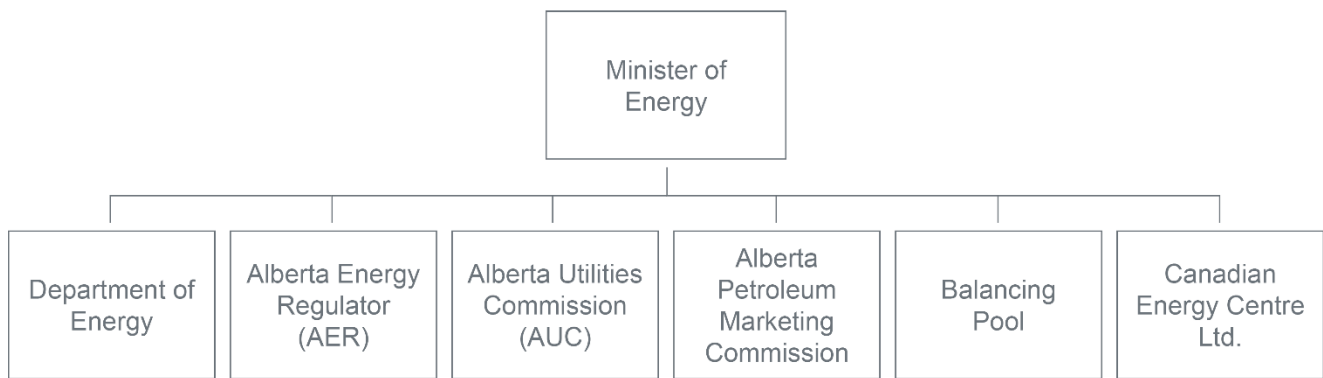


# Energy

## Business Plan 2019–23

### 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.energy.alberta.ca](http://www.energy.alberta.ca).

### 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 energy is produced with the highest environmental, labour, and human rights standards on earth. It seeks to influence challenges facing the natural gas sector, including those related to loss of markets, price volatility, intra- and inter-provincial natural gas transmission, natural gas storage, and market access. The ministry advances a modern, market-based electricity system in Alberta that attracts investment and provides affordable electricity for consumers and job creators. Reducing burdensome red tape and improving 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 and expanded pipelines, while seeking to create alignment on resource corridors to expedite future major pipeline approvals.
- 1.2 Establish the Canadian Energy Centre to respond in real time to misinformation about Alberta's energy industry.
- 1.3 Launch a public inquiry into foreign sources of funds behind the anti-Alberta energy campaigns.
- 1.4 Create an investment climate that supports the development of energy resources in the province.
- 1.5 Implement a robust natural gas strategy, including the optimization of the Western Canadian pipeline network and pursuit of opportunities for increased pipeline capacity and markets within Alberta.
- 1.6 Implement initiatives that support natural gas value chains and value-added processing in the province.
- 1.7 Ensure Alberta participates in global liquefied natural gas opportunities.
- 1.8 Increase certainty in the wholesale electricity market, creating the conditions for future investment in generation and the welcoming of market driven investment in renewable energy generation.

### **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 \$44 million in 2019-20.
- Recognizing that the world needs more energy produced by jurisdictions with responsible energy development, reclamation and environmental standards to fuel the demands of the world's growing economy, this work will re-assert Alberta as a leader in this field. In 2019-20, \$30 million is allocated for the Canadian Energy Centre.
- The department oversees Alberta's energy, mines and minerals royalty and tenure systems; accurately calculates and collects revenues from energy and mineral royalties, mineral rights leases, bonuses and rent. Energy operations will cost \$22 million in 2019-20.

## 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 per cent.

#### TARGETS

2019-20:	3.1%
2020-21:	3.2%
2021-22:	3.3%
2022-23:	3.4%

### 1.b Performance Indicator: Production

	2015	2016	2017	2018
<b>Alberta's crude oil and equivalent annual production</b>				
• 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%
<b>Alberta's total marketable natural gas annual production</b>				
• 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 *(2018 results are preliminary actual and are likely to be revised in the future.)*

	2015	2016	2017	2018
<b>Upstream: Mining, Quarrying, and Oil and Gas industry investment in Alberta</b>				
• Cdn\$ Billions	40	28	29	28*
• Alberta as a percentage of Canadian investment	63%	59%	58%	59%*
<b>Downstream: Petroleum, Coal and Chemical Manufacturing</b>				
• Cdn\$ Billions	1.30	1.15	0.86	1.68*
• Alberta as a percentage of Canadian investment	36%	34%	29%	37%*

## Outcome 2

### What We Want To Achieve

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

Government is committed to cutting red tape by one third. To this end, 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 and win back the confidence of investors. 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 Alberta has a predictable regulatory environment that is attractive to investors.

#### Key Objectives

- 2.1 Lead efforts to review the liability management framework and the process for well and facility abandonment and reclamation in Alberta, ensuring liabilities are covered without discouraging new investment.
- 2.2 Collaborate with other ministries to establish a balanced and sustainable approach to resource management to manage the combined or cumulative effects of resource development, including regional planning.
- 2.3 Optimize regulation and oversight to ensure the efficient, effective and environmentally responsible development of Alberta's energy resources through the Alberta Energy Regulator (AER).
- 2.4 Enhance regulation and oversight of Alberta's utilities, through the Alberta Utilities Commission (AUC), to ensure social, economic and environmental interests of Alberta are protected.
- 2.5 Audit the financial losses of the power purchase agreements held through the Balancing Pool.

#### 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 \$236 million in 2019-20, 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 2019-20, 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. Orphan well decommissioning will cost \$56 million in 2019-20.

## Performance Metrics

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

In 2018-19, 93.6 per cent of Alberta Energy Regulator applications met turnaround targets.

#### TARGETS

2019-20:	95%
2020-21:	95%
2021-22:	95%
2022-23:	95%

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

In 2018, 87.5 per cent of Alberta Utilities Commission needs and facilities applications were determined within 180 days.

**TARGETS**

2019-20:	100%
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
Percent of inspections that did not result in enforcement actions	99.3%	99.1%	99.3%	98.9%

**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"> <li>Number of wells decommissioned and left in a safe and secure condition (by year)</li> </ul>	4,435	3,518	5,392	5,301
<ul style="list-style-type: none"> <li>Per cent of wells decommissioned and left in a safe and secure condition compared to inactive well population (by year)</li> </ul>	5.1%	3.8%	5.7%	5.6%

## STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable		2019-20 Estimate	2020-21 Target	2021-22 Target	2022-23 Target
	2018-19 Budget	2018-19 Actual				
<b>REVENUE</b>						
Freehold Mineral Rights Tax	87,000	66,882	<b>67,000</b>	70,000	78,000	81,000
Natural Gas and By-Products Royalty	541,000	535,925	<b>362,000</b>	487,000	700,000	777,000
Crude Oil Royalty	1,053,000	1,149,125	<b>1,163,000</b>	1,034,000	1,153,000	1,272,000
Bitumen Royalty	1,785,000	3,213,729	<b>4,682,000</b>	3,492,000	4,470,000	6,131,000
Coal Royalty	11,000	9,803	<b>9,000</b>	10,000	10,000	10,000
Bonuses and Sales of Crown Leases	327,000	360,467	<b>164,000</b>	239,000	287,000	291,000
Rentals and Fees	112,000	159,961	<b>147,000</b>	124,000	118,000	110,000
Energy Regulation Industry Levies and Licences	297,841	298,528	<b>288,535</b>	269,469	273,712	263,986
Utility Regulation Industry Levies and Licences	34,724	31,125	<b>31,685</b>	32,663	32,663	32,163
Investment Income	1,167	2,601	<b>1,167</b>	1,167	1,167	1,167
Other Revenue	905	30,318	<b>1,905</b>	905	905	905
Other Premiums, Fees and Licences	3,542	9,545	<b>3,542</b>	3,542	3,542	3,542
Net Income Alberta Petroleum Marketing Commission	118,798	(215,109)	<b>(172,482)</b>	(78,712)	(263,923)	(233,842)
Net Income Balancing Pool	160,931	360,880	<b>210,192</b>	85,209	93,759	103,318
Ministry Total	4,533,908	6,013,780	<b>6,958,544</b>	5,770,243	6,957,825	8,843,239
Inter-Ministry Consolidations	-	(146)	-	-	-	-
Consolidated Total	4,533,908	6,013,634	<b>6,958,544</b>	5,770,243	6,957,825	8,843,239
<b>EXPENSE</b>						
Ministry Support Services	6,123	5,420	<b>7,443</b>	7,073	7,073	7,073
Resource Development and Management	59,485	62,441	<b>95,498</b>	90,064	90,036	90,088
Cost of Selling Oil	79,600	79,512	<b>83,000</b>	84,000	96,000	96,000
Climate Change	106,435	84,828	<b>103,472</b>	29,275	33,014	27,387
Market Access	-	5,850	<b>1,500,000</b>	-	-	-
Carbon Capture and Storage	273,504	165,912	<b>136,468</b>	71,894	58,934	58,914
Energy Regulation	253,250	259,451	<b>236,331</b>	213,412	212,775	208,743
Orphan Well Abandonment	45,500	45,959	<b>55,813</b>	57,466	70,500	70,500
Utilities Regulation	35,924	32,181	<b>32,885</b>	32,863	32,863	32,863
Ministry Total	859,821	741,554	<b>2,250,910</b>	586,047	601,195	591,568
Inter-Ministry Consolidations	-	(985)	-	-	-	-
Consolidated Total	859,821	740,569	<b>2,250,910</b>	586,047	601,195	591,568
Net Operating Result	3,674,087	5,273,065	<b>4,707,634</b>	5,184,196	6,356,630	8,251,671
<b>CAPITAL INVESTMENT</b>						
Ministry Support Services	874	11	<b>874</b>	874	874	874
Energy Regulation	15,000	19,145	<b>12,300</b>	14,500	14,500	9,000
Utilities Regulation	1,000	907	<b>1,000</b>	2,000	2,000	1,500
Consolidated Total	16,874	20,063	<b>14,174</b>	17,374	17,374	11,374