

BUDGET 2020

GOVERNMENT OF ALBERTA | 2020-23

Ministry Business Plan

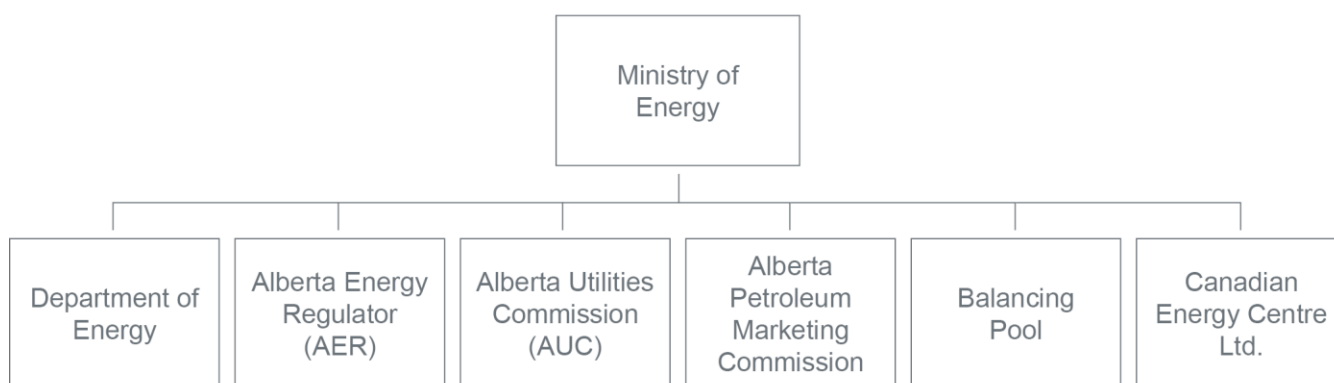
Energy

Energy

Business Plan 2020-23

Ministry Mandate and Structure

The Ministry of Energy represents the interests of Albertans as the owners of oil and gas resources in the province, and contributes to sustained prosperity through responsible resource development and the stewardship of energy and mineral resource systems.



Note: The Post Closure Stewardship Fund is a regulated fund that is administered by the department

A more detailed description of Energy and its programs and initiatives can be found at: www.alberta.ca/energy.aspx.

The Ministry of Energy is committed to the ongoing review of programs and services to ensure that the best possible outcomes are being achieved for Albertans. As part of this ongoing review, the ministry is committed to reducing red tape to make life easier for hard-working Albertans and businesses. This includes reducing regulatory burden and unnecessary processes to encourage economic growth and job creation; and make Alberta one of the freest and fastest moving economies in the world. The ministry is committed to working towards achieving the one-third reduction in the number of regulatory requirements in its statutes, regulations, policies and forms by 2023.

Ministry Outcomes

- Albertans benefit economically from investment in responsible energy and mineral development and access to global markets
- Effective, efficient stewardship and regulation of Alberta’s energy and mineral resources

Outcome 1

What We Want To Achieve

Albertans benefit economically from investment in responsible energy and mineral development and access to global markets

The ministry develops and manages policies and programs related to the province's royalty system to attract industry investment, provide jobs, business opportunities, tax revenue, and numerous other benefits to the provincial economy. It advocates for increased pipeline access to global markets to strengthen both provincial and national economies, while proactively communicating how we produce energy with the highest environmental, labour, and human rights standards in the world. It seeks to influence challenges facing the natural gas sector, including those related to market access, price volatility, and intra- and inter-provincial natural gas transportation and storage. The ministry advances a modern, market-based electricity system in Alberta that attracts investment and provides affordable electricity for consumers and job creators. Ministry activities to reduce burdensome red tape and improve investor certainty in the energy sector will further these outcomes and help get Albertans back to work.

Key Objectives

- 1.1 Improve market access for Alberta's energy resources and products through advocacy and other support for new, optimized and expanded pipelines.
- 1.2 Create an investment climate that supports the development of energy resources in the province, by:
 - defending Alberta's energy industry through the Canadian Energy Centre,
 - addressing the report from the public inquiry into foreign sources of funds behind the anti-Alberta energy campaigns,
 - advocating for natural gas and liquified natural gas to expand market opportunities, and implementing initiatives that support natural gas value chains, and
 - reducing red tape and streamlining regulatory processes.

Initiatives Supporting Key Objectives

- The department leads and coordinates strategic energy-related policy discussions, develops strategic and integrated policies and plans for energy and mineral development, and enables markets and Alberta's electricity system. Energy policy will cost \$36 million in 2020-21.
- Recognizing that the world needs more energy produced by jurisdictions with responsible energy development, including high reclamation and environmental standards to fuel the demands of the world's growing economy, Alberta will re-assert itself as a leader in this field. In 2020-21, \$30 million is allocated for the Canadian Energy Centre.
- The department oversees Alberta's energy, mines and minerals royalty and tenure systems; and accurately calculates and collects revenues from energy and mineral royalties, mineral rights leases, bonuses and rent. Energy operations will cost \$19 million in 2020-21.

Performance Metrics

1.a Performance Measure: Alberta oil sands supply share of global oil consumption

In 2018, Alberta's oil sands supply share of global oil consumption was 3.1%.

TARGETS

2020-21:	3.3%
2021-22:	3.4%
2022-23:	3.5%

1.b Performance Indicator: Production

	2015	2016	2017	2018
Alberta's crude oil and equivalent annual production				
• Volume (thousands of barrels/day)	3,097	3,091	3,390	3,721
• As a percentage of Canadian production	80.0%	79.8%	80.5%	81.1%
• Total percentage of crude oil leaving Alberta	85%	86%	85%	87%
Alberta's total marketable natural gas annual production				
• Volume (billion cubic feet/day)	10.14	10.17	10.65	10.54
• As a percentage of Canadian production	67.6%	66.8%	67.9%	65.2%
• Total percentage of natural gas leaving Alberta	63%	62%	60%	57%

1.c Performance Indicator: Investment

	2015	2016	2017	2018
Upstream: Mining, quarrying, and oil and gas industry investment in Alberta				
• Cdn\$ billions	40	28	29	28*
• Alberta as a percentage of Canadian investment	63%	59%	58%	59%*
Downstream: Petroleum, coal and chemical manufacturing				
• Cdn\$ billions	1.30	1.15	0.86	1.68*
• Alberta as a percentage of Canadian investment	36%	34%	29%	37%*

*2018 results are preliminary actual and are likely to be revised in the future.

Outcome 2

What We Want To Achieve

Effective, efficient stewardship and regulation of Alberta's energy and mineral resources

The ministry will improve the clarity and efficiency of Alberta's energy regulatory system, while modernizing legislation and regulations to restore the competitiveness of the Alberta energy sector, win back the confidence of investors and create jobs. A strategic and integrated system approach to responsible resource development balances the overall environmental, economic and social outcomes for the benefit of Albertans while ensuring the province has a predictable and streamlined regulatory environment that is attractive to investors and does not include unnecessary red tape and regulatory burden.

Key Objectives

- 2.1 Collaborate with other ministries to establish a balanced and sustainable approach to manage the cumulative effects of resource development, including liability management and regional planning.
- 2.2 Optimize regulation and oversight:
 - through the Alberta Energy Regulator to ensure the efficient, effective, and environmentally responsible development of Alberta's energy resources, and
 - of Alberta's utilities, through the Alberta Utilities Commission, to ensure social, economic and environmental interests of Alberta are protected.

Initiatives Supporting Key Objectives

- The Alberta Energy Regulator is responsible for regulating oil, natural gas, oil sands and coal development in Alberta. It ensures the safe, efficient, orderly and environmentally responsible development of Alberta's energy resources. This includes allocating and conserving water resources, managing public lands and protecting the environment while securing economic benefits for all Albertans. This will cost \$216 million in 2020-21, funded through an industry levy.
- The Alberta Utilities Commission regulates the utilities sector, and natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not. In 2020-21, this will cost \$33 million, funded through an administrative fee on Alberta's utilities.
- The ministry addresses the growing inventory of orphaned well sites, while creating jobs in the oilfield and environmental service sectors and maintaining the polluter pays principle. Levies collected from industry for orphan well decommissioning will cost \$69 million in 2020-21. The government will examine increasing the loan, and extending the repayment period, to the Orphan Well Association by up to \$100 million to further the clean up of orphaned oil and gas wells in Alberta. The Orphan Well Association estimates that this will create up to an additional 500 direct and indirect jobs.

Performance Metrics

2.a Performance Measure: Timeliness of application processing (Alberta Energy Regulator)

93.6% of all Alberta Energy Regulator applications met turnaround targets in 2018-19. In future, the Alberta Energy Regulator will report these results by routine and non-routine applications.

TARGETS

	Routine Applications	Non-Routine Applications
2020-21:	100%	95%
2021-22:	100%	95%
2022-23:	100%	95%

2.b Performance Measure: Timeliness of the needs and facility applications (Alberta Utilities Commission)

87.5% of Alberta Utilities Commission needs and facilities applications were determined within 180 days in 2018.

TARGETS

2020-21:	100%
2021-22:	100%
2022-23:	100%

2.c Performance Indicator: Regulatory enforcement (Alberta Energy Regulator)

	2015-16	2016-17	2017-18	2018-19
Regulatory Enforcement: Per cent of inspections that did not result in enforcement actions	99.3%	99.1%	99.3%	98.9%
Compliant Inspections: Per cent of inspections in compliance with regulatory requirements	76%	75%	75%	77%

2.d Performance Indicator: Pipeline safety (Alberta Energy Regulator)

	2015	2016	2017	2018
Number of high-consequence pipeline incidents	32	29	26	24

2.e Performance Indicator: Annual wells decommissioned (Alberta Energy Regulator)

	2015	2016	2017	2018
Annual wells decommissioned (Alberta Energy Regulator)				
<ul style="list-style-type: none"> Number of wells decommissioned and left in a safe and secure condition (by year) 	4,435	3,518	5,395	5,345
<ul style="list-style-type: none"> Per cent of wells decommissioned and left in a safe and secure condition compared to inactive well population (by year) 	5.3%	4.0%	6.0%	6.0%

STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2020-21 Estimate	2021-22 Target	2022-23 Target
	2018-19 Actual	2019-20 Budget	2019-20 Forecast			
REVENUE						
Freehold Mineral Rights Tax	66,882	67,000	68,000	67,000	73,000	76,000
Natural Gas and By-Products Royalty	535,925	362,000	438,000	429,000	597,000	743,000
Crude Oil Royalty	1,149,125	1,163,000	1,228,000	1,135,000	1,267,000	1,302,000
Bitumen Royalty	3,213,729	4,682,000	4,707,000	3,211,000	4,492,000	6,146,000
Coal Royalty	9,803	9,000	9,000	11,000	12,000	11,000
Bonuses and Sales of Crown Leases	360,467	164,000	133,000	177,000	218,000	223,000
Rentals and Fees	159,961	147,000	155,000	126,000	118,000	110,000
Energy Regulation Industry Levies and Licences	252,569	232,722	232,722	226,450	215,813	199,781
Orphan Well Abandonment Levy	45,959	55,813	60,500	69,000	70,500	70,500
Utility Regulation Industry Levies and Licences	31,125	31,685	31,385	32,354	32,354	31,854
Investment Income	2,601	1,167	1,167	1,167	1,167	1,167
Other Revenue	30,318	1,905	1,905	905	905	905
Other Premiums, Fees and Licences	9,545	3,542	3,542	3,542	3,542	3,542
Net Income Alberta Petroleum Marketing Commission	(215,109)	(172,482)	(151,752)	(263,604)	(313,142)	(250,452)
Net Income Balancing Pool	360,880	210,192	100,000	135,400	130,500	130,500
Ministry Total	6,013,780	6,958,544	7,017,469	5,361,214	6,918,639	8,798,797
Inter-Ministry Consolidations	(146)	-	-	-	-	-
Consolidated Total	6,013,634	6,958,544	7,017,469	5,361,214	6,918,639	8,798,797
EXPENSE						
Ministry Support Services	5,420	7,443	7,443	7,368	7,368	7,368
Resource Development and Management	58,380	91,637	70,003	85,908	85,880	85,932
Cost of Selling Oil	79,512	83,000	85,000	84,000	96,000	96,000
Climate Change	84,828	103,472	92,272	28,637	32,376	26,749
Market Access	5,850	1,500,000	1,280,100	-	-	-
Carbon Capture and Storage	165,912	136,468	62,218	146,144	58,934	58,914
Energy Regulation	259,451	236,331	263,831	215,859	216,222	213,190
Orphan Well Abandonment	45,959	55,813	60,500	69,000	70,500	70,500
Utilities Regulation	32,181	32,885	32,585	32,554	32,554	32,554
Ministry Total	737,493	2,247,049	1,953,952	669,470	599,834	591,207
Inter-Ministry Consolidations	(985)	-	-	-	-	-
Consolidated Total	736,508	2,247,049	1,953,952	669,470	599,834	591,207
Net Operating Result	5,277,126	4,711,495	5,063,517	4,691,744	6,318,805	8,207,590
CAPITAL INVESTMENT						
Ministry Support Services	11	874	874	500	500	500
Energy Regulation	19,145	12,300	12,300	14,500	14,500	9,000
Utilities Regulation	907	1,000	1,000	2,000	2,000	1,500
Consolidated Total	20,063	14,174	14,174	17,000	17,000	11,000