
Energy

BUSINESS PLAN 2006-09

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2006 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of February 23, 2006 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

[Original Signed]

Greg Melchin, *Minister of Energy*
February 28, 2006

THE MINISTRY

Alberta owns 81 per cent of the province's mineral rights. The Ministry of Energy manages the development of these resources on behalf of the people of Alberta, within the province's framework for sustainable resource and environmental management.

The Ministry of Energy consists of the Department of Energy (the Department), the Alberta Petroleum Marketing Commission, and the Alberta Energy and Utilities Board (EUB).

The Department manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of non-renewable resource revenues in the form of royalties, freehold mineral taxes, rentals and bonuses. The Department promotes development of Alberta's energy and mineral resources, recommends and implements energy and mineral related policy, grants rights for industry exploration and development and establishes and administers fiscal regimes and royalty systems.

The Department's resource portfolio includes natural gas, conventional oil, oil sands, petrochemicals, electricity, coal and minerals. Unlike other energy commodities, conventional crude oil royalties are paid with "in-kind" product. The Alberta Petroleum Marketing Commission accepts delivery of the Crown's royalty share of conventional crude oil and sells it at current market value. The Commission's operations are fully integrated within the Department and funded by the Crown.

The EUB is an independent, quasi-judicial agency of the Government of Alberta with responsibility to regulate Alberta's energy resource and utility sectors. While the EUB reports to the Minister of Energy, it makes its formal decisions independently in accordance with statutes and various regulations. The Board's operations are jointly funded by the Crown (43%) and by industry (57%). The EUB has delegated the authority for management of the abandonment and reclamation of oil and natural gas sites deemed by the EUB to be orphans to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association. The EUB Chairman has governance responsibility for the Market Surveillance Administrator (MSA), which monitors Alberta's electricity market to ensure it operates fairly, efficiently and in an open competitive manner.

VISION

Alberta is a global energy leader, using its world class knowledge, expertise and leadership to develop the vast energy resources of the province and to market these resources and abilities to the world.

MISSION

Optimize the sustained contribution from Alberta's energy and mineral resources in the interests of Albertans.

ALBERTA'S ENERGY VISION

Alberta Energy introduced a new Vision for Alberta's energy resources in 2005. This Vision is about the future. It is about what Alberta has yet to achieve with its vast energy resources and expertise. This Vision will establish Alberta as a globally recognized energy supplier and increase the production and export of value-added hydrocarbon based products. As global energy leaders, Albertans are positioned to sustain their high quality of life through new opportunities and long term benefits from their energy resources. Our new Vision is about delivering on the expectations of Albertans as owners of their energy and mineral natural resources by maximizing opportunity in the global energy market place.

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

The Ministry of Energy is committed to the Government of Alberta's strategic business plan. The key linkages and contributions of the Ministry to the Government of Alberta (GOA) goals and key opportunities are highlighted below:

GOA Goal 1: Alberta will have a diversified and prosperous economy.

Strategic Opportunity: Unleashing Innovation

The Ministry promotes expansion of production from Alberta's oil sands, enhanced processing and energy transportation infrastructure, increased recovery of conventional oil and natural gas, development of unconventional gas and better higher value uses of our energy resources. In partnership with industry, the Ministry supports technological innovation that enhances resource development while addressing environmental concerns. Combined with maintaining a competitive and stable fiscal and regulatory regime, these features continue to make resource development in Alberta competitive and attractive to industry investment.

GOA Goal 8: Alberta will have a financially stable, open and accountable government.

GOA Goal 11: The high quality of Alberta's environment will be sustained.

Strategic Opportunity: Making Alberta the Best Place to Live, Work and Visit

The Ministry manages the development of provincially owned energy and mineral resources by industry and the assessment and collection of non-renewable resource revenues from the development of these resources. In 2004-05 non-renewable

resource revenues collected by the department totaled \$9.74 billion dollars, accounting for approximately one-third of the revenue in the provincial budget. The Ministry regulates the development and delivery of energy resources in Alberta. It establishes standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation.

The energy industry is a cornerstone of Alberta's economy and quality of life. The contribution of the energy and mineral sectors to provincial revenues will continue to support having no provincial sales tax, low personal and corporate income tax rates, and the provision of priority programs and services on which Albertans depend. Energy and mining exports account for 62 per cent of Alberta's total exports and about one-quarter of Alberta's GDP. Nearly one in every six workers, or about 300,000 Albertans, are employed, directly or indirectly, in the Province's energy sector. Albertans also have the highest disposable income per capita in the country; a significant benefit of the employment opportunities generated from the energy sector. Prosperity can be sustained by integrating energy and mineral production with value-adding industries, encouraging the application of new technologies, increasing awareness, learning and training opportunities and maintaining high environmental standards.

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

Opportunities:

Alberta's Energy Supply – Alberta has a vast and diverse supply of natural resources. Huge non-conventional oil sands and natural gas in coal resources complement our existing large conventional resource base. Abundant coal reserves offer expanded opportunities for increased exports as well as value-added processing, electricity generation and gasification. Future energy development in Alberta must build on the strengths of these resources, employing integrated strategies that maximize synergies and value-added opportunities for the benefit of Albertans.

Growing Global Markets – For the past 10 years the United States has been the principal consumer of Alberta's energy products, but new global markets are emerging. World economies are growing rapidly and rising demand for energy is accompanying this growth. China and India are emerging as significant drivers of global economic growth and energy demand. Growing global demand means new market opportunities for Alberta's energy products and expertise.

Alberta's Competitive Energy Advantage – Alberta provides an attractive energy investment climate supported by a policy and regulatory environment that provides a high level of certainty while protecting the public interest. Alberta has superior environmental technology and a large petrochemical and pipeline infrastructure, which encourages future development. Our workforce has world-class expertise, knowledge, and experience in developing energy resources – it's a leader in "Energy Know How". Others beyond its borders respect and seek Alberta's energy expertise. Albertans excel in energy exploration, development of world-scale energy projects, research, energy training, energy-related financial assessment and practices, energy infrastructure planning and building, energy policy and governance. Alberta provides a highly developed financial infrastructure of head offices, major branch offices and financial centres related to resource development.

Value Added – Taking raw energy resources and refining and upgrading them to produce a diversity of products that can be sold for higher value in the world marketplace can greatly expand work and business opportunities for Albertans. Alberta has the potential to be a world leader in the upgrading, refining and transforming of hydrocarbons into the vast array of marketable products that are so much a part of modern living.

Challenges:

Fair Share, Changing Prices and Economics – In 2004-05, the Department of Energy collected the second highest revenues ever from the development of Alberta's energy and mineral resources. Over the past five years, energy resource

revenues have contributed, on average, 33 per cent of Alberta government revenues. Global energy commodity prices have reached new highs driven largely by strong economic growth. Energy companies are benefiting from record revenues. Albertans expect to receive a fair share of the profits and relief from rising energy prices. The department will continue to review its royalty regimes, considering new price and economic conditions, to ensure they capture both a fair share of profits for Albertans while also attracting the investment needed to sustain future energy development and government revenues.

Access, Regulation and Public Support – Record commodity prices and growing worldwide recognition of the size of Alberta's undeveloped energy resources have increased investor interest in Alberta. Industry exploration and development set new records in 2004 accompanied by record levels of investment, with \$24.7 billion invested in Alberta's upstream oil and gas industry. Urbanization, population growth and a strong economy have combined to increase competition for the use of Alberta's limited land base. Increased industry activity also means increased public concern with safety, levels of development and environmental protection. Albertans must be confident that the regulations and policies related to safety, energy development, access, and environmental standards and protection are effective, reasonable and consistently applied. Regulatory processes are being challenged to review an increasing number of applications and to inspect both existing and new operations. Improving delivery of government regulatory processes for all parties will be needed while maintaining Alberta's high environmental and safety standards. Effective management of the competing interests of surface and sub-surface development, agricultural production, urban settlement, watershed management, recreation and preservation of natural beauty and wildlife habitats is critical to sustained economic growth and quality of life for Albertans.

Research and Innovation – Seventy-three per cent (73%) of Alberta's conventional oil and 57 per cent of its natural gas remains in the ground because we lack technology to extract it. A renewed emphasis on energy research and development is crucial to developing these resources. Similarly, new technologies offer the potential for expanded use of Alberta's abundant coal resources for power generation, coal gasification and industrial feedstocks. Alberta must continue to support an integrated industry and government approach to research, development and technological innovation.

Infrastructure – Increasing economic activity and population growth in Alberta, combined with pressures on existing public infrastructure and the need for new infrastructure to support development of Alberta's energy resources, will place pressure on all levels of government and industry.

Labour Demands – Developing, attracting, and retaining the human talent required to meet the challenges and opportunities associated with the development of Alberta's energy resource potential requires special attention. Alberta's oil and gas industry is performing at record levels and has been having difficulties obtaining the experienced talent required to meet labour demands for new major oil sands projects and traditional oil and gas exploration and development.

STRATEGIC PRIORITIES 2006-09

Through the Ministry's review of external and internal challenges, the strategic priorities described below have been identified. These are in addition to the important ongoing core activities of the Ministry.

1. Alberta's Integrated Energy Strategy

Linkage: Goals – All

The Ministry will lead the development of an integrated energy strategy to further develop and promote Alberta as a global energy leader. Working with other government departments and industry, Alberta Energy will identify strategies and specific initiatives that build on Alberta's energy advantages to diversify and increase energy production, strengthen value-added development, expand markets for Alberta's energy products and improve energy infrastructure (pipelines, electricity transmission, and Ministry information systems that support crucial business operations).

- 2. Access for Resource Development** The Ministry will focus on working with industry and the public to maintain access to energy and mineral resources, while also working with other land users to resolve access and development issues.
- Linkage: Goals 2, 3, 4, and 6**
- 3. Sustainable Resource and Environmental Management** The Ministry will partner with Environment, Sustainable Resource Development, other ministries and stakeholders to develop a Sustainable Resource and Environmental Management (SREM) Framework which will achieve an outcome-based management system, integrated sustainable resource and environmental management policies, and streamlined regulatory processes. In particular, the Ministry will focus on upstream oil and gas development as well as policies for the long-term development of the oil sands.
- Linkage: Goals 2, 3, 4, 5, and 6**
- Streamlining delivery of government regulatory processes and reducing costs of regulatory requirements for all parties will be needed while continuing to maintain Alberta's high environmental and safety standards. Industry compliance with regulations and standards and protecting public safety will remain priorities for the Ministry. Albertans must be confident in the regulations and policies related to safety, energy development, access, and environmental standards and protection.
- 4. Public Awareness and Understanding** In order to support future energy development, Albertans need to be confident that energy resources will continue to be developed and managed in a responsible manner. The Ministry will work with industry and educators to increase Albertans' awareness of their energy and mineral resources, the opportunities for future development and the economic significance of the energy and mineral sectors, today and in the future. We will also increase Albertans awareness of responsible industry practices used to access and develop the resource, and advances in resource development technology and environmental management.
- Linkage: Goals - All**
- 5. Using and Respecting the Land** Alberta Energy is working with other ministries to develop a comprehensive land use framework for the effective management of competing land use interests in order to preserve Alberta's high quality of life and continued economic prosperity. The Ministry will also promote research, development and commercialization to improve extraction, upgrading and refining of Alberta's hydrocarbon resources and reduce environmental impacts, and will promote the development of clean coal technologies and use of CO₂ for enhanced oil recovery.
- Linkage: Goals 2, 3, 4, and 6**

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

The Ministry has four core businesses. The first three Core Businesses are the responsibility of the department while the fourth is the EUB.

- Core Business 1: Securing Benefits for Albertans** – Secure Albertans' share and benefits from energy and mineral resource development.
- Core Business 2: Resource Development** – Ensure Alberta's energy and mineral resources remain accessible, competitive and attractive to investment and development.
- Core Business 3: Energy for Albertans** – Ensure Alberta consumers have a choice of reliable and competitively priced energy.
- Core Business 4: Regulation of Energy Development by the Energy and Utilities Board** – Regulate the development and delivery of Alberta's energy resources and utilities services in a manner that is fair, responsible and in the public interest.

Core Business One: Securing Benefits for Albertans

GOAL ONE

1

Optimize Albertans' resource revenue share and benefits from the development of their energy and mineral resources over the long term

What it means Albertans receive their share of energy and mineral resource development through royalties, rentals and bonuses paid by industry and collected by the Ministry. Alberta's resource development system is designed to capture a fair share of industry revenues from the development of provincial resources, while ensuring industry retains sufficient revenue to continue to invest in the future development of these resources. On average, over the past five years energy revenues accounted for 33 per cent of government revenue. Other benefits from a strong energy industry include jobs, business opportunities, investment and innovative technologies and research.

Strategies

- 1.1 Continue to review the department's royalty regimes, mineral taxes, rentals and bonuses, and recommend changes needed to address changing economic circumstances and opportunities.
- 1.2 Continue to provide clear communication to industry with regard to filing information and accurate reporting.
- 1.3 Directly develop, manage and support, in-house, those department information management systems that are critical to ensuring Albertans continue to receive their share of resource revenues.

Performance Measures	Last Actual (year)	Target 2006-07	Target 2007-08	Target 2008-09
1.a Sharing the Profits from Resource Development – Crown Revenue Share – portion of industry's annual net operating revenue that is paid to the Crown as royalty (three-year moving average).	19% (2004)	20-25% (2006)	20-25% (2007)	20-25% (2008)
1.b Audit adjustments to industry filing and reporting adjustments as a percentage of department resource revenues (three-year moving average).	2.4% (2004-05)	Less than 2.0%	Less than 2.0%	Less than 2.0%

Sources:

- 1.a Canadian Association of Petroleum Producers (CAPP)
- 1.b Department of Energy (DOE)

Core Business Two: Resource Development

GOAL TWO

2

Maintain the competitiveness of Alberta's energy and mineral resources

What it means Global demand for energy and growing recognition of Alberta's vast energy potential means increasing interest in Alberta as a place to invest in energy development. Alberta maintains competitive fiscal and regulatory regimes that are intended to attract industry investment and ensure that Albertans, the resource owners, benefit from resource development. Predictability, certainty, stability and a well-developed infrastructure are all features that make Alberta's resource development system a strong competitor for industry investment. The Ministry is the principal advocate nationally and internationally for Alberta's interests and rights to access, develop and manage energy and mineral resources.

Strategies

- 2.1 Work in partnership with Alberta Environment and Sustainable Resource Development to implement improved upstream oil and gas policy and regulatory integration that results in regulatory processes that are effective, efficient, timely and less costly. Contribute to the development of a provincial land use framework as part of an improved sustainable resource and environmental management framework.
- 2.2 Lead Alberta's strategic participation in regional, national and international energy initiatives, promoting energy trade, agreement on North American electric reliability standards, provincial participation in international energy discussions and negotiations, and improved access to international markets.
- 2.3 Advocate for optimal tolls, tariffs and access to existing and new pipelines and wires that transport Alberta energy resources to North American markets.
- 2.4 Develop and implement strategies that will maximize benefits to Alberta from northern gas development.
- 2.5 Work with other departments and stakeholders to implement the provincial action plan on climate change, with a focus on CO₂ sequestration, a CO₂ pipeline network and energy efficiency in the energy sector.

Performance Measure	Last Actual (2004)	Target 2006-07	Target 2007-08	Target 2008-09
2.a Resource Development – Upstream industry investment in Alberta	\$24.7 billion	Equal to or greater than \$15 billion (2006)	Equal to or greater than \$15 billion (2007)	Equal to or greater than \$15 billion (2008)

Source:

Canadian Association of Petroleum Producers

GOAL THREE

3

Secure future energy supply and benefits for Albertans, within a growing and competitive global energy marketplace

What it means Alberta has long enjoyed an abundant supply of oil and gas. In the future, new sources of energy will be developed to ensure Alberta has a continued supply of energy to meet growing Alberta and global demand. New energy sources represent the future, or the "next Alberta", and include expanded oil sands production, clean burning coal technologies, natural gas in coal and the development of alternative energy sources (wind, hydro, biofuels). There is also "another Alberta" waiting to be developed through technologies, such as CO₂ injection, that improve the recovery of existing conventional resources remaining in the ground. Diversification of energy sources will be largely market driven and, therefore, Alberta's energy resources must remain competitive in the broader global energy market to ensure their development. Maintaining resource access is essential for future energy development. The Ministry works within the province's framework of sustainable development to maintain or enhance resource exploration and development opportunities in a responsible manner that protects the environment and public safety.

Strategies

- 3.1 Develop strategies for the long-term appropriate development of the oil sands with a vision of achieving production of three million barrels per day by 2020.
- 3.2 Expand our natural gas reserves by encouraging research and exploration in tight sands and shale gas areas that have not received sufficient evaluation to date.
- 3.3 Coordinate the implementation of approved recommendations to enhance regulatory processes and policies for the responsible development of natural gas in coal.

- 3.4 Work with the Alberta Energy Research Institute, other research organizations and industry, through initiatives such as the Alberta Energy Innovation Strategy, Energy INet and the department's Innovative Energy Technologies Program, to develop an integrated, coordinated approach to research that supports oil sands extraction and upgrading, clean coal technology, increased recovery of conventional and unconventional resources, CO₂ management, water management, and alternative energy.
- 3.5 Work with other ministries to develop Alberta's resources in a sustainable, integrated and environmentally responsible manner through ongoing participation in cross-government initiatives such as the implementation of the water strategy, integrated land management program, biodiversity strategy, rural development and regional access management planning initiatives.
- 3.6 Work with Aboriginal communities, resource developers and other levels of government to increase certainty for resource development and to create opportunities for Aboriginal people to participate equitably in the energy economy of Alberta.
- 3.7 Continue to support the activities of Emergency Management Alberta which provides emergency and security preparedness for Alberta's critical energy infrastructure.
- 3.8 Work to increase awareness of Alberta's energy and mineral resources and the importance and economic significance of the energy and mineral sectors, today and in the future.

Performance Measures	Last Actual (2004)	Target	Outlook 2007	Outlook 2010
3.a Energy Resource Portfolio Diversification – production from new sources or extended production from existing sources.				
3.b <u>Oil Production (thousands of barrels per day):</u>				
<i>Extended Oil Recovery</i>	143		119	96
<i>Oil sands</i>	973		1,315	1,756
<u>Natural Gas Production (trillion cubic feet per year):</u>				
Natural gas in coal	.02	Additional Production	.20	0.40
<u>Electricity Generating Capacity (megawatts):</u>				Outlook 2009
<i>Natural Gas (cogeneration)</i>	3,226		3,420	3,800
<i>Oils (crude, fuel and bitumen)</i>	8		150	150
<i>Renewables (hydro, wind, biomass)</i>	1,328		1,735	2,310

Sources:

Alberta Department of Energy and Alberta Energy and Utilities Board

GOAL FOUR

4

Use an integrated approach to energy development to expand value-added energy development in Alberta

What it means The Ministry encourages industrial integration and increased value-added resource upgrading in Alberta. Extracting the most value from our energy resources by moving up the value chain from raw products to processed consumer end-products secures additional benefits for Albertans. The oil sands provide the potential for new refining capacity, and for growing a petrochemical industry based on petroleum. These new opportunities when combined with Alberta's natural gas liquid (NGL) based petrochemical industry provide a significant attraction for more value-added development in Alberta.

An integrated strategy for energy development will be used to build on Alberta's abundant resource base, attractive investment location, skilled workforce, and quality post-secondary professional and technical

institutions. Integration means that energy projects and commodities are no longer treated on a stand-alone basis, but as part of a larger energy scenario. The coordination of energy development with other resource industries to ensure future access to resources, while minimizing the environmental footprint and building on opportunities created by other industries, is an important part of the integration strategy. Partnering with the public and private sectors of our economy will be critical to future energy development. Within the Government of Alberta numerous departments will play an important part in the strategy addressing energy policy, aboriginal concerns, land use/access policy, labour supply and training, environment, energy innovation and research, municipal services, transportation, infrastructure and education.

Strategies

- 4.1 Work with industry to expand Alberta's upgrading, refining and petrochemical industries and encourage development of related and integrated value-added industries.
- 4.2 Encourage industry investment in expanding Alberta's capacity to upgrade and refine bitumen into conventional refined products and to produce feedstocks for petrochemical production.
- 4.3 Work with Alberta Economic Development to promote and market Alberta's energy resource development and value-added opportunities to secure new investment, market growth, employment and business opportunities.
- 4.4 Identify labour requirements and work with Human Resources and Employment and Advanced Education to prepare a labour force development strategy to address emerging and critical needs.
- 4.5 Identify infrastructure (roads, rail, pipelines, transmission, research and education) needed to support future energy development and work with all levels of government and industry to develop these.

Performance Measures

Performance measures for this goal are currently under development.

Core Business Three: Energy for Albertans

GOAL FIVE

5

Maintain a competitive market framework that provides Albertans with competitively priced and reliable electricity and natural gas

What it means Alberta restructured its electric industry to provide an efficient, competitive marketplace for electricity that encourages the development of new power generation and offers all consumers choice and reliability of supply. Retail natural gas has been open to choice since 1996 and the Ministry continues to strengthen its provisions for retail customer choice, having established similar rules for the natural gas and electricity retail markets. Through the *Natural Gas Price Protection Act*, the Alberta government also returns royalty dollars to consumers to provide relief from high natural gas prices.

Strategies

- 5.1 Enable and foster competitive wholesale and retail markets for electricity and a competitive retail market for natural gas to provide Alberta consumers with choice, innovative services, reliability and competitive prices.
- 5.2 Participate with the Utilities Consumer Advocate and regulated electricity and natural gas retailers to provide consumers, industry and other government agencies with clear and timely communication to increase consumer understanding of Alberta's competitive marketplace for natural gas and electricity.

- 5.3 Develop and implement mandatory reliability rules for the North American transmission grid, in collaboration with other governments, the Independent System Operator and the EUB.
- 5.4 Implement Alberta's transmission policy in planning, rule-making and tariffs, to enable development of new electric infrastructure to ensure Albertans continue to receive safe, reliable and open-access service.
- 5.5 Continue to monitor natural gas prices and the effectiveness of the natural gas rebate program.
- 5.6 Work with other ministries and industry to encourage energy conservation and the choice of a range of energy sources, including both renewable and non-renewable.

Performance Measures	Last Actual (year)	Target 2006-07	Target 2007-08	Target 2008-09
5.a New Power Generation – Margin (MW) between installed capacity and peak demand.	1,902 (2005)	2,050 (2006)	2,200 (2007)	2,350 (2008)
<i>Based on following information</i>				
<i>Installed Generating Capacity (MW):</i>	<i>11,482</i>	<i>11,880</i>	<i>12,280</i>	<i>12,680</i>
<i>Peak Demand (MW):</i>	<i>9,580</i>	<i>9,830</i>	<i>10,080</i>	<i>10,330</i>
5.b Electricity Restructuring – CAEM – RED Index Ranking of Alberta's Restructuring In North America.	4 (2003)	Top 10 (2006)	Top 10 (2007)	Top 10 (2008)
5.c Annual Residential Natural Gas Price (ARGP) – Difference between the annual average price Albertans pay for natural gas and the price paid by other Canadian jurisdictions – National Residential Natural Gas Price or NRGP (\$/GJ). Does not include Alberta's natural gas rebates.	-\$0.60 (2005)	Annual ARGP not to exceed annual NRGP (2006)	Annual ARGP not to exceed annual NRGP (2007)	Annual ARGP not to exceed annual NRGP (2008)

Sources:

- 5.a Alberta Energy and Utilities Board, Independent System Operator and Alberta Department of Energy
- 5.b Center for the Advancement of Energy Markets (CAEM)
- 5.c Alberta Department of Energy

Core Business Four: Regulation of Energy Development by the Energy and Utilities Board

GOAL SIX 6 A regulatory framework for the energy and utility sectors that is fair, responsible and in the public interest

What it means The Government of Alberta has established in legislation and policy a regulatory framework intended to ensure that the discovery, development and delivery of Alberta's energy resources and utilities services take place in a manner that is fair, responsible and in the public interest. The development of broad energy policy and oversight of this framework rests with the government, particularly the Minister of Energy, who is responsible for the related legislation. The Energy and Utilities Board (EUB) is responsible for implementing the regulatory process within this framework. While the EUB reports administratively to the Minister of Energy, its formal regulatory decisions are made independently, in accordance with the governing legislation and regulations. The EUB regulates the development and delivery of energy resources in Alberta. It establishes and applies technical standards for the safe and reliable operation of energy facilities while having regard for social, economic and environmental effects, including resource conservation. The EUB conducts inspections to ensure compliance with the regulations it administers. It also provides geoscience information and expertise needed by government, industry and the public for the stewardship and development of energy resources in Alberta. In the utility sector, the

EUB ensures that regulated electricity and natural gas utilities provide consumers with reliable service at just and reasonable prices that also provide the owners of the regulated utilities with a reasonable opportunity of earning a fair return on their investment and recovering their costs. The EUB does not regulate the wholesale commodity prices for gas and electricity.

Strategies

- 6.1 Participate in the development of an improved regulatory framework for energy development and the role and structure of the EUB within this framework.
- 6.2 Improve the effectiveness and efficiency of decision making processes through improved use of Appropriate Dispute Resolution (ADR) and negotiated settlements, expansion of routine decision processes for areas where the requirements are clear, more efficient utility pre-hearing disclosure and improved non-routine decision making processes used to settle conflicts.
- 6.3 Maintain high standards of public safety, environmental protection and energy resource conservation by ensuring EUB regulatory requirements are relevant, understood and complied with. Address all outstanding Public Safety and Sour Gas recommendations.
- 6.4 Work with stakeholders to develop sustainable liability management programs which ensure licensees are responsible for decommissioning and abandonment liabilities.

Note: A detailed Energy and Utilities Board Business Plan is available from the Energy and Utilities Board Website www.eub.gov.ab.ca/BBS/eubinfo.

Performance Measures	Last Actual 2004-05	Target 2006-07	Target 2007-08	Target 2008-09
6.a Application Resolution – Percentage of oil and gas facility and resource applications filed with objections resolved without a hearing.	97%	95%	95%	95%
6.b Protection of Public Safety – Percentage of major and serious unsatisfactory field inspections of regulatory noncompliance	2.3% (2004)	Less than 3.5% (2006)	Less than 3.5% (2007)	Less than 3.5% (2008)
6.c Service Standards of Utility Companies – Percentage of utility companies performance measure results that meet the EUB target for service standards to utility customers.	n/a	90%	92%	94%

Note:

6.a Less than 1 per cent of the approximately 50,000 oil and gas facility and resource applications in 2004-05 were filed with objections.

ORGANIZATIONAL CAPACITY AND EFFECTIVENESS

Successful delivery of the Ministry's core businesses depends on building and maintaining a strong organization with the knowledge and capacity to respond to changing future business and economic circumstances. A separate Organizational Capacity goal, which supports all of the Ministry's core businesses, has been established to address this requirement.

What it means Organizational Capacity and Effectiveness addresses the challenge and importance of maintaining and building organizational capacity to respond to changing business needs. Organizational capacity means having the right resources, people, processes and tools to deliver the Ministry's core businesses.

Strategies

- 7.1 Implement human resource development and workforce planning strategies that enable us to retain, attract and develop our employees to ensure a competent and committed workforce that meets current and future needs. Develop strategies for succession planning and knowledge management and transfer.
- 7.2 Leverage the strategic value of information by providing secure access and exchange of electronic information required by both industry and government.
- 7.3 Through the Information Technology Reinvestment initiative, deliver business solutions that address emerging business needs and technology drivers in support of crucial business operations, and allow the retirement of aged business solutions.
- 7.4 Ministry customers will continue to be provided with easily accessible, relevant and high quality data, information, services, knowledge, and advice relative to the energy and utility sectors. The EUB will expand its commitment by establishing an EUB customer contact centre to provide prompt delivery of accurate, consistent information and assistance.

Performance Measures	Last Actual (year)	Target 2006-07	Target 2007-08	Target 2008-09
7.a Industry satisfaction – with Department services	84% (2005)	n/a (2006)	80% or higher (2007)	n/a (2008)
Industry satisfaction – with Department electronic information management	90% (2005)	n/a (2006)	80% or higher (2007)	n/a (2008)
7.b Stakeholder satisfaction – with Energy and Utilities Board information and access to it	79% (2004-05)	n/a (2006)	75% (2007)	n/a (2008)

Notes:

- 7.a Banister Research and Consulting
- 7.b External Stakeholder EUB Satisfaction Survey.

All surveys are conducted every second year.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable					
	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Securing Benefits for Albertans	32,780	35,579	35,579	36,184	36,449	36,449
Resource Development	27,689	29,001	29,526	31,229	31,434	31,434
Energy for Albertans	5,440	5,404	5,404	5,653	5,683	5,683
Regulation of Energy Development	124,042	130,234	132,034	146,052	147,052	147,052
MINISTRY EXPENSE	189,951	200,218	202,543	219,118	220,618	220,618

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable					
	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
REVENUE						
Non-Renewable Resource Revenue						
Natural Gas and By-Products Royalty	6,439,267	5,418,000	8,238,000	7,146,000	5,578,000	4,942,000
Crude Oil Royalty	1,272,503	923,000	1,447,000	954,000	798,000	685,000
Synthetic Crude Oil and Bitumen Royalty	718,145	393,000	1,184,000	1,716,000	1,712,000	1,351,000
Bonuses and Sales of Crown Leases	1,251,944	886,000	3,440,000	1,479,000	1,293,000	1,191,000
Rentals and Fees	152,600	145,000	155,000	150,000	150,000	148,000
Coal Royalty	11,224	8,000	11,000	11,000	11,000	11,000
Alberta Royalty Tax Credit	(101,757)	(93,000)	(113,000)	(102,000)	(94,000)	(90,000)
Total Non-Renewable Resource Revenue	9,743,926	7,680,000	14,362,000	11,354,000	9,448,000	8,238,000
Freehold Mineral Rights Tax	306,420	310,000	349,000	386,000	313,000	280,000
Investment Income	1,089	1,250	1,250	1,250	1,250	1,250
Industry Levies and Licences	74,315	74,000	74,000	82,700	82,700	82,700
Other Revenue	22,988	8,509	10,309	10,309	10,309	10,309
MINISTRY REVENUE	10,148,738	8,073,759	14,796,559	11,834,259	9,855,259	8,612,259
EXPENSE						
Program						
Ministry Support Services	1,540	1,822	1,822	1,927	1,927	1,927
Resource Development and Management	64,310	68,127	68,652	71,104	71,604	71,604
Energy and Utilities Regulation	110,428	117,234	118,734	133,052	134,052	134,052
Orphan Well Abandonment	13,614	13,000	13,300	13,000	13,000	13,000
Valuation Adjustments and Other Provisions	59	35	35	35	35	35
MINISTRY EXPENSE	189,951	200,218	202,543	219,118	220,618	220,618
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	9,958,787	7,873,541	14,594,016	11,615,141	9,634,641	8,391,641

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable					
	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Ministry Revenue	10,148,738	8,073,759	14,796,559	11,834,259	9,855,259	8,612,259
<i>Inter-ministry consolidation adjustments</i>	(461)	-	-	-	-	-
Consolidated Revenue	10,148,277	8,073,759	14,796,559	11,834,259	9,855,259	8,612,259
Ministry Expense	189,951	200,218	202,543	219,118	220,618	220,618
<i>Inter-ministry consolidation adjustments</i>	(461)	-	-	-	-	-
Consolidated Expense	189,490	200,218	202,543	219,118	220,618	220,618
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	9,958,787	7,873,541	14,594,016	11,615,141	9,634,641	8,391,641