

BUDGET 2023

GOVERNMENT OF ALBERTA | 2023-26

Ministry Business Plan

Energy

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Business Plan 2023-26

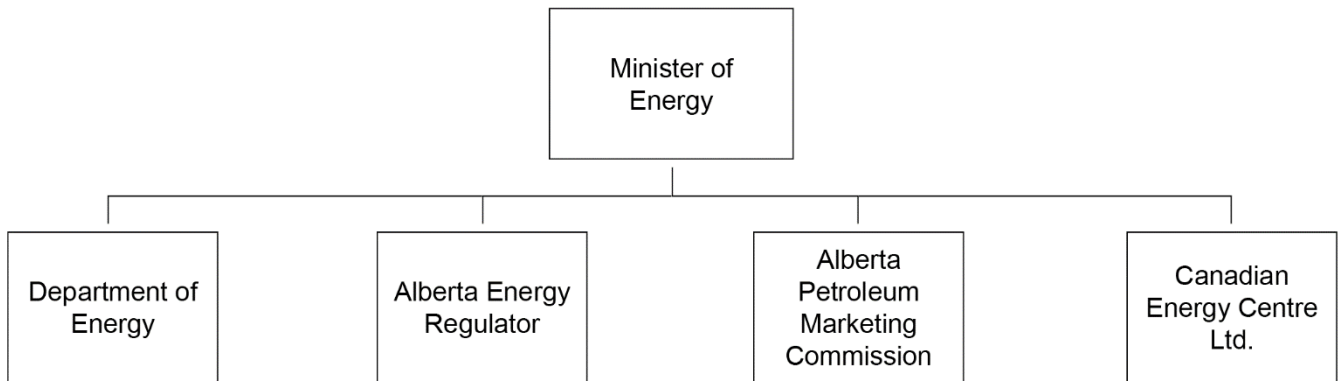
Ministry Fact Sheet – Mandate and Structure

The Ministry of Energy manages Alberta’s energy resources to ensure they are developed responsibly and in a way that benefits and brings value to Albertans as the resource owners. Alberta’s energy resources include the fourth-largest proven oil reserves in the world, abundant natural gas and coal reserves, geothermal heat, pore space, and metallic and industrial minerals.

Russia’s invasion of Ukraine in early 2022 revealed the vulnerabilities in our global energy systems and highlighted the need for safe, secure, reliable, and affordable energy supply chains. As one of the world’s largest and most responsible energy producers, Alberta continues to advocate across Canada – and globally – to reinforce the important role it has to play in providing environmentally responsible, reliable and affordable energy products to Canadians and the world. It has never been more apparent that Alberta is the safe, secure, and responsible energy supplier the world needs. Its energy sector can, and should, play a key role in responding to global energy issues.

The Ministry continues to leverage the entrepreneurial spirit of Albertans to help unlock opportunities for energy exploration and development to create jobs and investment opportunities that help to further Alberta’s economic prosperity. Government is encouraging investment, diversification, and growth in the energy sector, while improving access to markets. This is part of a robust plan to attract investment, grow the energy industry, and bring jobs to Alberta.

The ministry continues to improve the efficiency and effectiveness of Alberta’s regulatory system. Modernizing legislation and regulations allows the province to take advantage of the rapidly advancing technologies deployed in the energy sector. This efficient, effective, and modern regulatory system makes Alberta a more competitive jurisdiction in which to do business, strengthening investor confidence and supporting job creation in Alberta communities. The ministry strives to leverage Alberta’s natural advantages through a predictable and streamlined regulatory environment that encourages the development of oil, natural gas, geothermal, minerals, and carbon capture and storage, as well as the value-added production of petrochemicals and hydrogen. The establishment of new regulatory frameworks for emerging resources, including geothermal and mineral resources, creates opportunities for new investment with regulatory certainty.



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

The Department of Energy enables responsible energy development that considers the social, economic and environmental outcomes that support Albertans’ high quality of life and the prosperity of the province. The department oversees Alberta’s royalty and tenure systems; collects revenues from energy resource development; leads and coordinates strategic energy related policy discussions; develops strategic and integrated policies and plans for sustainable energy development; and administers the Post Closure Stewardship Fund. The department also focuses on

capitalizing on emerging opportunities in the energy sector, such as liquefied natural gas; petrochemical manufacturing; hydrogen; carbon capture, utilization, and storage; and geothermal. This is essential to ensuring that Albertans, including First Nations, Métis, and all Indigenous Albertans, benefit from and participate in energy development through innovative energy industries, a diversified energy future and job creation.

The Alberta Energy Regulator ensures the safe, efficient, orderly and environmentally responsible development of Alberta's energy and mineral resources. This includes allocating and conserving water resources, managing public lands and protecting the environment, while securing economic benefits for all Albertans. The Alberta Energy Regulator is funded through an industry levy and is responsible for oil, natural gas, oil sands, geothermal, and coal development in Alberta. The regulator is also developing a framework for minerals development in Alberta, as part of an expanded mandate from the Government of Alberta.

The Alberta Petroleum Marketing Commission is responsible for marketing the Crown's royalty share of crude oil, natural gas and bitumen in a manner that is in the public interest of Alberta. The Alberta Petroleum Marketing Commission supports projects that economically benefit the province through expanding global energy market access and maximizing the value of the Crown's resources under its purview.

The Canadian Energy Centre promotes Canada as the supplier of choice for the world's growing demand for responsibly produced energy, responds to misinformation about Canadian oil and natural gas, conducts research, creates original content to elevate the general understanding of Canada's energy sector to centralize and analyse data that targets investors, researchers, and policy makers.

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

The Ministry of Energy remains committed to regulatory approaches and program delivery that reduce unnecessary government oversight and emphasizes outcomes, in order to improve access to government services, attract investment, support innovation and competitiveness, and grow Alberta businesses.

Ministry business plans should be considered in conjunction with all budget documents - including the Fiscal Plan, Government Strategic Plan, and Estimates - which work together to provide a complete overview of government's commitment to responsible fiscal management.

2023-26 Business Plan

Outcome 1

Albertans benefit 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 and takeaway capacity to access global markets to strengthen both provincial and national economies, while proactively communicating how the Government of Alberta produces 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 interprovincial natural gas transportation and storage.

Key Objectives

- 1.1 Support the competitiveness of Alberta's energy industry by sustainably growing and protecting its energy resource sector, while enabling and accelerating opportunities in emerging resources, including:
 - saving Alberta's energy sector money by reducing unnecessary red tape, streamlining and speeding up application processes, ensuring regulatory certainty, and modernizing regulations;
 - continuing to invest in environmental stewardship through site rehabilitation;
 - advocating and supporting optimization of Alberta oil and gas pipelines, new or under-construction export pipelines, and new liquefied natural gas infrastructure to access new markets, enhance energy security, and grow value-add industries;
 - engaging with U.S. and other global partners to firmly establish Alberta as an integral, reliable partner in supporting North American and global energy security;
 - continuing to implement the Natural Gas Vision and Strategy, including opportunities in liquefied natural gas, investments in petrochemical manufacturing, creating conditions for deployment of hydrogen across the provincial economy, and development of the plastics circular economy;
 - continuing to support and create a competitive regulatory environment that encourages the development of natural gas, hydrogen, liquefied natural gas, helium, lithium, geothermal, and critical minerals; and
 - advancing the development of carbon capture, utilization and storage to support industry in creating lower carbon products that will be more competitive in the global market.
- 1.2 Enhance Alberta's investment climate through measures that improve the province's standing with investors, by:
 - promoting the province as a safe, secure, and sustainable producer of energy, reinforcing Alberta's long-standing commitment to responsible and innovative energy resource development, and communicating energy industry performance; and
 - working with other ministries, First Nations, Metis Settlements, other Métis communities, and Indigenous organizations to support Indigenous participation and partnerships in the natural resource and energy economy, including regional development in rural areas.

Initiatives Supporting Key Objectives

- Department policy activities have an allocation of \$18.7 million in 2023-24 to conduct the research, design, and development of energy policy to strategically support government initiatives.
- Department operational royalty and tenure activities have an allocation of \$43.1 million in 2023-24, and includes resources required to administer mineral rights and the royalty regimes for non-renewable resources.

Performance Metrics

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

Year-over-year growth in Alberta's oil sands supply share reflects its increasing importance in the global energy mix. This measure integrates the many factors and nuances in Alberta's fiscal regime, project economics, competing global investment opportunities, market access and dynamics at all levels.

In 2021, Alberta's oil sands supply share of global oil consumption was 3.3 per cent.¹

Targets	2022-23	3.5%	2023-24	3.6%	2024-25	3.7%
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1.b Performance Indicator: Alberta Production

	2018	2019	2020	2021
Crude oil and equivalent (millions of barrels/day)	3.7	3.8	3.6	3.8
Marketable natural gas (billion cubic feet/day)	10.4	9.9	9.4	9.6

1.c Performance Indicator: Alberta Investment (2021 results are preliminary actual)

	2018	2019	2020	2021
Upstream (Cdn\$ billions)	28.6	25.1	16.7	18.0
Downstream (Cdn\$ billions)	1.9	2.4	1.9	2.3

Outcome 2

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, and streamlining and speeding up application approval processes to enhance the competitiveness of the Alberta energy sector 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 Maintain provincial jurisdiction and enhance regulatory certainty for Alberta's energy resources.
- 2.2 Collaborate with other ministries within the Integrated Resource Management System to maintain and strengthen a balanced, responsible approach to managing the impacts of resource development activities, including the ongoing implementation of liability management activities.
- 2.3 Optimize regulation and oversight of Alberta's energy and mineral sector to responsibly utilize and develop resource potential, while enhancing sector competitiveness.

¹ Note: the last actual result for the performance measure was retroactively revised from the result that was reported in the 2021-22 Alberta Energy Annual Report, due to the revision of the global consumption statistics reported for 2021.

Initiatives Supporting Key Objectives

- The Alberta Energy Regulator - which is funded through administrative fees levied to industry - has an allocation of \$231.3 million in 2023-24 to regulate the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle.
- Funds collected from industry under the Orphan Fund Levy, which fund the Orphan Well Association, have an allocation of \$135 million in 2023-24.

Performance Metrics

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

This measure monitors the overall efficiency of the Alberta Energy Regulator’s application processing, drives internal performance, and provides certainty and transparency to the public related to Alberta Energy Regulator’s turnaround targets.

In 2021-22, 99 per cent of routine Alberta Energy Regulator applications and 98 per cent of non-routine Alberta Energy Regulator applications met turnaround targets.

Target: Routine	2023-24	99%	2024-25	99%	2025-26	99%
Target: Non-Routine	2023-24	95%	2024-25	95%	2025-26	95%

2.b Performance Indicator: Regulatory compliance (Alberta Energy Regulator)²

	2018-19	2019-20	2020-21	2021-22
Compliant Inspections	76%	78%	79%	75%

2.c Performance Indicator: Pipeline safety (Alberta Energy Regulator)³

	2018	2019	2020	2021
Number of high-consequence pipeline incidents	24	20	16	12

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

	2018	2019	2020	2021
Number of wells decommissioned	5,301	5,994	6,503	11,754
Per cent compared to inactive well population	5.6%	6.0%	6.3%	11.4%

² This indicator reflects the Alberta Energy Regulator’s ability to achieve its mandate through inspection (prevention) activities. Inspections allow field inspectors to determine if regulatory requirements have been met and provide an opportunity to work directly with companies to bring them back into compliance.

³ A reportable pipeline incident under the Alberta Energy Regulator’s jurisdiction is any pipeline release, break or contact damage (regardless of if there is a release). The Alberta Energy Regulator reviews all pipeline failures to understand the cause and to assess compliance.

STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable		2023-24 Estimate	2024-25 Target	2025-26 Target
	2022-23 Budget	2022-23 Forecast			
REVENUE					
Transfers from Government of Canada	295,000	573,690	-	-	-
Freehold Mineral Rights Tax	96,000	151,545	129,435	119,347	115,625
Natural Gas and By-Products Royalty	1,458,000	4,221,242	2,465,402	2,207,753	2,155,469
Crude Oil Royalty	1,670,000	3,964,591	2,905,317	2,633,169	2,442,058
Bitumen Royalty	10,349,000	18,749,580	12,555,401	12,028,231	10,735,615
Coal Royalty	8,000	21,134	12,991	11,955	11,711
Bonuses and Sales of Crown Leases	236,000	409,069	306,594	292,569	288,737
Rentals and Fees	119,000	178,256	115,894	110,070	108,229
Investment Income	675	3,852	2,700	4,200	3,600
Other Revenue	2,172	2,172	2,172	2,172	2,172
Other Premiums, Fees and Licences	1,529	1,732	1,529	1,529	1,529
Net Income Alberta Petroleum Marketing Commission	(329,295)	(318,313)	(17,502)	(375,510)	(263,032)
Energy Regulation Industry Levies and Licences	200,730	201,370	217,419	221,160	227,153
Orphan Well Abandonment Levy and Fees	78,500	78,500	135,000	138,000	138,000
Ministry Total	14,185,311	28,238,420	18,832,352	17,394,645	15,966,866
Inter-Ministry Consolidation Adjustment	(1,597)	(1,597)	(1,597)	(1,597)	(1,597)
Consolidated Total	14,183,714	28,236,823	18,830,755	17,393,048	15,965,269
EXPENSE					
Ministry Support Services	6,046	6,162	7,495	7,530	7,530
Resource Development and Management	75,821	83,155	88,865	85,560	85,560
Cost of Selling Oil	144,000	417,879	316,000	282,000	274,000
Carbon Capture and Storage	58,914	58,914	58,914	58,914	129,431
Energy Regulation	219,015	234,335	231,274	240,036	244,017
Orphan Well Abandonment	78,500	78,500	135,000	138,000	138,000
Economic Recovery Support	297,200	586,690	147,405	146,800	190,000
Ministry Total	879,496	1,465,635	984,953	958,840	1,068,538
Inter-Ministry Consolidation Adjustment	(1,597)	(1,597)	(1,597)	(1,597)	(1,597)
Consolidated Total	877,899	1,464,038	983,356	957,243	1,066,941
Net Operating Result	13,305,815	26,772,785	17,847,399	16,435,805	14,898,328
CAPITAL INVESTMENT					
Ministry Support Services	500	1,000	1,000	500	500
Energy Regulation	14,500	9,000	14,500	14,500	14,500
Consolidated Total	15,000	10,000	15,500	15,000	15,000