Environmentally Sustainable Energy Development – Albertans expect their energy and mineral resources to be developed in a manner that is environmentally sustainable. Alberta has the opportunity to be a North American and global leader in the sustainable development of its energy and mineral resources and in implementing energy efficiency and conservation.

Challenges:

Energy Prices and Revenue Forecasts – Current Government of Alberta forecasts indicate energy revenue continuing to decline from its 2005-06 peak of \$14.3 billion to \$10.0 billion in 2010-11. This is based on oil prices in the US\$70 to US\$81 per barrel range and Alberta natural gas reference prices between Cdn\$5.85 and Cdn\$6.75 per gigajoule (GJ), lower production from some commodities and lower revenue from sales of mineral rights. A strong Canadian dollar also negatively affects non-renewable resource revenue.

Royalties – An independent panel of experts was appointed in February 2007 to conduct a review of Alberta's royalty and tax regimes to assess whether Albertans were receiving a fair share from energy development through royalties, taxes and fees. The panel's recommendations were submitted to government in September 2007. The Premier announced Alberta's *New Royalty Framework* on October 25, 2007. Implementation of the new framework is a priority for the Ministry.

Oil Sands Development – The oil sands represent Alberta's single largest oil resource. They are also a focal point for demonstrating our ability to deliver on environmentally sustainable development. As such, future development of this resource will be significantly influenced by: the results of recent public consultations on future oil sands development, royalty framework changes, Alberta's new climate change action plan; water allocations within the Athabasca river basin; and progress on technologies that reduce the use of both natural gas and water.

Electricity Generation and Transmission Capacity – Installed generating capacity will need to increase in order to keep pace with Alberta's growing demand for electricity. The outlook is for generation reserve margins to tighten. Proposed investments in new generation additions are dependent on enhancements to Alberta's transmission system to ensure access to consumer markets.

Climate Change – Under Alberta's climate change action plan the energy industry and government must focus on research, and work, in carbon capture and storage and improved energy intensity of fuels produced. Carbon content fuel standards being considered for adoption by various jurisdictions in the United States could affect the markets for Alberta bitumen, synthetic crude oil, transportation fuels and other refined petroleum products.

Capacity and Expertise – The Ministry faces strong competition from the energy industry when recruiting and retaining skilled employees. The energy business is complex and knowledge intensive, requiring expertise and skill. Ministry employees typically develop skills that are attractive to industry. The Ministry is experiencing increased turnover and greater difficulty in finding technical and professional people with the required skills and knowledge to maintain technical competency and fulfill our mandate.

STRATEGIC PRIORITIES 2008-11

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

GREENING OUR GROWTH

- 1. Energy Strategy**
Linkage:
Goals 1, 2, 3, 4, 5, 6 and 7
Develop a comprehensive provincial energy strategy. This strategy will address the long-term environmentally sustainable development of provincial energy resources (renewable and non-renewable) and role of energy conservation and efficiency.
- 2. Carbon Capture and Storage**
Linkage: Goal 3
Implement carbon capture and storage research and demonstration projects.
- 3. Oil Sands Extraction Processes**
Linkage: Goal 3
Support research on new oil sands extraction processes that use less energy, less water, reduce tailings ponds and improve land reclamation.

CREATING AND PROTECTING OUR OPPORTUNITIES

- 4. Value-Added Strategy**
Linkage:
Goals 2 and 4
Implement strategies to increase upgrading and refining capacity in Alberta, including the implementation of Bitumen Royalty In-Kind. Work with Advanced Education and Technology and others to enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.
- 5. Royalty Framework**
Linkage: Goal 1
Ensure Albertans receive appropriate benefits from their ownership of non-renewable resources by implementing the New Royalty Framework for Alberta.
- 6. Electricity Transmission**
Linkage:
Goals 5 and 7
Develop and implement policy to ensure sufficient and reliable electric transmission facilities are available in a timely manner to support continued economic growth in the province.
- 7. Transition from the EUB to the ERCB and AUC**
Linkage:
Goals 6 and 7
The Energy and Utilities Board was separated into two independent regulatory authorities effective January 1, 2008. The separation clarifies the governance roles and responsibilities of both entities with respect to the continuing evolution of the energy industry in Alberta. Over the longer term it will be important to continue to monitor and manage changing governance roles and responsibilities to ensure the effective operation of each entity under the new structure.

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: **Securing Benefits for Albertans** – *Secure Albertans' share and benefits from energy and mineral resource development*

This core business includes all Department operations involved in the calculation, assessment, collection, and audit of royalties, freehold mineral taxes and other revenue from the energy and mineral industry. It includes all Alberta Petroleum Marketing Commission operations related to the marketing and sale of the Crown's in-kind oil royalty share. The core business also includes the Department's analysis and review of existing royalty features and systems and the development of revised or new royalty policy and features. It also includes tenure operations involved in the disposition of Crown mineral rights, including: the posting and sale of oil sands, petroleum and natural gas, and other mineral rights; issuing and maintaining mineral rights agreements; reviewing well licenses and oil sands projects; and, handling transfers and continuations of leases.

GOAL ONE **1** **Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term**

What it means Albertans receive their share of energy and mineral resource development through royalties, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenue from the development of provincial resources, while ensuring industry retains sufficient revenue to continue to invest in the future development of these resources. In 2006-07 non-renewable resource revenue accounted for about 32 per cent of the Government of Alberta's total revenue. Other benefits from a strong energy industry include jobs, business opportunities, investment and innovative technologies and research.

Strategies

- 1.1 Implement Alberta's New Royalty Framework.
- 1.2 Improve assurance of the completeness and accuracy of well and production data and continue to provide clear communication to industry with regard to filing information and accurate reporting to reduce the number of audit amendments.
- 1.3 Continue to develop, maintain, enhance and manage in house, the Ministry's information technology systems and infrastructure that are critical to ensuring Albertans continue to receive their share of resource revenue.

Performance Measures	Last Actual (year)	Target 2008-09	Target 2009-10	Target 2010-11
1.a Sharing the Revenue from Resource Development: Crown Revenue Share	This measure is under review by the Department. Changes will reflect Alberta's New Royalty Framework.			
1.b Audit adjustments to industry filing and reporting: Absolute adjustments as a percentage of Department resource revenue (three-year moving average) ¹	2.0% (2006-07)	Less than 2.0%	Less than 2.0%	Less than 2.0%

Note:

1 The measure is based on absolute adjustments which reflect total error rates.

Source:

1.b Alberta Department of Energy

Supplemental Information:	Actual (2005)	Last Actual (2006)
Previous measure results:		
Sharing the Revenue from Resource Development: Crown Revenue Share - portion of oil and gas industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average) ¹	19%	19%

Note:

1 This data aggregates results from conventional oil, natural gas, and oil sands royalties. It is intended to indicate overall performance and not the performance of individual royalty programs. The Alberta government also receives bonuses from the sale of Crown mineral rights. These are not included. Bonuses collected by the Department amounted to \$2.46 billion in 2006-07.

Sources:

Canadian Association of Petroleum Producers (CAPP) and Alberta Department of Energy

Core Business Two: Resource Development – *Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development*

This core business includes all Department operations involved in managing the development of Crown energy and mineral resources and attracting investment. It includes work undertaken to promote development in Alberta, maintain access to the resources, and encourage development of new technologies, new sources of energy (including renewables) and energy efficiency and conservation. It also involves monitoring and assessing the competitiveness of Alberta's energy and mineral development policies to ensure Alberta continues to attract investment.

GOAL TWO

2

Maintain the competitiveness of Alberta's energy and mineral resources to attract investment in future energy development

What it means

Global demand for energy and growing recognition of Alberta's vast energy potential means increasing interest in Alberta as a place to invest in energy development. Alberta maintains competitive fiscal and regulatory regimes that are intended to attract industry investment and ensure that Albertans, the resource owners, benefit from resource development. Predictability, certainty, stability, and an efficient regulatory system combined with an extensive energy infrastructure and ready market access are all features that make Alberta a strong competitor for industry investment. The Ministry is the principal advocate nationally and internationally for Alberta's interests and rights to develop and manage energy and mineral resources.

Strategies

- 2.1 Work in partnership with Environment and Sustainable Resource Development to implement improved integration of upstream oil and gas policy and regulatory integration that results in regulatory processes that are effective, efficient and timely.
- 2.2 Lead Alberta's strategic participation in regional, national and international energy initiatives, promoting energy trade, development of North American electric reliability standards, provincial participation in international energy discussions and negotiations, and improved access to international markets.
- 2.3 Advocate for optimal tolls, tariffs and access to existing and new pipelines and wires that transport Alberta energy resources to North American markets.
- 2.4 Develop and implement strategies that will maximize benefits to Alberta from northern gas development.
- 2.5 Maintain jurisdiction over Alberta's energy infrastructure and minimize regulatory duplication arising from overlapping federal and provincial responsibilities.
- 2.6 Work with other Ministries and stakeholders to implement the provincial action plan on climate change.

Performance Measure	Last Actual (2006)	Target 2008-09	Target 2009-10	Target 2010-11
2.a Resource Development:				
Upstream industry investment in Alberta – Annual capital expenditure in Alberta on exploration and development of oil, oil sands and gas resources ¹	\$37.7 billion	\$20 to \$26 billion (2008)	\$20 to \$26 billion (2009)	\$20 to \$26 billion (2010)

Note:

- 1 The data source for this measure has been revised, and is now based on data from Statistics Canada's Private and Public Investment (PPI) publications. The results do not include bonuses from the sale of mineral rights.

Source:

Statistics Canada

GOAL THREE

3

Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace

What it means Alberta has long enjoyed an abundant supply of oil and natural gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy to meet growing Alberta and global demand. New energy sources represent the future and include expanded oil sands production, clean burning coal technologies, coalbed methane and the development of renewable energy sources (wind, hydro, biofuels). There is also significant potential to improve the recovery of existing conventional resources remaining in the ground through technologies such as CO₂ injection. Maintaining resource access is essential for future energy development and the Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Strategies

- 3.1 Energy will continue to work with other government Ministries and major stakeholders to develop a comprehensive provincial energy strategy that will guide development of Alberta's renewable and non-renewable energy sources as well as provide direction for the conservation of energy use.
- 3.2 Develop actions and strategies for the long-term development of the oil sands based on accepted recommendations from public and Aboriginal consultations held by the Multi-Stakeholder Committee in 2006 and 2007, the Radke report *Investing in our Future: Responding to the Rapid Growth of Oil Sands Development*, and the Land-use Framework consultation.
- 3.3 Coordinate the process to address approved recommendations to enhance regulatory processes and policies for the responsible development of coalbed methane.
- 3.4 Implement the recommendations of the ecoEnergy Carbon Capture and Storage (CCS) joint federal and provincial task force that relate to the regulatory framework necessary for the wide-scale use of CCS in Alberta. A policy framework related to tenure and liability issues with respect to long term CCS will be developed.
- 3.5 Work with the Alberta Energy Research Institute and other research organizations and industry, through initiatives such as the Energy Innovation Fund and the Innovative Energy Technologies Program, to develop an integrated, coordinated approach to research that supports environmentally sustainable energy development. Support research on new oil sands extraction processes that use less energy, less water, reduce tailings ponds and improve land reclamation.
- 3.6 Encourage the natural gas industry's utilization of best practices for fuel gas efficiency in upstream gas processing.
- 3.7 Work with other ministries and stakeholders to assist Alberta Sustainable Resource Development in finalizing and implementing a Provincial Land-use Framework.
- 3.8 Work with other ministries on initiatives such as the renewal and implementation of Water for Life, sustainable resource and environmental management, cumulative effects management, integrated land management, biodiversity strategy, species at risk recovery plans, rural development and regional access management planning initiatives.
- 3.9 Participate with other ministries to implement Alberta's First Nations consultation guidelines and work with Aboriginal communities, resource developers and other levels of government to create opportunities for Aboriginal people to participate in Alberta's energy economy.

Performance Measures	Last Actual 2006	Target 2008-09	Target 2009-10	Target 2010-11
3.a Energy Resource Portfolio Diversification:				
Production from new sources or extended production from existing sources				
Oil Production (thousands of bbl/d):				
• Extended Oil Recovery (incremental) ²	156	} Additional Production	} Additional Production	} Additional Production
• Oil sands	1,126			
Natural Gas Production (Bcf/yr):				
• Coalbed Methane ¹	166			
Electricity Generating Capacity (MW):				
• Cogeneration ³	3,394			
• Renewables ³	1,469			

Notes:

- 1 Total gas production from all wells listed as coalbed methane (CBM) in 2006 was 166 Bcf; this includes commingled gas. CBM production from coal seams only was estimated at 42 Bcf.
- 2 All extended oil recovery is considered to be additional production as this oil would not be produced without extended oil recovery technologies.
- 3 Both cogeneration and renewables generation include biomass. The measure demonstrates contributions from cogeneration and renewable sources; these should not be added to determine total generating capacity in Alberta.

Source:

Alberta Department of Energy (extended oil recovery), EUB (electricity generating capacity), EUB 2007 ST-43, EUB February 2007 ST-53 (oil sands), and EUB 2007 ST-98 (coalbed methane)

Supplemental Information:	Outlook 2011
Energy Resource Portfolio Diversification: Production from new sources or extended production from existing sources.	
Oil Production (thousands of bbl/d):	
• Extended Oil Recovery (incremental)	145
• Oil sands	1,900
Natural Gas Production (Bcf/yr):	
• Coalbed Methane ¹	413
Electricity Generating Capacity (MW):	
• Cogeneration ²	5,233
• Renewables ²	3,655

Notes:

- 1 Outlook volume for coalbed methane reflects all gas produced from wells completed in coal seams.
- 2 Cogeneration and renewables generating capacity outlooks should not be added to determine total capacity.

Source:

Alberta Department of Energy (extended oil recovery and electricity generating capacity) and EUB 2007 ST-98 (oil sands and coalbed methane)

GOAL FOUR **4** **Expand value-added energy development in Alberta**

What it means The Ministry encourages industrial integration and increased value-added resource upgrading in Alberta from renewable as well as non-renewable energy sources. There are new opportunities in bio-energy to sustain, develop and expand commercial bio-fuel production facilities in Alberta. Alberta will offer a diversified compliment of energy products to the marketplace further integrating renewable and non-renewables. Extracting the most value from our energy resources by increasing the level of processing secures additional benefits for Albertans. The oil sands provide considerable potential for new refining capacity, for petrochemical feedstock from upgrader off-gases and for a broader range of petrochemicals based on petroleum. These new opportunities, when combined with Alberta's natural gas liquid based petrochemical industry, create significant potential for more value-added development in Alberta.

Strategies

- 4.1 Develop a strategy to increase upgrading and refining capacity in Alberta, including Bitumen Royalty In-Kind.
- 4.2 Work with other ministries to promote and market Alberta's energy resource development and value-added opportunities to secure new investment, market growth, employment and business opportunities.

Performance Measures	Last Actual (2006)	Target 2008-09	Target 2009-10	Target 2010-11
4.a Ethane Demand in Alberta – (in barrels per day) ¹	239,000		60,000 – 85,000 additional barrels of ethane per day over next 5 years	
4.b Ethanol Production in Alberta – millions of litres	28		300 million by 2015	
4.c Biodiesel Production in Alberta – millions of litres	0		700 million by 2015	

Note:

1 Includes small volumes used for enhanced oil recovery.

Sources:

- 4.a EUB 2007 ST-98 (historical data) and Alberta Department of Energy (target)
4.b & c Alberta Department of Energy

Core Business Three: Energy for Albertans – *Ensure Alberta consumers have a choice of reliable and competitively priced energy*

This core business includes all Departmental operations related to policy and market (wholesale and retail) design for electricity as well as retail market design for natural gas. The aim is to provide an efficient, competitive marketplace that maintains reliable energy supplies and provides fair and equitable prices to consumers. It also includes the Department's involvement with consumer energy efficiency, conservation and demand management.

GOAL FIVE

5

Maintain a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas

What it means Alberta's electricity industry is structured to provide a fair, efficient and openly competitive marketplace that encourages the development of new power generation and offers all consumers choice and reliable supply. The Ministry continues to strengthen its provisions for retail consumer choice, working to further harmonize the rules for the natural gas and electricity retail markets and encourage energy efficiency and conservation. Through the *Natural Gas Price Protection Act*, the Alberta government also shares the benefits of resource ownership with consumers by providing relief from high natural gas prices during periods of high consumption.

Strategies

- 5.1 Develop recommendations to ensure the continuing effective operation of Alberta's electricity system to meet Alberta's growing needs.
- 5.2 Harmonize the regulatory requirements for electricity and natural gas retail markets to ensure that a consistent set of rules apply to both.
- 5.3 Research, gather and publish metrics and tools to assess the performance of the retail electricity market.
- 5.4 Develop metering policy recommendations to support advanced metering technology development for the retail market.
- 5.5 Ensure Alberta's policy for transmission planning, rule-making and tariffs is implemented, and facilitate the development of new electricity infrastructure to ensure Albertans continue to receive safe, reliable and open-access service.
- 5.6 Ensure that Alberta is represented in the development and implementation of mandatory reliability rules for the North American transmission grid.
- 5.7 Review and evaluate the Natural Gas Rebate Program prior to its expiry on March 31, 2009.
- 5.8 Work with other ministries and industry to encourage energy efficiency and conservation and the choice of a range of energy sources, including both renewable and non-renewable.
- 5.9 Participate with government agencies and regulated electricity and natural gas retailers to provide consumers, industry and other government agencies with clear and timely communication to increase consumer understanding of Alberta's competitive marketplace for natural gas and electricity.

Performance Measures	Last Actual 2006	Target 2008-09	Target 2009-10	Target 2010-11
5.a Power Generation: Margin (MW) between supply and peak demand ¹	18%	Maintain a minimum 7% margin over peak load (2008)	Maintain a minimum 7% margin over peak load (2009)	Maintain a minimum 7% margin over peak load (2010)
5.b Annual Residential Natural Gas Price (ARGP): Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions (\$/GJ) ²	-\$4.14	Annual ARGP not to exceed annual NRGP (2008)	Annual ARGP not to exceed annual NRGP (2009)	Annual ARGP not to exceed annual NRGP (2010)

Note:

- 1 Wind power is not included as it is not dispatchable on a consistent basis. Tie line capacity is also not included.
- 2 Does not include Alberta's natural gas rebates.

Sources:

- 5.a EUB, Alberta Electric System Operator and Alberta Department of Energy
- 5.b Statistics Canada

Core Business Four: Regulation of Energy Development by the Energy Resources Conservation Board – *Ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest*

The Energy Resources Conservation Board (ERCB) is an independent, quasi-judicial body that regulates the development and delivery of energy resources in Alberta. It also applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects. The Board conducts inspections to ensure compliance with regulations and provides geoscience information and expertise needed by government, industry and the public.

GOAL SIX

6

A regulatory framework for the energy sector that is fair, responsible and in the public interest

What it means The Government of Alberta has established, in legislation and policy, a regulatory framework intended to ensure that the discovery, development and delivery of Alberta's energy resources take place in a manner that is fair, responsible and in the public interest. The development of broad energy policy and oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The ERCB is responsible for implementing the regulatory process within this framework. While the ERCB reports administratively to the Minister of Energy, its formal regulatory decisions are made independently, in accordance with the governing legislation and regulations. The ERCB regulates the development and delivery of energy resources in Alberta. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation. The ERCB conducts inspections to ensure compliance with the regulations it administers. It also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of energy resources in Alberta.

Strategies

- 6.1 Maintain high standards of public safety, environmental protection and energy resource conservation by ensuring ERCB regulatory requirements are relevant, understood and complied with.
- 6.2 Proactively identify and address emerging issues that face the industries the ERCB regulates and stakeholders who are affected by these issues.
- 6.3 Improve the effectiveness and efficiency of decision making processes through better use of Appropriate Dispute Resolution (ADR), expansion of routine decision processes for areas where the requirements are clear, and improved non-routine decision making processes used to settle conflict.
- 6.4 Continue to work with stakeholders to develop and refine sustainable liability management programs which ensure licensees are responsible for decommissioning and abandonment liabilities.

Performance Measures	Last Actual Year	Target 2008-09	Target 2009-10	Target 2010-11
6.a Application Resolution: Percentage of oil and gas facility and resource applications filed with objections resolved (approved, denied or closed) without a hearing.	93% (2006-07)	90%	90%	90%
6.b Protection of Public Safety: Percentage of field inspections finding High Risk regulatory noncompliance	2.7% (2006)	Less than 3.5% (2008)	Less than 3.5% (2009)	Less than 3.5% (2010)

Note:

6.a Less than 2 per cent of the approximately 44,500 oil and gas facility and resource applications in 2006-07 were filed with objections.

Core Business Five: Regulation of Utility Development by the Alberta Utilities

Commission – *Ensure that the development and delivery of Alberta's energy utilities take place in a manner that is fair, responsible and in the public interest*

The Alberta Utilities Commission (AUC) is an independent, quasi-judicial agency of the Government of Alberta with responsibility to oversee the transmission, distribution and regulated retail tariffs for electricity and natural gas services. It reports to the Minister of Energy. Its role is to ensure consumers are provided with reliable service at just and reasonable rates and also provide utility owners with a reasonable opportunity to recover their costs and earn a fair return on their investment.

GOAL SEVEN

7

A regulatory framework for the utility sector that is fair, responsible and in the public interest

What it means

The Government of Alberta has established in legislation and policy, a regulatory framework that can effectively respond to growth pressures and provide all Albertans with access to an efficient and trusted regulatory authority as we continue to develop our utilities system. This new structure creates a distinct body of experts that can make timely decisions to capitalize on opportunities that are in the public interest. The oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The AUC's role is to ensure consumers are provided with reliable service at just and reasonable rates and also provide utility owners with a reasonable opportunity to recover their costs and earn a fair return on their investment. The Commission will make timely decisions on electricity and natural gas transmission and distribution facilities, which are needed to attract investment, meet future needs and ensure fair pricing. The AUC will also undertake rule-making responsibility relating to data communications transactions and the delivery of these transactions to market participants to ensure a well-functioning electricity and natural gas market.

Strategies

- 7.1 Implement the start-up of the AUC from the EUB without any disturbance to the core work of the AUC.
- 7.2 Improve processes for hearing transmission facility applications to ensure that they are conducted in a timely manner and provide appropriate opportunities for public input.
- 7.3 Continue to ensure that regulated rate payers receive safe and efficient service at just and reasonable rates while utilities are given the opportunity to receive a reasonable return on their investment.

Performance Measures

To be developed.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate goal has been established to address this requirement.

GOAL EIGHT



Build an organizational environment for success

What it means Organizational capacity and effectiveness address the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, finances, information, technology, processes and tools to deliver the Ministry's mission.

Strategies

- 8.1 Implement human resource development and workforce planning strategies that enable the Ministry to retain, attract and develop our employees to ensure a competent and committed workforce that meets current and future needs. Develop strategies for succession planning, protection of information assets and corporate information and knowledge management and transfer.
- 8.2 Information will be managed to optimize the value of investment in information assets, support effective operations and improve the delivery of services to Albertans and other stakeholders. Energy will optimize the use of, and access to, its information assets through an integrated and secure electronic environment.
- 8.3 Deliver human resource, financial management, information management, and technology business solutions that address emerging business needs and technology drivers in support of crucial business operations, and allow the retirement of aged business solutions.
- 8.4 Albertans will continue to be provided with easily accessible, relevant and high quality data, information, services, knowledge, and advice relative to the energy and utility sectors.

Performance Measures	Last Actual	Target 2008-09	Target 2009-10	Target 2010-11
8.a Industry satisfaction:				
• with Department services	83% (2007)	n/a ¹ (2008)	80% or higher (2009)	n/a ¹ (2010)
• with Department electronic information management	90% (2007)	n/a ¹ (2008)	80% or higher (2009)	n/a ¹ (2010)
8.b Department Work Environment:				
• Employee Engagement	74% (2007)	80% (2008)	80% or higher (2009)	80% or higher (2010)
• Quality Work Environment	77% (2007)	80% (2008)	80% or higher (2009)	80% or higher (2010)

ERCB Performance Measure Under Development.

Note:

1 Surveys are conducted every second year.

Sources:

8.a Banister Research and Consulting

8.b Alberta Government Core Measures Survey conducted annually

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
Securing Benefits for Albertans	45,550	53,398	52,577	56,343	58,142	61,595
Resource Development	22,454	81,964	82,619	104,142	88,168	119,633
Energy for Albertans	5,555	4,822	6,555	26,410	26,592	26,729
Regulation of Energy Development	138,368	149,257	152,657	184,257	198,558	208,557
Regulation of Utility Development	9,350	9,745	17,845	31,645	31,645	31,645
MINISTRY EXPENSE	221,277	299,186	312,253	402,797	403,105	448,159

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
REVENUE						
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	5,987,697	6,023,000	5,177,000	5,684,000	5,094,000	4,391,000
Crude Oil Royalty	1,399,759	1,060,000	1,606,000	1,601,000	2,121,000	1,850,000
Synthetic Crude Oil and Bitumen Royalty	2,411,430	1,795,000	2,918,000	3,402,000	2,598,000	3,047,000
Bonuses and Sales of Crown Leases	2,462,787	1,214,000	1,113,000	868,000	754,000	620,000
Rentals and Fees	159,319	153,000	158,000	140,000	131,000	122,000
Coal Royalty	12,681	15,000	14,000	14,000	14,000	14,000
Alberta Royalty Tax Credit	(173,793)	-	(30,000)	-	-	-
Total Non-Renewable Resource Revenue	12,259,880	10,260,000	10,956,000	11,709,000	10,712,000	10,044,000
Freehold Mineral Rights Tax	317,172	333,000	248,000	318,000	307,000	289,000
Investment Income	2,614	2,500	2,500	2,500	2,500	2,500
Industry Levies and Licences	84,719	89,950	89,950	140,400	151,900	158,900
Other Revenue	48,772	10,309	11,809	9,759	9,759	9,759
MINISTRY REVENUE	12,713,157	10,695,759	11,308,259	12,179,659	11,183,159	10,504,159
EXPENSE						
Program						
Ministry Support Services	1,434	2,006	2,032	2,099	2,125	2,166
Resource Development and Management	71,801	138,143	139,684	184,761	170,743	205,756
Energy Regulation	124,802	136,257	142,257	171,257	185,557	195,557
Utilities Regulation	9,350	9,745	15,245	31,645	31,645	31,645
Orphan Well Abandonment	13,566	13,000	13,000	13,000	13,000	13,000
Valuation Adjustments and Other Provisions	324	35	35	35	35	35
MINISTRY EXPENSE	221,277	299,186	312,253	402,797	403,105	448,159
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	12,491,880	10,396,573	10,996,006	11,776,862	10,780,054	10,056,000

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2008-09 Estimate	2009-10 Target	2010-11 Target
	2006-07 Actual	2007-08 Budget	2007-08 Forecast			
Ministry Revenue	12,713,157	10,695,759	11,308,259	12,179,659	11,183,159	10,504,159
<i>Inter-ministry consolidation adjustments</i>	(987)	-	(1,500)	-	-	-
Consolidated Revenue	12,712,170	10,695,759	11,306,759	12,179,659	11,183,159	10,504,159
Ministry Expense	221,277	299,186	312,253	402,797	403,105	448,159
<i>Inter-ministry consolidation adjustments</i>	(987)	-	(1,500)	-	-	-
Consolidated Expense	220,290	299,186	310,753	402,797	403,105	448,159
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	12,491,880	10,396,573	10,996,006	11,776,862	10,780,054	10,056,000