

Energy

BUSINESS PLAN 2012-15

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of January 19, 2012.

original signed by

Ted Morton, Minister
January 20, 2012

THE MINISTRY

The ministry consists of the Department of Energy and the Alberta Petroleum Marketing Commission. It also includes the Energy Resources Conservation Board (ERCB) and Alberta Utilities Commission (AUC), which are provincial agencies exercising independent adjudicative functions for which the minister is responsible. The ERCB regulates the safe, responsible, and efficient development of Alberta's energy resources: oil, natural gas, oil sands, coal, and pipelines. The AUC regulates the utilities sector, natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not.

Energy's mission is to assure sustained prosperity in the interests of Albertans through the stewardship of energy and mineral resource systems, responsible development and wise use of energy. This includes having regard for social, economic and environmental impacts of Alberta's resource development.

The ministry's core businesses are:

- managing the development of non-renewable resources;
- granting industry the right to explore for and develop energy and mineral resources;
- establishing, administering and monitoring the effectiveness of fiscal and royalty systems;
- promoting energy efficiency and conservation by Albertans and industry; and
- encouraging additional investment which creates jobs and economic prosperity.

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

This business plan is aligned with the government's goals and supports the government's core businesses as set out in the *Government of Alberta Strategic Plan*.

GOALS, PRIORITY INITIATIVES AND PERFORMANCE MEASURES

As a result of the ministry's review of its goals, environment, opportunities and challenges, a number of priority initiatives have been identified. Minister's mandate items are identified with a ✓.

Goal One: Albertans are assured of the benefits from energy and mineral resource development

Priority Initiatives:

- 1.1 Monitor and report on the effectiveness and competitiveness of Alberta's royalty system to incent development and maximize benefits to Albertans.
- 1.2 Maintain and support Alberta's investment competitiveness within the natural gas, oil, oil sands and mineral development sectors.
- 1.3 Ensure energy and mineral resource revenues are accurately calculated, collected and reported.
- 1.4 Develop policies and programs to encourage value-added energy development in Alberta.
- 1.5 Support the development of unconventional oil and gas resources to maximize Alberta's long-term economic sustainability.
- 1.6 Explore opportunities for the expansion and diversification of Alberta's energy markets, including the development of increased transportation capacity and a Clean Energy to Asia Strategy, to better serve Alberta's long-term interests.

Performance Measures	Last Actual 2010	Target 2012-13	Target 2013-14	Target 2014-15
1.a Combined tax and royalty rates for Alberta natural gas and conventional oil production, compared to similar jurisdictions ¹	Alberta within First Quartile 37.37% (Natural Gas) 41.34% (Conventional Oil)	Alberta will have a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions		
1.b Revenues from oil, oil sands, gas and land sale bonuses are fully collected: Percentage of amounts collected compared to amounts owed	100%	100%	100%	100%
1.c Alberta's oil sands supply share of global oil consumption	1.8%	2.0%	2.1%	2.2%

Note:

1 First Quartile threshold: Natural Gas: up to 47.52 per cent; Conventional Oil: up to 48.29 per cent.

Goal Two: Effective stewardship of Alberta's energy resources and regulatory systems is achieved through leadership and engagement with citizens, communities, industry and governments

Priority Initiatives:

- ✓ 2.1 Lead Alberta's participation in the development of a Canadian Energy Strategy.
- ✓ 2.2 Together with the Ministers of Agriculture and Rural Development, Environment and Water, and Sustainable Resource Development, design and implement an initiative to make Alberta the national leader in energy efficiency and sustainability.
- ✓ 2.3 In collaboration with the Ministers of Environment and Water and Sustainable Resource Development, implement the Regulatory Enhancement Task Force recommendations, including the creation of a single regulator for upstream oil and gas, and coal.
- 2.4 Enhance awareness and understanding of existing and emerging trends and opportunities relating to energy development and use in Alberta.
- 2.5 Work with other ministries on furthering regional plans and air/water/biodiversity frameworks that consider the cumulative effects of land-use activities.

- 2.6 Provide effective regulation of energy development in Alberta that is fair, responsible and in the public interest.
- 2.7 Maintain high standards of public safety, environmental protection and energy resource conservation by ensuring regulatory requirements are relevant, understood and complied with.

Performance Measures	Last Actual Year	Target 2012-13	Target 2013-14	Target 2014-15
2.a Albertans' assessment of their energy knowledge (biennial survey)	63% (2011)	n/a	72%	n/a
2.b Regulatory noncompliance (ERCB): Percentage of field inspections finding High Risk regulatory noncompliance	1.7% (2010)	Less than or equal to 3.0%	Less than or equal to 3.0%	Less than or equal to 3.0%

Goal Three: Development of energy related infrastructure and cleaner energy technologies is actively led and supported

Priority Initiatives:

- ✓ 3.1 Review the *Electric Statutes Amendment Act* (formerly Bill 50) and the two high-voltage, direct current (HVDC) transmission facilities between the Edmonton and Calgary regions.
- ✓ 3.2 Together with the Minister of Environment and Water, work with the federal government to ensure future coal-fired regulations support the common goal of reducing carbon dioxide emissions, without unduly impacting Alberta consumers.
- 3.3 Promote effective innovation policies and programs to achieve technology and processing improvements in the development of energy and mineral resources.
- 3.4 Support the development and sustainability of energy related infrastructure in support of future economic prosperity.
- 3.5 Ensure Alberta has a competitive and efficient wholesale and retail system that continues to meet Alberta's electricity and natural gas needs.
- 3.6 Support development of cleaner energy technologies, while maintaining Alberta's investment competitiveness and investor confidence.
- 3.7 Improve processes for hearing transmission facility applications so that they are conducted in a timely manner and provide appropriate opportunities for public input.

Performance Measures	Last Actual 2010	Target 2012-13	Target 2013-14	Target 2014-15
3.a Transmission losses (%)	3.8%	3.7%	3.6%	3.5%
3.b Power generation: Margin (megawatt) between Firm Generating Capacity and peak demand	17%	Maintain a minimum 7% margin over peak load		
3.c Timeliness of the needs and facility applications (AUC): Percentage of needs and facility applications determined within 180 days of the application being deemed complete	100%	100%	100%	100%

STATEMENT OF OPERATIONS
Consolidated on a Fiscal Plan Basis

(thousands of dollars)	Comparable			2012-13 Estimate	2013-14 Target	2014-15 Target
	2010-11 Actual	2011-12 Budget	2011-12 Forecast			
REVENUE						
Freehold Mineral Rights Tax	127,465	142,000	150,000	152,000	159,000	163,000
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	1,415,871	1,022,000	1,225,000	1,222,000	1,381,000	1,641,000
Crude Oil Royalty	2,236,290	1,925,000	2,199,000	2,100,000	2,265,000	2,295,000
Bitumen Royalty	3,723,412	4,123,000	4,355,000	5,653,000	7,617,000	9,916,000
Coal Royalty	30,508	42,000	26,000	35,000	40,000	46,000
Bonuses and Sales of Crown Leases	2,634,503	1,068,000	3,304,000	2,037,000	1,916,000	1,926,000
Rentals and Fees	160,864	141,000	168,000	151,000	149,000	147,000
Energy Industry Drilling Stimulus Program	(1,773,517)	-	-	-	-	-
Investment Income	1,082	2,900	2,900	2,900	2,900	2,900
Industry Levies and Licences	146,316	162,419	162,419	162,419	152,419	152,419
Other Revenue	9,212	9,859	9,859	9,859	9,859	9,859
Consolidation Adjustments	(407)	-	-	-	-	-
Total Revenue	8,711,599	8,638,178	11,602,178	11,525,178	13,692,178	16,299,178
EXPENSE						
Program						
Ministry Support Services	6,434	6,497	6,497	6,832	6,892	6,892
Resource Development and Management	92,785	92,405	92,405	101,102	95,553	95,553
Bioenergy Initiatives	38,807	58,000	46,000	66,000	162,000	216,000
Energy Regulation	167,290	161,957	161,957	173,957	173,957	173,957
Utilities Regulation	31,601	38,514	38,514	38,514	38,514	38,514
Carbon Capture and Storage	1,013	73,000	58,000	140,000	290,000	193,000
Orphan Well Abandonment	13,094	13,000	13,000	13,000	13,000	13,000
Consolidation Adjustments	(407)	-	-	-	-	-
Total Expense	350,617	443,373	416,373	539,405	779,916	736,916
Net Operating Result	8,360,982	8,194,805	11,185,805	10,985,773	12,912,262	15,562,262
CAPITAL INVESTMENT BY PROGRAM						
Resource Development and Management	10,326	6,315	6,315	6,315	1,315	1,315
Energy Regulation	33,837	23,200	23,200	9,000	9,000	9,000
Utilities Regulation	1,552	1,500	1,500	1,500	1,500	1,500
Total	45,715	31,015	31,015	16,815	11,815	11,815