

Energy

BUSINESS PLAN 2014-17

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of February 12, 2014.

original signed by

Diana McQueen, Minister
February 19, 2014

THE MINISTRY

The ministry consists of the Department of Energy, the Alberta Energy Regulator (AER), the Alberta Utilities Commission (AUC), the Post-Closure Stewardship Fund, and the Alberta Petroleum Marketing Commission (APMC).

The APMC markets the Crown's conventional crude oil royalty barrels and supports projects that will bring an added economic benefit to the province through improved market access or value-added processing.

The AER and the AUC are provincial agencies exercising independent adjudicative functions for which the Minister of Energy is accountable. The AER, the successor to the Energy Resources Conservation Board, regulates the safe, efficient, orderly and environmentally-responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans. The AUC regulates the utilities sector, natural gas and electricity markets to protect the social, economic, and environmental interests of Alberta where competitive market forces do not.

The ministry strives to ensure 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 the social, economic, and environmental impacts of Alberta's resource development.

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

RESULTS-BASED BUDGETING AND THE GOVERNMENT OF ALBERTA STRATEGIC PLAN

Programs and services delivered by the ministry are reviewed for relevance, effectiveness, and efficiency in accordance with the Government of Alberta's *Results-based Budgeting Act*.

This business plan supports the "Advancing World-leading Resource Stewardship" theme outlined in the *Government of Alberta Strategic Plan*. The ministry supports initiatives to expand market access and open new markets both within North America and globally as the province seeks to become a preferred global supplier of energy goods, services, and expertise. The development of the Integrated Resource Management System (IRMS) is also a priority. The IRMS is a big-picture approach that considers the overall environmental, economic, and social outcomes of resource development.

The plan supports the achievement of the following strategic goals set out in the government's strategic plan:

- Goal 6: Innovative and Responsible Resource Development. Along with Environment and Sustainable Resource Development, the ministry will work with the federal government to develop greenhouse gas emissions regulations that support the common goal of reducing carbon dioxide emissions in alignment with economic and social objectives. The ministry also supports carbon capture and storage technology and the Innovative Energy Technologies Program.

- **Goal 7: Build Relationships and Open New Markets.** The ministry is working to develop a Canadian Energy Strategy with provincial and territorial partners. Through this strategy, provinces will work together to develop Canada's energy resources. The ministry is also working to expand energy-related collaboration to secure market access opportunities with key global markets by supporting international missions, energy-related trade and intergovernmental agreements, and strengthening Alberta's image as a secure and reliable energy partner.

STRATEGIC CONTEXT

Alberta's natural resources are a source of jobs, economic development and prosperity that help build this province. To deliver services to Albertans and sustain the quality of life they enjoy, Alberta's resources must be developed responsibly, taking into account the economic, social, and environmental outcomes Albertans expect.

In a province where success is driven by global exports, as identified in The Building Alberta Plan, the Government of Alberta is working aggressively to reach new global markets to get world prices for Alberta's resources and to build the province's reputation as a responsible energy producer.

As the United States' demand for Alberta's oil and gas is projected to level off, Alberta is looking to new Asian markets with increasing energy demand, such as India, South Korea, Japan and China. The potential for growing partnerships with Asia improves Alberta's ability to increase energy exports, creates additional investment, and gives the province an opportunity to work together on common challenges.

Here at home, Alberta supports the Canadian Energy Strategy, which is a national collaborative approach to energy development that will help ensure secure, stable, and equitable access to energy for Canadians as well as leverage Canada's position in the global market.

The ministry is actively working with partner ministries and stakeholders to develop and implement the IRMS. This system ensures that the province takes a coordinated approach that examines all parts of resource development, promoting responsible resource and environmental stewardship. In doing so, the ministry supports a range of activities, from habitat protection to action on climate change, clean energy technologies, and the creation of the new AER. This contribution will aid the province in achieving the social, economic and environmental outcomes Albertans want from resource development.

To address the needs of electricity consumers, the ministry has implemented increased scrutiny of transmission costs and reduced volatility in Albertans' month-to-month electricity prices. Energy also provides policy guidance for Alberta's fair, efficient and openly-competitive electricity market. Electricity Strategy 2020 is the ministry's plan for ongoing development and sustainment of the electricity framework in Alberta through the year 2020. This strategy will examine policies impacting the electricity system, including the *Climate Change Strategy*, federal greenhouse gas policies and hydroelectricity.

Working for Albertans, the ministry reviews and maintains a competitive royalty structure ensuring that revenues are accurately calculated and fully collected. Energy royalties form an important part of the Government of Alberta's total revenue and help fund important areas such as health and education.

GOALS, PRIORITY INITIATIVES, AND PERFORMANCE MEASURES AND INDICATORS

As a result of a review of its goals, environment, opportunities and challenges, a number of priority initiatives have been identified. Focused agenda items, several specific areas where government will focus its attention over the next three years, are identified with a ✱. Additional government commitments to Albertans are identified with a ✓.

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

The ministry will work to expand market access for Alberta's energy, mineral resources and products; will maintain a royalty regime that attracts industry investment, provides jobs, business opportunities, tax revenue, and numerous other benefits to the provincial economy; and will support Alberta's world-class petrochemical industry to achieve additional benefits by upgrading resources into higher-value commodities and products.

Priority Initiatives:

- * 1.1 Develop opportunities to expand Alberta's access to key global markets to better serve Alberta's long-term interests with respect to energy commodities.
- 1.2 Expand and deepen energy-related collaboration in key Asian markets to secure market access opportunities for Alberta companies and resources.
- 1.3 Develop policies and programs to encourage energy processing and petrochemical development in Alberta.

Performance Measures	Last Actual (Year)	Target 2014-15	Target 2015-16	Target 2016-17
1.a Combined tax and royalty rates for Alberta natural gas (NG) and conventional oil (CO) production, compared to other jurisdictions	Alberta within first quartile ¹ 34.73% (NG) 38.97% (CO) (2011)	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, land sales and bonuses are fully collected: <ul style="list-style-type: none">• Percentage of amounts collected compared to amounts owed	100% (2012)	100%	100%	100%
1.c Alberta's oil sands supply share of global oil consumption	2.1% (2012)	2.3%	2.4%	2.5%

Note:

- 1 First quartile threshold: natural gas (NG) - up to 46.86 per cent; conventional oil (CO) - up to 47.92 per cent.

Performance Indicators	Actual 2009	Actual 2010	Actual 2011	Actual 2012
1.a Alberta's total crude bitumen production (thousands of barrels per day)	1,489.5	1,613.4	1,744.6	1,921.7
1.b Conventional crude oil and equivalent annual production (thousands of barrels per day)	589.0	581.9	609.3	672.0
1.c Total marketable natural gas annual production (billion cubic feet per day)	11.48	10.85	10.38	9.80
1.d Upstream oil and gas industry investment in Alberta ¹ : <ul style="list-style-type: none">• Total conventional and non-conventional oil and gas extraction investment (\$ billions)	21.6	35.6	44.6	unavailable

Note:

- 1 The upstream oil and gas sector consists of the conventional oil and gas industry, and the oil sands industry.

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

The ministry will work closely with Albertans, communities, governments and industries to develop strategic and integrated policies and plans for sustainable energy and mineral development. This includes working with other ministries to further develop regional plans and air, water and biodiversity frameworks that consider the cumulative effects of land-use activities. The ministry will continue to regulate Alberta's energy industry to ensure the efficient, safe, orderly, and environmentally-responsible development and sustainable management of energy and mineral resources.

Priority Initiatives:

- * 2.1 Collaborate with Environment and Sustainable Resource Development and other ministries to continue the implementation of recommendations under the Regulatory Enhancement Project, including all phases of the AER's transition.
- ✓ 2.2 Coordinate the development of a Canadian Energy Strategy with other provinces and territories as a co-lead with Manitoba and Newfoundland and Labrador.

- 2.3 Enhance awareness and understanding of existing and emerging trends and opportunities related to energy and mineral development provincially, nationally and internationally.
- 2.4 Using a risk-based approach, continue to streamline regulatory processes and eliminate the need for utility sector applicants to file low-risk applications.

Performance Measures	Last Actual (Year)	Target 2014-15	Target 2015-16	Target 2016-17
2.a Albertans' assessment of their energy knowledge (biennial survey)	63% (2011)	To maintain or increase the previous year's results		
2.b Regulatory noncompliance (AER):				
• Percentage of field inspections finding high risk regulatory noncompliance	3.6% (2012)	Less than or equal to 3.0%	Less than or equal to 3.0%	Less than or equal to 3.6%

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

The ministry will ensure that Alberta has adequate electricity generation, transmission and distribution; supports fair, efficient, and openly-competitive retail and wholesale electricity markets; and supports the wise use of energy resources and the development of alternative and renewable energy resources in Alberta. The ministry is a world-class leader in carbon capture and storage and promotes effective innovation policies and programs to achieve technological and processing improvements in the development of energy and mineral resources.

Priority Initiatives:

- ✓ 3.1 Encourage greater microgeneration development in Alberta.
- 3.2 Implement policy improvements arising from the Retail Market Review Committee to enhance Alberta's competitive retail market and to continue to meet Alberta's electricity and natural gas needs.
- 3.3 Develop Electricity Strategy 2020 to ensure a resilient electricity system and competitive market.

Performance Measures	Last Actual 2012	Target 2014-15	Target 2015-16	Target 2016-17
3.a Transmission losses	3.0%	3.0%	3.0%	3.0%
3.b Power generation:				
• Margin (megawatt) between firm generating capacity and peak demand	18%	Maintain a minimum 7% margin over peak demand		
3.c Timelines of the needs and facility applications (AUC):				
• Percentage of needs and facility applications determined within 180 days of the application being deemed complete	93.1%	100%	100%	100%

Performance Indicator	Actual 2009	Actual 2010	Actual 2011	Actual 2012
3.a Alternative and renewable generation capacity in Alberta (megawatts) ¹	5,369	5,678	5,805	6,461

Note:

- 1 Alternative and renewable generation capacity in Alberta includes wind, hydroelectricity, biomass, and natural gas cogeneration technologies.

OPERATIONAL PLAN

(thousands of dollars)

	Comparable			2014-15 Estimate	2015-16 Target	2016-17 Target
	2012-13 Actual	2013-14 Budget	2013-14 Forecast			
OPERATIONAL EXPENSE						
Ministry Support Services	6,876	6,915	6,915	7,814	7,710	7,710
Resource Development and Management	112,555	87,285	87,285	87,633	93,609	94,242
Biofuel Initiatives	44,329	98,000	98,000	106,000	127,000	-
Costs of Marketing Oil	36,720	43,100	200,800	209,616	219,472	230,018
Oil Sands Sustainable Development Secretariat	1,736	3,089	3,089	3,161	3,090	3,090
Energy Regulation	188,726	185,857	214,357	229,627	224,457	224,457
Settlements related to the Land Use Framework	30,500	-	-	-	-	-
Utilities Regulation	36,143	37,764	36,264	38,358	38,514	38,514
Carbon Capture and Storage	1,011	2,300	2,300	3,400	3,900	2,900
Orphan Well Abandonment	13,001	12,750	16,000	15,500	15,500	15,500
Total	471,597	477,060	665,010	701,109	733,252	616,431

CAPITAL PLAN SPENDING

Ministry Support Services	176	-	-	-	-	-
Resource Development and Management	5,609	6,315	6,308	6,315	6,315	6,315
Energy Regulation	7,448	9,000	28,800	22,900	9,000	9,000
Utilities Regulation	1,384	1,500	3,000	1,500	1,500	1,500
Carbon Capture and Storage	115,000	179,800	115,000	143,800	306,150	54,340
Total	129,617	196,615	153,108	174,515	322,965	71,155