

BUDGET 2021

GOVERNMENT OF ALBERTA | 2021-24

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# Ministry Business Plan

## Energy

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## Business Plan 2021-24

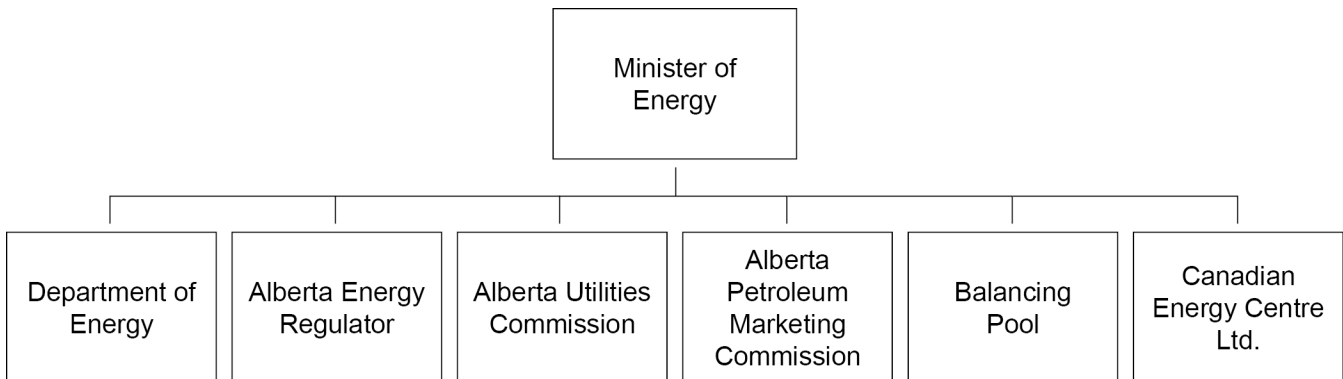
### Ministry Fact Sheet – Mandate and Structure

The Ministry of Energy manages Alberta’s energy and mineral resources to ensure they are developed responsibly, in a way that benefits and brings value to Albertans as the owners of these resources.

The province continues to protect Albertans through its response to the pandemic, the global recession and the energy price shock by ensuring its energy resource sector recovers and thrives. Government is furthering Alberta’s economic recovery by encouraging new investment, diversification and growth in this sector, while improving access to markets.

The ministry will build on the certainty and efficiency of Alberta’s energy regulatory system - while modernizing legislation and regulations - to demonstrate the competitiveness of Alberta’s energy sector, strengthen investor confidence and support job creation in Alberta communities. The ministry strives to ensure sustained prosperity in the interests of Albertans through a predictable and streamlined regulatory environment that is attractive to investors and encourages the development of oil, natural gas, geothermal, and minerals to leverage Alberta’s natural geological advantages, while reducing unnecessary red tape.

The ministry continues to take significant steps to simplify and reduce the regulatory burden on the energy sector and remains committed to completing its red tape reduction initiatives by streamlining application processes, ensuring regulatory certainty and modernizing regulation for energy development.



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

Specific accountabilities for the ministry includes the following:

- The Department of Energy enables responsible energy and mineral resource 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 and mineral development; enables markets and Alberta’s electricity system; and administers the Post-closure Stewardship Fund. The department also focuses on capitalizing on emerging opportunities in the energy sector, such as opportunities in liquefied natural gas, petrochemical manufacturing, hydrogen and the plastics circular economy. This is essential to ensuring that Albertans will benefit from energy and mineral resource development through an innovative energy industry, diversified energy future and job creation.

- The Alberta Energy Regulator is funded through an industry levy and is responsible for 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.
- The Alberta Utilities Commission's operations are funded by Alberta rate payers through an administrative fee on Alberta's utilities and the independent system operator. The commission regulates the utilities sector, and natural gas and electricity markets to protect social, economic and environmental interests of Albertans where competitive market forces do not.
- The Alberta Petroleum Marketing Commission is responsible for marketing the Crown's share of crude oil production. The Alberta Petroleum Marketing Commission supports projects that economically benefit the province through improving market access or maximizing the value of Alberta's non-renewable resources.
- The Balancing Pool supports a fair, efficient and openly competitive electricity market in Alberta by performing the legislated duties and responsibilities set out in its mandate, including managing the risks and maximizing the value of certain generating assets held on behalf of Alberta's electricity consumers.
- The Canadian Energy Centre responds to misinformation about Canadian oil and natural gas, creates original content to elevate the general understanding of Canada's energy sector to help the country take control of its energy story, and it centralizes and analyses data that targets investors, researchers and policy makers.

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

The Ministry of Energy continues to review programs to ensure Albertans receive efficient and client-focused services from their government. As part of this ongoing review, the ministry is committed to making life easier for hard-working Albertans and job creators by reducing regulatory requirements by one-third by 2023, and eliminating administrative burden through more efficient processes. This work will improve service delivery for Albertans; foster economic growth; innovation and competitiveness; and create a strong and attractive investment climate.

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.

# Business Plan – Core

## Outcome 1

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

### Key Objectives

- 1.1 Improve market access for Alberta’s energy resources and products to get Alberta’s oil and gas to market and, support Alberta’s economic recovery.
- 1.2 Build on Alberta’s strengths in responsible energy resource and mineral development, support industries and communities in economic recovery through innovation, diversification and job creation by:
  - reinforcing Alberta’s long-standing commitment to responsible energy and mineral resource development and communicating the province’s energy industry performance;
  - implementing the natural gas strategy and vision, including capitalizing on opportunities in liquefied natural gas and petrochemical manufacturing, and creating conditions for development of emerging opportunities like hydrogen and the plastics circular economy; and
  - creating a regulatory environment that encourages the development of natural gas, geothermal, and minerals to leverage Alberta’s natural geological advantages in these emerging areas.
- 1.3 Enhance Alberta’s investment climate through measures to improve the province’s standing with investors and support economic recovery, such as:
  - continuing to invest in job creation through environmental stewardship by providing support to site rehabilitation and orphan wells;
  - reducing red tape while streamlining legislative requirements and regulatory processes; and
  - ensuring Alberta’s safe, reliable electricity system provides competitive electricity rates for investors and Albertans to support the creation of jobs in the economy and attract investment as electricity costs are a factor in attracting and retaining investment in most sectors.

### Initiatives Supporting Key Objectives

- Department policy activities has an allocation of \$63 million in 2021-22.
- The Site Rehabilitation Program has an allocation of \$452 million in 2021-22.
- Department operational royalty and tenure activities has an allocation of \$17 million in 2021-22.

## 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 2019, Alberta’s oil sands supply share of global oil consumption was 3.1%.

Targets	2021-22	3.3%	2022-23	3.4%	2023-24	3.5%
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### 1.b Performance Indicator: Alberta Production

	2016	2017	2018	2019
Crude oil and equivalent (thousands of barrels/day)	3,091	3,390	3,721	3,773
Marketable natural gas (billion cubic feet/day)	10.17	10.65	10.54	10.16

### 1.c Performance Indicator: Alberta Investment (\*2019 results are preliminary actual)

	2016	2017	2018	2019
Upstream (Cdn\$ billions)	28	29	29	24*
Downstream (Cdn\$ billions)	1.15	0.86	1.88	2.28*

## Outcome 2

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

#### Key Objectives

- 2.1 Collaborate with other ministries to maintain and strengthen a balanced, sustainable approach to managing the cumulative effects of resource development, including implementation of the liability management framework.
- 2.2 Optimize regulation and oversight of:
- Alberta's energy and mineral resource sector to utilize and develop resource potential in a responsible manner; and
  - Alberta's utilities to ensure interests of Albertans are protected.

#### Initiatives Supporting Key Objectives

- The Alberta Energy Regulator 2021-22 has an allocation of \$208 million.
- The Alberta Utilities Commission in 2021-22 has an allocation of \$31 million.
- Levies collected from industry for orphan well and large facilities decommissioning have an allocation of \$74 million in 2021-22.

## 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.

95.4% of all Alberta Energy Regulator applications met turnaround targets in 2019-20. Starting in 2020-21, the Alberta Energy Regulator will report these results by routine and non-routine applications.

Target: Routine	2021-22	100%	2022-23	100%	2023-24	100%
Target: Non Routine	2021-22	95%	2022-23	95%	2023-24	95%

#### 2.b Performance Measure: Timeliness of need and facility application processing (Alberta Utilities Commission)

This measure monitors the Alberta Utilities Commission's performance at meeting the legislated 180-day review timeline.

97.4% of Alberta Utilities Commission needs and facilities applications were determined within 180 days in 2019.

Targets	2021-22	100%	2022-23	100%	2023-24	100%

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

	2016-17	2017-18	2018-19	2019-20
Compliant Inspections	76%	76%	76%	78%

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

	2016	2017	2018	2019
Number of high-consequence pipeline incidents	29	26	24	20

#### 2.e Performance Indicator: Annual wells decommissioned

	2016	2017	2018	2019
Number of wells decommissioned	3,518	5,392	5,301	5,994
Per cent compared to inactive well population	3.8%	5.7%	5.6%	6.4%

## STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2021-22 Estimate	2022-23 Target	2023-24 Target
	2019-20 Actual	2020-21 Budget	2020-21 Forecast			
<b>REVENUE</b>						
Transfers from Government of Canada	-	-	250,000	<b>450,000</b>	300,000	-
Freehold Mineral Rights Tax	75,035	67,000	54,000	<b>67,000</b>	72,000	76,000
Natural Gas and By-Products Royalty	371,938	429,000	296,000	<b>467,000</b>	729,000	707,000
Crude Oil Royalty	1,174,553	1,135,000	418,000	<b>627,000</b>	858,000	926,000
Bitumen Royalty	4,088,981	3,211,000	1,107,000	<b>1,482,000</b>	2,801,000	3,894,000
Coal Royalty	12,785	11,000	11,000	<b>10,000</b>	10,000	10,000
Bonuses and Sales of Crown Leases	119,832	177,000	29,000	<b>151,000</b>	204,000	221,000
Rentals and Fees	169,189	126,000	117,000	<b>118,000</b>	117,000	110,000
Energy Regulation Industry Levies and Licences	233,297	226,450	113,450	<b>206,592</b>	190,560	190,560
Orphan Well Abandonment Levy and Fees	61,039	69,000	65,500	<b>74,000</b>	70,500	70,500
Utility Regulation Industry Levies and Licences	31,291	32,354	32,096	<b>31,377</b>	30,071	30,083
Investment Income	901	1,167	1,167	<b>1,017</b>	1,017	1,017
Other Revenue	7,137	905	905	<b>955</b>	955	955
Other Premiums, Fees and Licences	4,693	3,542	1,839	<b>1,745</b>	1,790	1,790
Net Income Alberta Petroleum Marketing Commission	(2,677,862)	(263,604)	(579,263)	<b>(570,159)</b>	(576,592)	(278,282)
Net Income Balancing Pool	161,231	135,400	(71,703)	<b>107,445</b>	107,445	107,445
Ministry Total	3,834,040	5,361,214	1,845,991	<b>3,224,972</b>	4,916,746	6,068,068
Inter-Ministry Consolidations	(457)	-	-	-	-	-
Consolidated Total	3,833,583	5,361,214	1,845,991	<b>3,224,972</b>	4,916,746	6,068,068
<b>EXPENSE</b>						
Ministry Support Services	5,892	7,368	7,368	<b>7,216</b>	7,170	7,170
Resource Development and Management	78,439	85,908	84,364	<b>79,065</b>	78,791	78,779
Cost of Selling Oil	83,627	84,000	56,000	<b>72,000</b>	81,000	84,000
Climate Change	89,358	28,637	37,575	<b>32,414</b>	33,787	31,493
Market Access	866,098	-	445,000	<b>976,000</b>	-	-
Carbon Capture and Storage	60,476	146,144	126,634	<b>58,934</b>	58,914	58,914
Energy Regulation	264,249	215,859	214,156	<b>208,269</b>	202,945	202,877
Orphan Well Abandonment	61,039	69,000	65,500	<b>74,000</b>	70,500	70,500
Utilities Regulation	32,434	32,554	32,296	<b>31,477</b>	30,671	30,683
Economic Recovery Program	-	-	251,000	<b>477,350</b>	302,200	-
Ministry Total	1,541,612	669,470	1,319,893	<b>2,016,725</b>	865,978	564,416
Inter-Ministry Consolidations	(738)	-	-	-	-	-
Consolidated Total	1,540,874	669,470	1,319,893	<b>2,016,725</b>	865,978	564,416
Net Operating Result	2,292,709	4,691,744	526,098	<b>1,208,247</b>	4,050,768	5,503,652
<b>CAPITAL INVESTMENT</b>						
Ministry Support Services	32	500	500	<b>500</b>	500	500
Energy Regulation	12,704	14,500	14,500	<b>14,500</b>	9,000	9,000
Utilities Regulation	729	2,000	2,000	<b>2,000</b>	1,500	1,500
Consolidated Total	13,465	17,000	17,000	<b>17,000</b>	11,000	11,000