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**Proceedings of the Standing Committee on
Resources**

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Department of Natural Resources

RESOURCE COMMITTEE

Department of Natural Resources

Chair: Brian Warr, MHA

Vice-Chair: Kevin Parsons, MHA

Members: Derrick Bragg, MHA
David Brazil, MHA
Jerry Dean, MHA
John Finn, MHA
Lorraine Michael, MHA
Pam Parsons, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Department of Natural Resources

Hon. Siobhan Coady, MHA, Minister
Perry Canning, Assistant Deputy Minister, Mines
Wes Foote, Assistant Deputy Minister, Petroleum Development
Nancy Hollett, Executive Assistant
Philip Ivimey, Departmental Controller
Gordon McIntosh, Deputy Minister
Tanya Noseworthy, Executive Director, Planning and Policy Coordination
Diana Quinton, Director of Communications
Corey Snook, Director (A), Electricity and Alternative Energy
Lynn Sullivan, Assistant Deputy Minister, Royalties and Benefits

Also Present

Keith Hutchings, MHA
Graham Letto, MHA
Megan Drodge, Researcher, Official Opposition Office
Ivan Morgan, Researcher, Third Party Office

Pursuant to Standing Order 68, Keith Hutchings, MHA for Ferryland, substitutes for Kevin Parsons, MHA for Cape St. Francis.

Pursuant to Standing Order 68, Graham Letto, MHA for Labrador West, substitutes for Pam Parsons, MHA for Harbour Grace.

The Committee met at approximately 9 a.m. in the Assembly Chamber.

CHAIR (Warr): Good morning, again.

We are now live. We'll get some introductions out of the way and we'll start with Mr. Hutchings.

MR. HUTCHINGS: Good morning.

Keith Hutchings, MHA, District of Ferryland.

MS. DRODGE: Megan Drodge, Researcher with the Official Opposition Caucus.

MS. MICHAEL: Lorraine Michael, MHA, St. John's East – Quidi Vidi.

MR. MORGAN: Ivan Morgan, Researcher, NDP Caucus.

MR. BRAGG: Derrick Bragg, MHA, Fogo Island – Cape Freels.

MR. LETTO: Graham Letto, MHA, Labrador West.

MR. FINN: John Finn, Stephenville – Port au Port.

CHAIR: My name is Brian Warr; I'm the MHA for Baie Verte – Green Bay and I'll be your Chair this morning.

Welcome and I'll ask the Clerk to call the first subhead.

CLERK (Murphy): 1.1.01.

CHAIR: 1.1.01.

Minister Coady, if you would take a few minutes – you have up to 15 minutes and I'd ask you to have your staff introduce themselves as well – and good morning.

MS. COADY: Good morning. Thank you, everyone.

Siobhan Coady, MHA, St. John's West. I'm happy to be here this morning as Minister of Natural Resources. Thank you for the opportunity to go through the Estimates of the Department of Natural Resources. It's an important department, as all our departments of government.

I'd like to introduce my team. I brought everybody here this morning in anticipation of having some great discourse and dialogue on the opportunities within the natural resources of the province. I have our deputy minister, a new deputy minister, Gordon McIntosh. Gordon, maybe you can introduce yourself and then we'll just go down the line and introduce everyone that we brought with us this morning.

MR. MCINTOSH: Yes, thank you very much, Minister.

Gordon McIntosh, I came here in December from the UK. I'll now pass to my left.

MR. CANNING: Perry Canning, Assistant Deputy Minister of Mines.

MR. FOOTE: Good morning.

Wes Foote, I'm Assistant Deputy Minister for Petroleum Development.

MR. SNOOK: I'm Corey Snook, Director of Electricity and Alternative Energy.

MS. SULLIVAN: Lynn Sullivan, Assistant Deputy Minister, Royalties and Benefits.

MR. IVIMEY: Philip Ivimey, Departmental Controller.

MS. NOSEWORTHY: Tanya Noseworthy, Executive Director of Planning and Policy Coordination.

MS. HOLLETT: Nancy Hollett, Executive Assistant to Minister Coady.

MS. QUINTON: Diana Quinton, Director of Communications.

MS. COADY: So as you can see, we brought everyone this morning. The key I keep saying, because in my former life I was a business person, we really have three lines of business in the Department of Natural Resources. And I'll say this before we get into a little bit more detail of the department, but we really look at the development of the oil and gas industry and responsible regulation of the mining industry, and then development and responsible oversight of energy.

I brought all of the assistant deputy ministers who are subject experts, as well as other key team players and team members so that anything you would like to know about the department, we'll be happy to give that to you.

First of all, I'd like to take a few moments to have a few opening remarks. Throughout the past year, the Department of Natural Resources has focused really on developing the oil and gas industry, ensuring its effective oversight, looking at finishing up or really putting on track the Muskrat Falls Project through Nalcor and supporting the mining industry.

This is National Mining Week, just for those who may be interested – a great opportunity to highlight the departments work in supporting growth of the mining industry. We do so through public geoscience – we'll talk a little bit about that – efficient and transparent regulation, the Core Storage Program, promotions, prospective training, mentoring and the Mineral Incentives Program; all of that combines to make some strength in our mining industry.

I will note that in 2016 we had a tremendous lot of activity and maybe a little later on we could talk more about it, but we had a tremendous amount of activity in the mining industry in the Province of Newfoundland and Labrador, and perhaps one of the highest minerals claim stakes, I guess, in the last number of years. Assistant Deputy Minister Perry Canning can talk a little bit more about that, but we had a real lot of claims staked. That's a very positive indication of not just the prospectivity in our mining industry, but also the opportunity to develop good mines in the Province of Newfoundland and Labrador.

Budget 2017 continues to support mineral exploration and growth in the mining industry. We have investments that include close to \$5 million in the geological survey. We all know how important the geological survey is and the benefits it does bring to the province in terms of understanding the opportunity in the Province of Newfoundland and Labrador, providing companies with opportunities of understanding some of the prospectivity, but also understanding where we go into the future.

It also includes \$1.7 million for the Mineral Incentives Program, including an additional \$200,000 in the Junior Exploration Assistance program over the next two years; and \$2.14 million over the next three years for orphaned and abandoned mines – the Dam Safety Program which is very, very important of course, ensuring dam safety with regard to the orphaned and abandoned mines.

For oil and gas development, we are positioning the province to be a global leader and a preferred location for offshore oil and gas development. Since January, we've been meeting regularly with the Oil and Gas Industry Development Council as we work to advance a more sustainable and competitive industry.

We're continuing to promote the significant resources in our offshore. I just returned from the Offshore Technology Conference in Houston and, as I said a little earlier, I'm sensing a cautious optimism returning to the industry and certainly a marked improvement over last year. People are adjusting to the new normal and we have to ensure, in this province, that we continue to be and remain highly competitive in a very intense global environment.

I heard many positive comments in the opportunity and development of our offshore Newfoundland and Labrador and the great work being done on the scheduled land tenure system and the reduction of geological risk, the opportunities of prospectivity and the continued opportunities. In fact, I had an opportunity to meet with a number of new entrants – we had seven new entrants to our offshore oil and gas industry last year.

We met with people like Anadarko and Hess and others – Total, for example – that have now

entered into our offshore oil and gas, are doing exploration, and continuing to encourage them to grow their opportunity in Newfoundland and Labrador.

We put significant effort and investment into finishing the Muskrat Falls Project and interconnecting to the North American electricity grid. In *Budget 2017* we provided an equity investment of \$485.4 million in Nalcor Energy. Now, that is significantly lower, about \$827.6 million lower than in 2016, which is a good direction to go in.

I do want to point out one thing, because when you look at the overall conglomerate budget of Natural Resources, it seems quite large, but our core operating budget is \$ 21.8 million. Through some management reorganization, the department did eliminate 12 positions, which resulted in a savings of \$645,200 for *Budget 2017*. I do want to note that six of these positions were vacant, five individuals left the department and one returned to a permanent position. Of the five that left the department, I think three were eligible for retirement.

There are currently 159 employees of the department. There are 174 positions, so we are in the recruiting process for a number of positions. Our current staffing level, just for your interest, is the same as it was a decade ago. For 2017, our salaries are \$13.4 million. I thought I'd give you that upfront because I'm sure there will be a lot of questions coming out of that.

We have a great team in Natural Resources who are committed to moving ahead on our mandate and ensuring the development of our natural resources respectfully and responsibly in the province. I want to thank them for their continued hard work, because do work very, very hard. They put in a lot of extra effort to make sure that we have great success.

The department generates approximately a billion dollars – about \$900 million in offshore royalties, then there are mineral royalties, permits, fees, taxation. So when you combine that together, it's approximately about a billion dollars the Department of Natural Resources is responsible for contributing to the province. We are looking to grow that. We think there is

opportunity here, both in the mining and the energy, as well as the offshore oil and gas opportunities.

With that, Sir, I'll leave my remarks for as we go through the page by page, because I'm sure there are lots of questions.

Thank you.

CHAIR: Thank you, Minister.

Before we get started, I just wanted to let everybody know on the substitutions morning. Mr. Hutchings is substituting for Mr. Parsons. Mr. Letto is substituting for Ms. Pam Parsons.

Mr. Hutchings, you'll have 15 minutes to respond to the minister on 1.1.01 and then we'll pass it to Ms. Michael.

MR. HUTCHINGS: Okay, thank you, Mr. Chair.

Good morning. Minister, just in some of your commentary there I have a question in regard to the positions. I think you indicated there were 12 positions that were removed from your department, as opposed to the last fiscal year. Six were vacant. Were they vacant and budgeted for last year, or did they become vacant since the last fiscal year?

MS. COADY: No, some of the positions had been vacant for a number of years, actually, and they just weren't filled.

MR. HUTCHINGS: Okay.

You indicated of those six that were vacated, three were retirement.

MS. COADY: They were retirement eligible.

MR. HUTCHINGS: Okay. Did they avail of retirement?

MS. COADY: Some of them did. I'll just check with Tanya – yes?

OFFICIAL: (Inaudible.)

MS. COADY: Yes.

MR. HUTCHINGS: Okay.

So was that part of government's attrition plan or was this a process in the department – I guess my question is if it's attrition, you would try to reassign duties or reassign the functions of the department, or was it just outright retirement, and you will refill the positions, or the positions are gone, or ...?

MS. COADY: No, just for clarity, five individuals left the department. Some of them chose to retire. They were eligible for retirement; they were not retirement positions.

MR. HUTCHINGS: Okay.

MS. COADY: If you can understand that, the nuance. I'll just give one example. We combined two directors in one division to take it down to being one director. That was royalties and economics. In the elimination of one of those positions, they chose to go into retirement.

MR. HUTCHINGS: Okay, thank you.

Just one line item question in 1.1.01, Minister's Office. There's a very small reduction when you look at Transportation and Communications under that heading. Last year it was \$53,000, didn't spend all that and then this year it's down a little bit again. Can you just give me some idea about that, please?

MS. COADY: Well, we're trying to be as cost efficient as possible; we are moving in the direction – it was quite substantially higher than that, even in the budget before that. The minister does travel, on occasion. Last week I was in Houston. I've had to travel to FPT meetings. So we're trying to reduce the amount of travel, trying to be very effective and efficient when it comes to choosing the travel routes, how we travel, and try and keep the cost as low as possible. But there are requirements for ensuring that the minister does travel to meet a lot of the companies that do business in our offshore oil and gas industry, travel to PDAC, for example, the Prospectors & Developers Association of Canada.

I know ministers in the past – I have not had the opportunity. I've been to China before, but I have not had the opportunity to travel to the

mining conference in China. We're trying to open up new avenues and continue to grow and expand natural resources in the province. So we're continuing to be as lean as possible and the minister travels – I hate speaking of myself in the third person, but we travel as cost effectively as possible.

MR. HUTCHINGS: Okay, thank you.

That's good for me, Mr. Chair, 1.1.01.

CHAIR: Thank you, Mr. Hutchings.

Ms. Michael.

MS. MICHAEL: No questions for that heading.

CHAIR: No questions?

MS. MICHAEL: No.

CHAIR: Can I ask the Clerk to recall the first subhead?

CLERK: 1.1.01.

CHAIR: 1.1.01, shall it carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

On motion, subhead 1.1.01 carried.

CLERK: 1.2.01 to 1.2.03 inclusive.

CHAIR: 1.2.01 to 1.2.03 inclusive.

Ms. Michael, would you like to start, please?

MS. MICHAEL: Okay, so we're changing a bit because usually it's 10 minutes for one group and 10 minutes for the other. We're just going to do it by heads, is that it and not worry about timing?

MR. HUTCHINGS: (Inaudible.)

MS. MICHAEL: Okay. Well then, I'll start off. Thank you.

With regard to 1.2.01, Minister, I know you gave the overview of the positions that were lost and the savings in salaries but could we, in the Salaries section here, have the specifics for this division?

MS. COADY: Certainly. Thank you for the question.

There are changes to the management structure, and you'll see them reflected there. There was an elimination of the associate deputy minister's position. In Natural Resources we had not only a deputy minister and I think four ADMs – assistant deputy ministers – we had a position called an associate deputy minister, and that position has been eliminated. It was an associate position, and we felt we could – with the strength of the assistant deputy ministers, we felt we could do without the position, and that person has been redeployed within government.

MS. MICHAEL: So the reassignment of the work of that person wasn't difficult to take care of, I take it?

MS. COADY: Well, it's always difficult to reassign, but because we have strong assistant deputy ministers they assume their roles very, very well. The deputy minister – as you know, we have a new deputy minister. The deputy minister has taken on a lot of the other functions of the associate deputy minister, and we also have strength in our team. So it was well done.

We also eliminated the position of executive director of iron ore. That position, during what I'm going to call the high iron ore interest, we had an executive director's position. It had been vacant for a number of years and we eliminated that position. Of course, the assistant deputy minister in mining has reassigned any of those responsibilities within the mining group – and there was an ADM secretary's position that was vacant. So between those three is what you're seeing reflected in the change.

MS. MICHAEL: Thank you very much.

MS. COADY: And that position as well was vacant.

MS. MICHAEL: Okay.

And the associate deputy minister you said has moved elsewhere in government?

MS. COADY: (Inaudible.)

MS. MICHAEL: Okay, thank you.

Subhead 1.2.02, I guess the same thing, it's not a great amount, \$77,300, but just the specifics in this area.

MS. COADY: Is that 1.2.02, Administrative Support, just so we're clear?

MS. MICHAEL: That's correct, yes.

MS. COADY: We've had a slight increase there because there's a Clerk I position that was transferred from Fisheries and Land Resources into the Department of Natural Resources. Previously, Land Resources were part of Natural Resources. If you remember back, Forestry used to be part of Natural Resources.

MS. MICHAEL: Yes.

MS. COADY: There was one position that was carried under the Forestry that has now been moved back to Natural Resources. That's why you've seen a slight increase there.

MS. MICHAEL: What is that position? What are the responsibilities of that position?

MS. COADY: Clerk I position is more of an information position. That is the person who greets people when they come through the door of Natural Resources, making sure they are going to the right place. It's really an information position and clerical duties.

MS. MICHAEL: Okay, thank you very much.

Again, under 1.2.02, the revenue; \$10,000 was budgeted last year and there was no revenue, and this year it's \$5,000. What exactly is that revenue line?

MS. COADY: It's a miscellaneous revenue line. It really is a catchall for any credit or any miscellaneous funding that comes back to the department.

So let's just say we know we paid for something and there was a credit coming back, you have to have a position, a place for that credit to come back in to the department. So that's the holding place for it.

MS. MICHAEL: And how long has it been that you allow for it but nothing does come in?

MS. COADY: That's a good question.

Phil?

MR. IVIMEY: There has, in previous years, been revenue that has gone into that line item. It just so happened in '16-'17 we never had any. You'll see that it was reduced, like you mentioned, from \$10,000 in the previous year down to \$5,000 is because we've tried to rightsize it to the historical amounts of revenue that have come through that area.

If you go back over a period of four or five years, you would see that \$5,000 is approximately the historical amount of revenue in that year. It's just last year we had none.

MS. MICHAEL: Okay, thank you very much.

I have no questions for 1.2.03.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: Thank you, Mr. Chair.

Subhead 1.2.02, Administrative Support; in the heading there, Minister, can you just explain again, you mentioned in regard to the salary, what was estimated, what was revised and then the estimate for this year. You mentioned a position, I think Fisheries and Land Resources, they are an entity that stands on their own. Just explain to me why there's a position in the department related to that.

MS. COADY: Certainly, I'd be happy to.

You will recall that Forestry used to be part of the Department of Natural Resources, and they were housed in the building of Natural Resources.

MR. HUTCHINGS: Yes.

MS. COADY: When they moved – and this was in the previous administration. When they moved to join forces with, I think it might have gone to Industry at the time. Originally, Forestry went with Industry, and now it's, of course, Fisheries and Land Resources.

There was a position that was housed in the Department of Natural Resources but funded out of the Department of Forestry. In the last year it was identified that this position was actually still housed in the Department of Natural Resources, still doing the work in the Department of Natural Resources, just the funding mechanism was through the Department of Forestry. So we just transferred that position to make sure the funding was coming out of the Department of Natural Resources.

The other slight increase, I think it's \$40,000, was related to filling of a vacant position of a budget analyst. So a position has been filled. I meant to mention that previously.

MR. HUTCHINGS: Okay. Thank you.

Minister, on that same line of Salaries, 1.2.02, last year if you look at the Estimates for 2016 it was \$863,500, this year it has been restated as \$908,300. I'm just wondering if we can get clarification on why that's so.

MS. COADY: Is this 1.2.02?

MR. HUTCHINGS: Subhead 1.2.02, Salaries. If you go back and look at last year's Estimates –

MS. COADY: Nine hundred and eight.

MR. HUTCHINGS: – for budgeted, for this year it's \$863,500, but if you look at the line there today it's \$908,300. I'm just wondering about that difference.

MS. COADY: Okay.

Certainly; I'm going to ask the controller.

MR. IVIMEY: That number was restated to reflect the movement of that Clerk I position that minister referred to. So if you took the previous year's budget amount and added the \$37,300 to

that, it should bring you up to the \$908,000, and the \$37,300 is that Clerk I position.

MR. HUTCHINGS: Okay, and that was for the period of time that the clerk was in the (inaudible).

MR. IVIMEY: Yes, correct. Exactly.

MR. HUTCHINGS: Okay, yes. Great.

Thank you.

Subhead 1.2.03, Administrative Support; Minister, there appears there is \$100 put in this just to keep the heading open. Why would that be, and why wouldn't you just dissolve that heading?

MS. COADY: It's a placeholder for vehicle purchase. We keep it open because over time we will have to renew the fleet. We will have to do some things. We're limiting, as fine as possible, the use of the vehicle fleet and maximizing, I guess where possible, the opportunity to lower costs.

Right now we have about 19 trucks and SUVs within the department, and as you can appreciate, we are servicing the whole of Newfoundland and Labrador. We do the geological survey and we do have to have those kinds – and the orphaned and abandoned mines. That's a placeholder position for when we need to do the vehicle replacement.

MR. HUTCHINGS: So there would have been no purchases last year either, right?

MS. COADY: No.

MR. HUTCHINGS: Okay.

Thank you.

CHAIR: Can I ask the Clerk to recall the subheads, please?

CLERK: 2.1.01 to 2.1.03 inclusive.

CHAIR: 2.1.01 to 2.1.03 inclusive.

Shall the subheads carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

CLERK: 3.1.01 to 3.1.05 inclusive.

CHAIR: 3.1.01 to 3.1.05 inclusive.

Mr. Hutchings.

MR. HUTCHINGS: Thank you.

MS. COADY: Three or two?

CHAIR: 3.1.01 to 3.1.05.

MS. COADY: 2.1 –

MR. HUTCHINGS: 2.1.01 is the first heading we're starting.

MS. COADY: Yes, okay. Yeah, it's 2.1.01.

CHAIR: Sorry, okay.

Can I ask the Clerk to recall the subheads?

CLERK: 2.1.01 to 2.1.03.

CHAIR: 2.1.01 to 2.1.03.

Mr. Hutchings.

MR. HUTCHINGS: Thank you.

Salaries in 2.1.01, again, there's – I know the controller indicated, on the last line there's a small discrepancy as well from what was estimated in *Budget 2016* and what's provided here. I assume that's related to salaries or some rearrangement.

MS. COADY: Yeah. If you look at budget 2016-17 and the revised, that's either through retirements or maternity leave that that slight difference is there, but there have been changes in the management structure. We did reduce one geologist position. We also have attrition management reduction due to retirements.

MR. HUTCHINGS: Okay.

MS. COADY: There is an adjustment for some filling of vacant positions, and then there is one other change. There was a temporary position for coastal erosion and vulnerability. It was a project that was funded which is no longer funded. It was a temporary position. It was a monitoring role which is no longer being funded.

MR. HUTCHINGS: What was that called, Minister, coastal erosion?

MS. COADY: Coastal erosion and vulnerability. It was a project that was funded mostly through climate change and a lot of the work was done in the Department of Natural Resources. We're still doing some of the work. I'll call it, we still have coastal erosion as part of our overall geological work that we're doing but that position is no longer funded as part of that project.

MR. HUTCHINGS: Yeah, that was looking at particular areas of the province I think where there was an indication of challenges in regard to coastal erosion and do some analysis over a period of time.

MS. COADY: Yes and that analysis had been carried out over time.

MR. HUTCHINGS: Yes.

MS. COADY: That temporary position has wound up, but some of the work still continues through the geological survey. People are going out doing geological work, bed mapping and looking at till geochemistry. They're still doing some of that geological work.

MR. HUTCHINGS: So the work is being done but it has been, I guess, farmed out to other positions to do it. There wouldn't be a sole person directed to do it.

MS. COADY: There's not a sole person.

MR. HUTCHINGS: In terms of the idea behind it and from a policy perspective it's still being pursued?

MS. COADY: Really, that temporary position was funded through Climate Change –

MR. HUTCHINGS: Right.

MS. COADY: – and they're continuing to do some aspects of that.

MR. HUTCHINGS: Okay.

MS. COADY: But from the Natural Resources Department, when we're doing the geological survey that's also part of what we're doing.

Correct, Perry?

MR. HUTCHINGS: Okay. Thank you.

You mentioned there was one geologist position. How many geologists would be part of this actual group here and the work that's being done? Could you give me an idea?

MS. COADY: I can give you – there are 49 positions in total. I know there are 22 in a field program with seasonal and students.

Perry, I don't know – or I should say, Assistant Deputy Minister Canning, could you advise how many are there now?

MR. CANNING: The total number in the geological survey is 49. Most all of them, if not all of them are geologists, many with Ph.Ds. So we do have a very strong complement of staff in that particular division.

MS. COADY: So if I could, there are 49 positions in total. By far, those are permanent positions. There are some temporary positions. We're moving those through and moving them towards, if required, moving them towards permanent positions.

There are 22 seasonal students mostly in field positions, because as you can appreciate, the geological survey, a lot of the work is done during the summer.

MR. HUTCHINGS: Yes.

MS. COADY: And we have 22 field programs. There's a slight bit of overtime as well because, of course, if you're over a weekend – if you're

in the interior of Labrador, for example, and you have to over weekend, it's by far better to pay the overtime cost than try and take somebody out for the weekend.

MR. HUTCHINGS: Okay.

Minister, under that same heading, 2.1.01, we've seen a slight increase in Purchased Services. Could you just give an explanation on that and what that line item would be used for in this division?

MS. COADY: It's basically rightsizing the budget. If you can appreciate, what we've done is kind of – when we did our zero-based budgeting, is really looking at all of the different expenditures that are required under Purchased Services.

So under Purchased Services we'd have analysis of field samples, radiocarbon dating, we'd have micro-fossil identification. There are rentals, for example, for the rock storage. There's vehicle repair maintenance. There's scanning and printing costs. There's staff training. All of those things come under the Purchased Services.

As you can appreciate, this is a geological survey. There are a lot of expenditures going on and that's where they're housed. So it was a rightsizing of the budget.

MR. HUTCHINGS: Okay.

Thank you.

CHAIR: Excuse me, Mr. Hutchings.

MR. HUTCHINGS: Yes.

CHAIR: Your time has expired. So what I'm going to do is just pass it to Ms. Michael and we'll come back to you again.

MR. HUTCHINGS: Sure, yes.

CHAIR: Ms. Michael, 2.1.01 to 2.1.03 inclusive.

MS. MICHAEL: Okay, thank you.

Just continuing in 2.1.01; under Supplies, Minister, Supplies last year was budgeted at

\$169,900. The revision is exactly the same, which is sort of odd actually, and then this year it's less by \$53,800. Could we have an explanation of – I could have a wild guess at what the supplies are in this division, but an explanation of why it looks like it's okay to take out almost \$54,000 from that line.

MS. COADY: Again, when we did line by line on that particular area we reprofiled some of it back into Transportation and Communications. So you'll see that Transportation and Communications are up while Supplies are down slightly.

MS. MICHAEL: Yes.

MS. COADY: Really it was, as you said, \$53,800 which was the reduction. It was reprofiling to rightsize the budget. Under Supplies, that would be things like laboratory consumables.

MS. MICHAEL: Right.

MS. COADY: So almost \$37,000 in laboratory consumables alone. There are field supplies; that is rock hammers and sample bags and things. The geological survey requires a lot of these kinds of supplies, shovels and things of that nature. Then there are, obviously, office supplies. So that's what's comprised of the supply area.

Even things like gasoline – no, does gasoline come under Supplies?

OFFICIAL: (Inaudible.)

MS. COADY: Yeah, even gasoline.

MS. MICHAEL: Okay, great.

Minister – Chair actually, if I may ask the minister. Just in terms of what we're used to, can we expect to get the briefing book at the end?

MS. COADY: You certainly will.

MS. MICHAEL: Great. Thank you very much. Those details are all there.

I just want to clarify. We do go online for each department and get the salary report that's

online. Is your salary report up to date, do you know?

MS. COADY: I will turn and ask, is our salary report up to date?

MR. IVIMEY: I'm not 100 per cent I can verify if the one that you have is up to date because that is updated and posted by the Department of Finance. It wouldn't be done individually by the department, so I'm not 100 per cent sure of that.

MS. MICHAEL: Okay. We got this quite recently, so it depends on the Department of Finance then you're saying.

MR. IVIMEY: Yes. They would be responsible for posting it online.

MS. MICHAEL: Okay. Thank you very much, so that we know that.

Under Grants and Subsidies, Minister, in the same subhead the \$7,500, I think we've been told –

OFFICIAL: (Inaudible.)

MS. COADY: Oh, sorry.

MS. MICHAEL: That's okay.

So the \$7,500 under Grants and Subsidies in the same subhead, 10, we've been told in the past this is for the Mineral Incentive Program. Can we get an idea of what that means, currently?

MS. COADY: Excuse me for one second.

Thank you, I just wanted to make sure I had the right and accurate information for you.

There are two particular meetings that do generate some contributions; one is the CIMM which is \$5,000. Assistant Deputy Minister Canning, could you just advise what the CIMM is?

And then there's the GAC Newfoundland and Labrador annual meeting and the Atlantic Universities Geological Conference contribution. That adds up to be \$7,500. There are a lot of acronyms here and if you could just clarify what those are.

MR. CANNING: Thank you, Minister.

I think the question about the Mineral Incentive Program will be in one of the other tabs as we move down through. That particular piece is not built within the Geological Survey.

MS. MICHAEL: Okay.

MR. CANNING: So these funds are associated with grants to the Canadian Institute of Mining, Metallurgy and Petroleum and that's to cover a portion of the annual review of activities and the Geological Survey of Canada. So those are more grants associated with those organizations.

MS. MICHAEL: And those organizations – I mean I certainly understand, and the first one I know well, and government participates of course in those organizations.

MR. CANNING: Correct.

MS. MICHAEL: Thank you very much.

MR. CANNING: You're kindly welcome.

MS. COADY: Just for clarity – I think it's a little farther on – we will get into those other grants that we do. These are more incoming from awards luncheons and things of that nature.

MS. MICHAEL: Right.

The ones that we've just talked about are basically professional organizations?

MS. COADY: Correct.

MS. MICHAEL: Thank you.

Under 2.1.02, the only question I have is under Purchased Services. Under Purchased Services, \$70,000 was budgeted, \$90,000 was the revision and, this year, we're down to \$65,000. So just an explanation of that whole line, please, Minister.

MS. COADY: Certainly. That again goes back to the zero-based budget review reduction. Under Purchased Services the \$65,000, approximately \$21,000 of that is Moneris banking fees. So when you're looking at quarries, we do take in some money – we have about 2,000 quarries in the province and we do

take in some money from there. There are also vehicle and machinery rentals in there, vehicle repair and maintenance. There's some maintenance of safety equipment and warehouse cleaning, some miscellaneous things like that in the Purchased Services.

MS. MICHAEL: So was there something last year that was not expected, because there is a \$20,000 differential between the budget and the revision?

MS. COADY: Certainly. There was additional repairs and maintenance required on some vehicles that have now been done. As well, there was some additional Moneris fees associated with the department's online claim staking system. You recall in my opening remarks I talked about how in the fall of 2016, we had a tremendous amount of claims staked, especially in Central Newfoundland.

MS. MICHAEL: Yes.

MS. COADY: It was one of the highest claims staking in the last number of year. I think it was, if memory serves me, 21,000 claims staked within a very short period of time. It was a tremendous, I'll call it, rush, on claims staking in Central Newfoundland, and most around the gold area.

MS. MICHAEL: I was going to say, was it a gold rush?

MS. COADY: It was a gold rush, yes.

But what was really interesting about the amount of claims staked at that particular time is how it mirrored the Geological Survey. So it really does speak to the importance of the Geological Survey in identifying opportunity, but that did draw it – because it had such a rush on claim staking, it drove Moneris fees quite substantively, and that's why you had that anomaly and additional, besides the repairs and maintenance on some vehicles.

MS. MICHAEL: Right, thank you very much.

2.1.03, under Transportation and Works, last year \$104 000 was budgeted and only \$45,000, approximately, was spent, so a big drop there. Then, this year, there's still a drop from what

was budgeted last year to what is now allowed for this year. Could we have an explanation?

MS. COADY: Certainly. There was savings related to the elimination of the executive director of iron ore because that person wouldn't be flying back and forth. Historically, we had to put in funding for that person to go back and forth, obviously. Labrador was the hub for iron ore during that period of time. We also ensured that we really did reduce discretionary travel to try and have some savings.

In the \$69,800, just let me tell you that there's *Mining Act* compliance – we have six staff who have to make sure that people are compliant with the *Mining Act*. We have a Mineral Incentive Program where there's some travel involved in that. The orphaned and abandoned mine inspections have to be carried out, so there's some travel involved in that.

I mentioned before about the mining conference in Toronto, the Prospectors & Developers conference in Toronto and Baie Verte. There's a helicopter required under that for Hope Brook water sampling. So there's some money allocated for that. Then, of course, there's the requisite communications, landlines and cellphones. So that's what comprises of that travel and communications.

MS. MICHAEL: Thank you.

CHAIR: Ms. Michael –

MS. MICHAEL: Yes.

CHAIR: Just in view of the time, I'll just pass –

MS. MICHAEL: Could I just get one point clarified from what the minister said, please?

CHAIR: Absolutely.

MS. MICHAEL: I must have misunderstood. Earlier on when you talked about the ED for iron ore and why that was gone, for some reason I thought you said that it had not been active at all. So even though the position was not active, money was allowed for the travel for that. So even though there was nobody doing anything.

MS. COADY: So if you recall last year the \$104,000 that was budgeted –

MS. MICHAEL: Yes.

MS. COADY: – would have included that position, even though it wasn't fulfilled and so –

MS. MICHAEL: Okay, that's what I wanted to get clarified.

MS. COADY: Then when we looked at it this year, of course we did zero-based budgeting, meaning we started from nothing rather than just taking previous years, looking at previous years' expenditures.

MS. MICHAEL: Okay, thank you very much.,

CHAIR: Thank you, Ms. Michael.

Mr. Hutchings, 2.1.01 to 2.1.03, further questions?

MR. HUTCHINGS: Thank you.

Minister, 2.1.01 under the heading Geological Survey, is there funding in the budget for geoscience online for that function?

MS. COADY: I'm going to turn to the assistant deputy minister.

MR. HUTCHINGS: Sure.

MR. CANNING: There is quite a bit of information available online, and I know the division has been looking at opportunities to improve that. I'm not sure if that's what you're referencing.

MR. HUTCHINGS: Yeah, I guess.

Is it a static site or is it always being updated?

MR. CANNING: It's always being updated, yes.

MR. HUTCHINGS: Okay.

So the current online portal now, there's no new investment in it. It will carry on as is.

MS. COADY: Thank you for the question because I think it's an important one.

We are continuing to drive more and more online and digitalization. You've seen that throughout the department in things like oil and gas, and in mining, and in trying to drive more activity because, of course, it is very helpful to the industry.

We have not allocated any major dollars towards – I'm going to call it investments in improvements this year, but it is something that is top of mind. We'll continue to drive what we can internal at this point but I think it is a valid comment that we want to put some more investments in there as time goes by.

MR. HUTCHINGS: Okay. Thank you.

As well, there are geo files. Is that part of that online, or that's the search tool, I think, is it?

MR. CANNING: (Inaudible.)

MR. HUTCHINGS: Yes. So that's part and parcel of what we're talking about I guess, the whole – okay.

Thank you.

I had a general question on Geological Survey; last year, Minister, when we discussed this I think there was reference to – there were two programs underway in Labrador and six on the Island. There was bedrock mapping west of Labrador, Labrador Trough. I think we talked about mapping in Southern Newfoundland, the Great Northern Peninsula, Central Newfoundland. There was a lot of work being done. I'm just wondering was that work completed. What is the status on some of those?

MS. COADY: Well, I'll just give a general overview –

MR. HUTCHINGS: Sure.

MS. COADY: – and then we can have Assistant Deputy Minister Canning speak. This year's survey will have bedrock mapping, as you indicated, in Labrador, and Eastern, Southern Newfoundland and Labrador. They're looking at mineral deposits in Western Labrador and

Central Newfoundland and Labrador, and there's till geochemistry happening at well. So that's the three components of what will be worked on in this year.

As you can appreciate, there's an ongoing effort to continue to update our geological survey and making sure we have the data that people are most interested in. We have a technical advisory committee that does look at how that's being delivered and what we're doing. We do publish, of course, every year, this year it was for the – during PDAC conference we did have the results of the geological survey.

I don't know if there's anything further, Mr. Canning, you'd like to add to that.

MR. CANNING: Yes, this work continues. Western Labrador is a good example. This year they're going to be looking at north of the Trough away from, say, Lab City, Wabush. They're going to be looking at bedrock and some of the mineralization. They'll be focused more up along that border of Quebec, but this work continues.

I just want to re-reference a point that was made by the minister early on about the recent activities, staking activities and how it aligns so clearly with the core basic research that is done. If you look at this map, for instance, and you see this big blue band where there was significant staking completed, you can see the band ends where the geological survey had ended their work, but they're continuing to progress that.

So the message from that is really good, basic research in the field by our geological folks, and they do a lot of work in the field. Then they come back, and it takes quite a bit of time to document that in their research and document it online and document it in publications. But it really does incentivize folks to go in, prospectors and others to go in and look at those areas, and I think that's a key attribute of their work.

MS. COADY: I'm happy to distribute that map that you have there, Mr. Canning. We'll certainly get that to you as well. It's good visualization of where claims are being staked and where the survey overlaps it.

MR. HUTCHINGS: Okay. Thank you.

2.1.02, Mineral Lands – I'm not sure if Ms. Michael covered this, if she did, I apologize.

Salaries, there's a small increase from what was budgeted last year to what was revised. Then it's down from last year, what was originally estimated. Is that due to a position, or what exactly would that be?

MS. COADY: I'll deal with the revised from 2016-17, which is a little different from the Estimates of 2017-2018. The revised really does look at a reclassification of positions within the Mineral Lands division. A director, manager and – the manager of mineral rights and the manager of quarry rights, they had some changes, reclassifications. It's been going on for about five years. So it's been a long-standing reclassification; that reclassification has come through. We also had some – then looking at the 2017-2018 Estimates, we had some adjustments due to retirements.

MR. HUTCHINGS: Okay, thank you.

Minister, in your salary budget, would you have included there any salary increases this year, or would it be status quo?

MS. COADY: Salary increases across the board you mean, or –?

MR. HUTCHINGS: Yes. Well, obviously there are negotiations undergoing in regard to –

MS. COADY: Right.

MR. HUTCHINGS: So would you have put in there any margin for a possible increase, or would you have –

MS. COADY: I don't think that's the way that's normally done, but I'll turn to the experts and ask.

MR. HUTCHINGS: Yeah.

MS. COADY: So when you're in negotiations, obviously, and discussions, it's doesn't reflect it.

MR. HUTCHINGS: Okay, thank you.

You mentioned reclassification that time, and obviously JES is not relevant to what you were talking about.

MS. COADY: No.

MR. HUTCHINGS: I'm just wondering, how many, through the JES process files, are still left with Natural Resources?

MS. COADY: I don't – just one second.

MR. HUTCHINGS: In the appeals process.

MS. COADY: Are there many in the appeals process, is the question, in JES.

OFFICIAL: There were a couple. I think most of them have been resolved, but we can confirm (inaudible).

MS. COADY: There were a couple, but most of them have been resolved. We'll confirm how many there are still outstanding, but there are very few.

MR. HUTCHINGS: Okay, thank you.

The heading here, 2.1.01, Mineral Lands –

MS. COADY: 2.1.02?

MR. HUTCHINGS: Yes, 2.1.02.

MS. COADY: Okay, yes.

MR. HUTCHINGS: There has been some, in regard to the land use and the restructuring in regard to the fisheries and some of the work that's done over there in terms of land use development and coming under the purview of that department. Is there any change in regard to that interaction now with Mineral Lands or anything like that, or is everything status quo as it has always has been?

MS. COADY: The department has always been part of the Land Use Committee and looking at and ensuring that Natural Resources is always consulted when land is taken out of circulation, I guess, if you can use that term –

MR. HUTCHINGS: Yes.

MS. COADY: – circulation for mineral opportunity. So, no, I don't think there's been any change at all.

MR. HUTCHINGS: Okay.

MS. COADY: I'll just confirm that. Yes, that is the case.

Not that I'm aware of. We're continuing to be part of the Land Use Committee. We're continuing to have ongoing dialogue to ensure that Natural Resources is part of the considerations with regard to land use.

MR. HUTCHINGS: Okay, thank you.

Just on the heading and the description of 2.1.02, "... information and professional support on such matters to Government and external clients." Could you give me an example of who some of those external clients would be?

MS. COADY: I'm assuming it, but I will confirm, that would be anybody in the industry who wants to have discussions with regard to the quarries or anything of that nature, but I'll just turn to my assistant deputy minister to see if there is anything there that – when we call an external client, I would imagine we're talking about industry.

MR. CANNING: Could you help me to the line item that you're speaking of?

MR. HUTCHINGS: 2.1.02, Mineral Lands, the description. The last sentence says, "... support on such matters to Government and external clients." I was wondering about the external clients.

MR. CANNING: Yeah. I'd have to get clarification on exactly what constitutes an external client. I can give you an opinion but I'd rather give you the facts. Can I take that under advisement and respond back to you?

MR. HUTCHINGS: Sure. Yes.

CHAIR: At this time, Mr. Hutchings, I'm just going to turn it back over to Ms. Michael on 2.1.01 to 2.1.03 inclusive. Any further questions?

MS. MICHAEL: Thank you very much, Chair.

Yes, I'll just continue in 2.1.03, because Mr. Hutchings hasn't moved into that and I was sort of in the middle of it, so we'll go back there. We finished up on Transportation and Communications.

Under the Professional Services, there are a number of variations here. One from the budget to the revision last year and now the Estimates for this year is well below the budget of last year. Could we have an explanation, Minister, of what exactly these professional services would be and why we have a \$72,000 drop for this year's budget?

MS. COADY: The drop was mostly in a reduction of reprofiling to rightsize the budget. If you recall, we did zero-based budgeting. We've really built it from the base up. When we looked at Professional Services, we could rightsize it to that, \$251,000. I will tell you what's included in that, just so you can get an idea.

MS. MICHAEL: Please.

MS. COADY: We do have the Voisey's Bay Development Agreement. We do have an independent engineer that we use from time to time. We do have the Orphaned and Abandoned Mines Dam Maintenance Program that we have in that, and the orphaned and abandoned mines dam repair program. So we have to use some inspectors for that particular program as well. So that's what it's comprised of.

The lower than anticipated amount in 2016-17, you'll see it went from \$323,000 down to \$270,000.

MS. MICHAEL: Yes.

MS. COADY: It was because the contract for the dam safety inspectors was a lot lower than we had anticipated. That's why it went down. When we really looked at it from a zero-based budgeting perspective and built up the budget, we felt that \$251,000 was required.

Just let me take you to the Purchased Services because you asked why the increase and it is a significant –

MS. MICHAEL: I was going to be going there next, so you go ahead.

MS. COADY: Yeah. Well, you mentioned it so I thought I'd get there.

The big thing there – and I mentioned it upfront – this is where it's captured. Remember I mentioned about the orphaned and abandoned mines? We put in a four-year program to really do some good work in that on safety maintenance, on dam maintenance, on some repairs that need to be done.

In 2016-'17 we put \$300,000, in '17-'18 we have a budget of \$690,000. It's split kind of between – some of the work is in Professional Services. The majority of it is in Purchased Services. It was a planned increase and we'll increase it again next year.

We have a four-year plan for this because we must maintain and mitigate any risks with these orphaned and abandoned mines. We just felt it was just that important that we had to put some money towards that end.

MS. MICHAEL: Minister, does your book include a list of the orphaned and abandoned mines?

MS. COADY: I don't have a list, but I can get you a list.

MS. MICHAEL: It would be good to know.

MS. COADY: Yeah, I'll give you a list because there is a list of orphaned and abandoned mines.

MS. MICHAEL: Right.

MS. COADY: So I'll certainly provide that to you. My team is making notes now to get you the list.

MS. MICHAEL: What I'm interested in is I'm making an assumption, which could be a wrong assumption, but I would be hoping that in the more recent mines, more modern mines, because of environmental assessment, that we will see this number going down in terms of not having new ones coming in.

MS. COADY: You are absolutely correct. There are two ways, actually, that it is captured, as you said, under environmental assessment, but also the requirement for mitigations under the *Mining Act* as well.

MS. MICHAEL: Yes. Okay.

MS. COADY: And it was in the previous administration that that was resolved, but we do have a number of orphaned and abandoned mines in the province that we must deal with.

MS. MICHAEL: Yes, absolutely.

MS. COADY: Rambler mine comes to mind immediately, that we have to keep ensuring are well maintained and contained.

MS. MICHAEL: Absolutely. Thank you.

I have a couple of general questions now before going into something else under the subhead, but related to the subhead. My first one has to do with Voisey's Bay and with the underground development. Can we get an update on what is going on? Has it been delayed? Is it moving ahead? Some details here would be helpful.

MS. COADY: Certainly. Yes, it is moving ahead and work continues.

You may recall last fall I mentioned, during Question Period actually, that Voisey's Bay mine, Vale, was doing some additional work with regard to procurement to bring their costs down. That was, I'm going to call it, pretty significant work that needed to be done; they wanted to reduce their costs.

The primary objective is still to have the ore production from the underground mine by 2019-2020, so that continues. But within that time frame, because of some of the changes that they're doing with regard to procurement and making sure they have all the engineering done, there are some schedule changes within that which we are considering.

The end result will be the same; the end result in terms of employment will be the same. Vale has to come to us and said to ensure that we keep the best schedule and the best costs we would need some slight changes within that period of time.

It wouldn't mean necessarily that there would be a change to the Development Agreement at all. It might just be a letter of agreement in terms of some of the small changes. It won't be an amendment to the Development Agreement, but it might provide some waivers with regard to some time frames. That's under consideration, but the end result is the same and the end result is what we're considering is the most important thing, and that's maintained.

MS. MICHAEL: And you said that's 2019 ...?

MS. COADY: 2019-2020. I don't know, I think it's the – I'm going to get you the exact date. 2020, isn't it?

MR. CANNING: (Inaudible) 2020, but that could just be on either side of that line.

MS. MICHAEL: Right.

MS. COADY: The end of '19 into 2020.

MS. MICHAEL: Into 2020. Thank you very much.

MS. COADY: I think there is some slight schedule variance that could occur within that and still keep the Development Agreement.

MS. MICHAEL: Okay.

MS. COADY: We're working very closely. There is work going on right now in the underground mine. There's a tremendous number of people hired even here in St. John's, believe it or not, in terms of the engineering work and the scoping work that's being done. There has been some work done, obviously, in Voisey's Bay as well and will continue throughout this summer.

MS. MICHAEL: Great. Thank you very much.

I'm sure you're expecting this: the Wabush Mines.

MS. COADY: Yes.

MS. MICHAEL: Is there any new information with regard to the Wabush Mines?

MS. COADY: Yes. We have been talking with a number of interested parties – I'll call them that – and working with those interested parties to provide them the information to review the *Mining Act* requirements to help them understand everything there is to understand.

As you can appreciate, this is in the CCAA process.

MS. MICHAEL: Yes.

MS. COADY: And the monitor is continuing to work there.

There were, I believe, four proponents who put in consideration for the mine itself and we've been working with some of those to see if there is an opportunity to restart the mine. We're continuing to focus on that.

There are still people who are interested in reopening the mine. As you might have heard publicly, there is another one who wants to use it for something else. The monitor is looking at the best use of that and we're continuing to work with proponents to help them through considerations for reopening that mine.

MS. MICHAEL: As you know, we all know, you still have the former workers who have their grievance – not a formal grievance, but they're upset about the whole issue of pensions and I'm assuming no matter what happens, that's not something that will ever be considered as part of a new company taking over.

MS. COADY: It's a very, very difficult situation for those employees. I have great concern and empathy for them.

That would be something that the monitor would consider. I would not anticipate, at this point, that would be anything that would be in our purview, but it would be something that the monitor, in looking at people who are coming forward. But Cliffs are the ones who hold that responsibility at this point in time.

MS. MICHAEL: Thank you.

I only have a few seconds left; I was going to ask about, and I can still do it, whether you want to do it now or wait until after Mr. Hutchings,

but just an update on the Alderon Kami Mine, the Julienne Lake iron ore deposit, the Quest Rare earths limited, just some sense of the iron ore part of the industry.

MS. COADY: Certainly.

We have had discussions with Alderon who are – as you would have heard in the media – continuously updating their numbers and their economics and looking at ways to move forward. They are committed to doing so and they would like to do so as quickly as possible.

It is really is, I think, the price of iron ore dependent at this point, but they have redone a lot of the scope of their work and are actively considering how they can take the next steps. So that's a very positive sign.

You asked about Julienne Lake, nothing new to report at this point. It is on the radar screen. It is a tremendous opportunity. For any potential investor who wants to be involved in the Julienne Lake mine there is an opportunity there, again, probably commodity-price dependent at this point. There are a lot of other – I think you mentioned Quest.

MS. MICHAEL: Quest.

MS. COADY: Rare earth minerals, I think – that's Quest, isn't it?

MS. MICHAEL: Yes.

MS. COADY: Rare earth minerals. They are really actively – there are a couple of rare earth mineral opportunities in Labrador. We've had some discussions with them, most recently at PDAC. They're very anxious to move forward and are sharpening their plans to do so. I know that they are anxious to start that work. It really will depend on markets and commodity pricing.

MS. MICHAEL: Okay. Thank you.

MS. COADY: Just anything to add there, Assistant Deputy Minister of Mining?

MR. CANNING: (Inaudible) Tata Steel. Tata, that's in Schefferville, hires a fair number of people from our province. We continue to work

with them as well to fill the picture up fully on the iron ore piece.

MS. MICHAEL: Thank you.

CHAIR: Thank you, Ms. Michael.

Mr. Hutchings, anything further on 2.1.01 to 2.1.03 inclusive?

MR. HUTCHINGS: Yeah, 2.1.03.

Ms. Michael asked about Professional Services and Purchased Services. I'll just go back to those again. On the Professional Services what was budgeted and then what was actualized dropped and the estimate for this year is down. Can you just give me an explanation on that again?

MS. COADY: Sorry, you asked for Professional Services under 2.1 –

MR. HUTCHINGS: Yes.

MS. COADY: Professional Services.

Last year, the variance was due to a lower than anticipated cost associated with the dam safety inspections, so the actual was a lot lower. When we looked this year and we did zero-based budgeting and built the budget up, we felt \$251,000 was required there. That's about the orphaned and abandoned mines for dam maintenance. The dam repair program is about \$156,000 of that professional service. Then there's the independent engineer for the Voisey's Bay Development Agreement. So we have some money set aside there for that particular professional service as well.

MR. HUTCHINGS: Okay, so the last year with the amount you had budgeted, would you have identified orphaned and abandoned mines that you would do work on?

MS. COADY: Oh yes.

MR. HUTCHINGS: So were there ones that you didn't get to do the work –?

MS. COADY: No. We did the work on those orphaned and abandoned mines that was required, but the requirements for the safety inspections were lower. That's what I

understand. If there's anything new – I'll ask my assistant deputy minister, is there anything new there that you need to say?

MR. CANNING: No, you've covered it. There is another \$40,000 review by a dam structure professor of the program.

MR. HUTCHINGS: Okay.

I'm just wondering, could we get a list of what was identified to complete last year and what was completed? As well, what's been identified for this fiscal year?

MS. COADY: Certainly.

MR. HUTCHINGS: Okay.

MS. COADY: We are very pleased to put a four-year program in place for those orphaned and abandoned mines and have a very, what I'm going to call, significant program now to make sure we are doing all that we can for those orphaned and abandoned mines.

MR. HUTCHINGS: Okay, thank you.

Purchased Services, we'll go there. I'm not sure if we covered this. There's a significant increase there from where we were last year to where we are in this estimate.

MS. COADY: Remember that I said the orphaned and abandoned mines program was a four-year commitment; this year's commitment is \$690,000. In that Purchased Services is a lot of the money that we will be requiring. It's split kind of between Professional Services and Purchased Services, but there's a fairly significant dam repair program going on at Rambler. That's where a lot of that Purchased Services is going towards this year.

MR. HUTCHINGS: Okay.

MS. COADY: Just for clarity, under the \$665,800, that is a safety maintenance program, fences and things of that nature, safety maintenance. There's dam maintenance, there's dam repairs. Then there are different things like lab analysis, vehicle repairs and a small amount of money for those types of things, but the

majority of the money is in the dam repair program.

MR. HUTCHINGS: Okay.

The *Budget 2017* documents under mining industry, one of the bullets says: \$2.14 million over the next three years for orphaned and abandoned mines dam safety.

MS. COADY: Yes, \$2.44 million, yes.

MR. HUTCHINGS: \$2.14 million is in the document.

MS. COADY: Oh, I have \$2.44 million.

MR. HUTCHINGS: Okay.

So this is what you're referring to in regard to, going into this line.

MS. COADY: Right. So in '16-'17, \$300,000 was budgeted and spent. In '17-'18, it's \$690,000. In budget '18-'19 – you'll see this when you get your books – \$740,000, and then in budget '19-'20 we're allocating \$710,000.

MR. HUTCHINGS: Okay.

Thank you.

MS. COADY: That's if we get our vote.

MR. HUTCHINGS: Let's move down to the same, 2.1.03, Grants and Subsidies.

MS. COADY: Yes.

MR. HUTCHINGS: Could you give me an idea of what's included in that line item?

MS. COADY: Certainly. I'm going to turn to my assistant deputy minister who will give you a good analysis.

MR. CANNING: This is the Mineral Incentive Program. It's Prospector Grants and it's the Junior Exploration Program that we have.

One of the points I'd like to reference here is once you take the benefit of that basic research from our geological survey and this prospector program then is to incentivize and help

prospectors, because there's not a mine that I know of that doesn't have a prospector in its history. The Prospector Grants are there about \$6,000 per person, and we also facilitate some training for those folks.

There are also funds available to help the junior exploration companies complete their exploration. If we think about a world where we have low commodity prices, these sorts of programs help incentivize and de-risk some of those activities which are key to generating the next new mine.

Collectively, they're the Prospectors Grant and they are the Junior Exploration grants.

MS. COADY: If I could just add, so it will add up correctly for your numbers. The Mineral Incentive Program, which is the Prospectors Assistance Program, \$350,000. The Junior Exploration Assistance is \$1.3 million. Then we have a Matty Mitchell Room in the Department of Natural Resources, which was actually funded by Mining NL, Natural Resources, and that's \$50,000 allocated. So that brings you up to your \$1.7 million, but I wanted my assistant deputy minister to tell you how important those programs are.

I'm going to say this, in a down commodity cycle this is very important money to ensure that we have the opportunity to make discoveries and then be globally competitive in terms of opportunity and 'prospectivity' and it's very important to have that prospector allocation to continue our programs, especially in down cycles.

MR. HUTCHINGS: Okay.

So last year everything was basically maximized. So it was pretty busy in terms of –

MS. COADY: Yes.

MR. HUTCHINGS: Are you seeing an uptake now in regard to these programs, or is it constant? What's your view of where it's going to go in the next year or so? Are we going to see an increase in terms of prospectors and the support programs for the industry, or where do you see it going?

MS. COADY: Well, certainly, we had some incredible interest in this program. We made some changes last year to ensure it was maximized and making sure that we were incentivizing people to do the development work. Junior exploration is the core and the foundation of making sure mines happen, and I heard that time and time again at the prospector's development conference in Toronto earlier this year.

What we're seeing is a good uptake on that, which – we spend up to the \$1.7 million, which might mean, if there are more people interested, lower assistance. It really does depend on what type of program that you're doing and how much money we have available to encourage people to invest, obviously, in exploration.

So while there may be – on occasion there's an uptake in it. What happens is when more people come it might mean a little bit less for everybody if we don't have enough money.

MR. HUTCHINGS: Okay. Thank you.

Ms. Michael asked about Voisey's Bay and some of the discussions of a possible rearranging of schedule to get us to 2019-2020. You indicated before – I think I asked questions in the House in regard to the procurement piece and how they may be rearranging that engineering and procurement of that service. You also mentioned a development agreement.

Are you contemplating opening that development agreement to meet the needs or the requests of the players?

MS. COADY: Thank you for the question.

No, we don't anticipate at this point opening the development agreement. What has been requested, which we are analyzing now, is basically a waiver of a couple of – actually, there's only one timeline – to allow for some flexibility within the schedule.

The outcome is the same, but some flexibility within the schedule to allow for these procurement and engineering changes that Voisey's Bay has been making to ensure their costs are as low as they possibly can. It was one of the things they identified when they were

building their smelter – or I wouldn't call it that – when they were building their most recent facility.

OFFICIAL: Processing plant.

MS. COADY: Thank you.

I'm trying not to say smelter; processing plant. Thank you.

When they were building their processing plant is the further along they were with engineering the better the procurement, the lower the cost and the better schedule they could have. So they've come to ask for some waivers of some specific time frames within the project itself but the outcome will be the same. It will not open the development agreement.

MR. HUTCHINGS: Okay. So it's just difficult to understand. Within that window, if you're going to change milestones within the project management, if they have to wait or there's a delay – I don't know if the word is delay – or procurement and engineering design is not going to get done or it's going to be done at a later point, how are you still going to meet the deadline of 2019-2020? I guess that's the challenge in terms of understanding, trying to get there.

MS. COADY: Sure.

We're still in discussions, obviously; we haven't made any decisions on this. But they did come and say: We want to make sure we have all the development, all the procurement and all the engineering done on time.

You may recall in 2015, I think, there was a waiver that was signed by the previous administration.

MR. HUTCHINGS: Yeah.

MS. COADY: This would be similar to that.

MR. HUTCHINGS: Okay.

MS. COADY: So it would be something along the lines of instead of starting something the first of March, we'll start it in, I don't know, I'll use the 1st of July scenario. It doesn't open the

development agreement, it doesn't change the end result, doesn't really change the process, it just changes some of the dates within that time frame.

MR. HUTCHINGS: Okay. Thank you.

CHAIR: Mr. Hutchings, I have to interject here.

Ms. Michael, do you have anything else on 2.1.01 to 2.1.03? Nothing?

MS. MICHAEL: No, I don't, thank you.

CHAIR: Mr. Hutchings.

MR. HUTCHINGS: A couple more, yeah.

I want to reference Ms. Michael again. She asked about Wabush Mines. It's great there are some interested parties. I think there were four proposals you indicated. That's certainly good news.

The issue in regard to Cliffs and the pension issue Ms. Michael spoke of as well, my understanding is there's a federal piece of legislation that needed an amendment to try and go back, if it was ever the case, in trying to provide some assistance to those pensioners. Could you give me an update in regard to that lobby?

I know we had a private Member's motion here in the House from the Member for Lab West. It was agreed that the lobby would start with the federal government and with our MPs to see what could be done. Is there any update in regard to that legislation or challenge to getting it changed?

MS. COADY: As that is a pension issue, it doesn't fall within the Department of Natural Resources. It would be best either answered by the minister responsible or by the Member. Probably they would have the most up-to-date information.

MR. HUTCHINGS: Okay.

I guess further to Ms. Michael in terms of going forward and dealing with the new operator, it's not something you're considering in regard to the arrangement with that new operator in terms

of pensions and how we look at it going forward. That wouldn't be something you would be considering now?

MS. COADY: Our discussion to date with any of these, with any group that has come forward, obviously, is under the regulations and requirements of the *Mining Act*. Requirements under anything else would be with regard to another requirement. We've been providing information and requirements under the *Mining Act*.

MR. HUTCHINGS: Okay. Thank you.

Just a general question in terms of our mineral resources; obviously she said it's up and down based on the commodity price. At downtime there's an awful lot of activity in regard to availing of incentive programs to drive it.

Is there any overview of our mineral or mining sector underway? Do you envision doing anything like that or are you set in regard to, I guess, a mineral development plan for the province as we move forward. Do you see any changes, I guess, in terms of what's happening now or looking at a review or anything like that?

MS. COADY: We have had very good discussions with mining Newfoundland and Labrador and continuing to look at how we continue to encourage, market and promote mining in Newfoundland and Labrador. We are very globally competitive. We rank I think it is number seven, in terms of competitiveness globally, which is pretty substantive.

We continue to work with mining Newfoundland and Labrador, with our prospectors. We meet with them on a regular basis to see if there's anything that needs to be done to encourage. We've been working internal to our department to increase, I'm going to say, or to reinvigorate our promotions, to reinvigorate the types of presentations that we're doing so that we can maximize our opportunity here.

I think we have a tremendous opportunity in mining and you can see that through some of the interest. We've had an expansion of IOC, Voisey's Bay going underground. I've told you about the amount of staking that's happened in

Central Newfoundland and Labrador. I have met with a tremendous number of people moving towards a mine and that's very, very positive.

Just to answer your question, I think we will always continuously review and adapt as the requirements continue, but working with mining NL, with a prospectors group of continuing to ensure that we are leading in this area.

MR. HUTCHINGS: Okay. Thanks very much.

Okay, I think I'm good for that section.

CHAIR: Okay.

I'll ask the Clerk to recall the subheads, please.

CLERK: 2.1.01 to 2.1.03 inclusive.

CHAIR: 2.1.01 to 2.1.03 inclusive.

Shall the subheads carry?

All those in favour?

SOME HON. MEMBERS: Aye.

CHAIR: Those against.

Carried.

On motion, subheads 2.1.01 through 2.1.03 carried.

CHAIR: Before we get into our final set of subheads, the Chair is going to call for a break. We'll just break for 10 minutes and return back again at 10:35 a.m. or so.

Recess

CHAIR: Welcome back.

I'll ask the Clerk to call the final set of subheads, please.

CLERK: 3.1.01 to 3.1.05 inclusive.

CHAIR: 3.1.01 to 3.1.05 inclusive.

Mr. Hutchings, you still have five minutes on the clock.

MR. HUTCHINGS: Okay. Thank you.

I just want to go back, if I could, and ask a general question. I missed it before in regard to maybe an update, Minister, on the St. Lawrence mine; reactivation of that mine, some of the monies that have been invested and just the status on where it is.

MS. COADY: Thank you very much for the question.

We're indeed pleased to have Canada Fluorspar reopening. Work has already begun.

I will turn to Assistant Deputy Minister Perry Canning to give you more in-depth details. Perry, if you would.

MR. CANNING: Before that, just a point of clarification for a question that was raised earlier by the hon. Member. The answer to the question about the external clients and such, that's the Mineral Rights Adjudication Board, just to clarify that to put it into the record.

MR. HUTCHINGS: Thank you.

MR. CANNING: With respect to St. Lawrence, construction is ongoing. It is on schedule. They are fully permitted up from our end and we expect completion sometime this fall. So on schedule as these projects go.

MR. HUTCHINGS: I know the funding, the \$17 million that was originally agreed to a number of years back – actually, I was part of the administration but it was all part of when the business model worked or where the commodity needed to be to make the business plan work. Has that all been expended or do you have any idea in regard to that? Or should I ask the other department in regard to funding to the project?

MS. COADY: Thank you for the question.

The funding comes from TCII.

MR. HUTCHINGS: Yeah.

MS. COADY: Perhaps the question would be better directed to TCII.

MR. HUTCHINGS: Okay.

MS. COADY: Thank you.

MR. HUTCHINGS: I'm just wondering as well, if you're aware, the original approval looked at the wharf docking infrastructure. That was the original plan. My understanding is that was reconfigured and there are other items now on priority in regard to that infrastructure and expenditure. You mentioned, I think, just then that you expect the work to be completed in the fall.

Could you just give me an idea of what work is actually being supported by the government? In the fall, what is it we're going to have in regard to is it an active mine? What exactly are we going to have?

MS. COADY: Thank you.

Anything to do with the funding by the provincial government obviously comes from another department, TCII. I would suggest if you would direct those questions to that department, it would be more fulsome in being able to get those details.

The mine should be available – I'll just turn to Assistant Deputy Minister and ask the timelines on when activation will happen.

MR. CANNING: We understand this fall.

MR. HUTCHINGS: Okay. So forgive me, but when you say activation, just describe what that means. They'll be ...

MR. CANNING: We understand the construction completion will occur this fall.

MR. HUTCHINGS: Okay.

MR. CANNING: The ramp-up on the production is something that I would have to look into.

MR. HUTCHINGS: Okay, but they'll be in the production mode.

Okay. Thank you.

MS. COADY: Thanks Perry.

MR. HUTCHINGS: Do you want me to go on? I'll keep going?

CHAIR: Sure.

MR. HUTCHINGS: Okay. Where are we, 3.1.01?

MS. COADY: Thank you.

CHAIR: Yes.

MR. HUTCHINGS: Energy Resources and Industrial Benefits Management. I just have a general question first, Minister, if I could, in regard to the Energy Plan that was brought in, in 2007. From your perspective, are we in a mode of reviewing that or updating the plan? Maybe give me some information on that.

MS. COADY: Well, thank you for the question.

Obviously, energy policy is critical to the province and a good opportunity – a tremendous opportunity for the province. The Energy Plan that was brought in by the previous administration, as you know, we've been working through most of those components.

We are undertaking a review. We have a new deputy minister who has great experience in this area and we are looking at how we move forward.

MR. HUTCHINGS: Minister, is there a timeline to complete that or is it just an ongoing process?

MS. COADY: It's an ongoing process at this point, but we'll certainly advise when we have more details as to how we are going to proceed.

MR. HUTCHINGS: Okay. Thank you.

MS. COADY: If I may.

MR. HUTCHINGS: Yes.

MS. COADY: At this point in time you can appreciate that the division is really consumed with ensuring interconnection and ensuring NERC and FERC rules; that we're compliant with them and really focused on – I'm going to call it – the transformation of the energy sector.

That's what's consuming a lot of the policy work of the department at this point in time. As we move through that we'll be able to turn our attention to other things.

MR. HUTCHINGS: Okay. Thank you.

I guess related to that is the new generic Royalty Regime that was identified or announced in November of 2015. My understanding is it hasn't been adopted by the current administration. At the time, the current premier sort of indicated he was somewhat in agreement with the outline of it.

I know I've asked before and you indicated by March 30 we would have announced a new Royalty Regime framework. To date, I don't think that's been done. Can you give us an update on where that is?

MS. COADY: Certainly. Thank you for the question; it's a very important point.

As you can appreciate over the last several years – certainly since 2015 and during 2015, even back into 2014 – changes were occurring in the oil and gas industry. They continue to occur because of the down cycle in the oil and gas industry. Because of the lower commodity prices we've basically seen a tremendous upheaval in the oil and gas industry.

We have undertaken a good review of the generic Oil Royalty Regime. We want to continue to ensure that we are globally competitive. As such, we have now an Oil and Gas Industry council that is looking at ensuring that – one of one of our goals is to ensure that Newfoundland and Labrador is a preferred location for offshore oil and gas development. We are also doing a tremendous piece of work around what I'm going to call the ball of value, so not just the Royalty Regime, but also benefits and other components of the full ball of value. That work is ongoing.

Because we want to ensure that we are globally competitive, because we want to be the preferred location, we are working very closely on those particular pieces to make sure that we are aggressively pursuing opportunity in our offshore. I'm sure Members opposite would

agree that we want to make sure we do everything we can to be that preferred location.

The generic Oil Royalty Regime is one piece of that. While a lot of work has been done on the requirements of that, we are going to continue to do those other couple of pieces with the Oil and Gas council making sure that we are globally competitive and making sure that we look at, not just one section of the ball of value, but all sections. That work is continuing.

MR. HUTCHINGS: Okay. Thank you.

There's talk in regard to the White Rose Extension with Husky and hopefully moving that project forward. Your work on the Royalty Regime, is that tied to that benefit agreement discussion? What's your view of that?

MS. COADY: No. You will recall in the previous administration that there was an agreement with Husky with regard to their royalty. We're not in any discussions at this point in time on the Royalty Regime because, of course, that was solved back in 2014.

Husky is working with their partner, which is Suncor, in consideration of how they can best move forward with the wellhead platform. We're hopeful for the announcement of a wellhead platform. We know that work is between those two partners at this point in time.

MR. HUTCHINGS: Can I just ask one more question, just to finish this up?

CHAIR: Sure.

MR. HUTCHINGS: Okay, I just have one more question. The original royalty agreement for White Rose and the partners, that would have been established some time ago when they started their project.

This one here now, would you foresee, based on the Royalty Regime that was introduced in November 2015, we wouldn't be in a position where we'd copy or change what was done 2015 to match what they originally had? Wouldn't we look at a progressive Royalty Regime in terms of moving forward?

MS. COADY: The former administration had reached an agreement with Husky on the –

MR. HUTCHINGS: Extension?

MS. COADY: – wellhead platform. I'm looking at my assistant deputy minister to ensure that is correct. The royalty was already established before I became minister, in terms of that wellhead project.

CHAIR: Thank you, Mr. Hutchings.

MR. HUTCHINGS: Thank you.

CHAIR: Ms. Michael, 3.1.01 to 3.1.05 inclusive.

MS. MICHAEL: Thank you very much, Mr. Chair.

3.1.01, the first one is straightforward again, Minister. Knowing that you gave us the overall picture of Salaries, could we have the specifics under Energy Policy with regard to positions?

MS. COADY: Certainly.

The variance in 2016-'17 was due to vacancies within the division. The 2017-2018, you're seeing the – there are some changes in management structure. We merged two directors.

Pardon me. I have a tickle in my throat.

There's been an adjustment, basically an increase, related to the filling of vacant positions. So we have a couple of new – I think it's an increase due to filling a vacant position and then changes to the management structure that have met with a reduction overall.

MS. MICHAEL: Could we have the names of the positions of the two directors, Minister?

MS. COADY: Thank you. Somebody just handed me some Fisherman's Friend. I may stop coughing now.

It's the elimination of the director of Policy, Planning and Coordination and a couple of specialist positions that were done.

MS. MICHAEL: So the position that is maintained, because it was merged into one, what is the title of that position?

MS. COADY: Director of Electricity and Alternative Energy.

MS. MICHAEL: Director of?

MS. COADY: Electricity and Alternative Energy.

MS. MICHAEL: I like that title. Thank you.

MS. COADY: We did too.

MS. MICHAEL: Thank you very much.

Under Professional Services, the revision from last year's budget was \$165,000 less. The allotment for this year is also less than last year's budget, but only \$66,800. Could we have an idea of what the professional services are in this area? Why the drop last year and again the drop this year?

MS. COADY: Certainly.

The drop in the revised 2016-2017 was due to the Muskrat Falls Project. If you remember, in June of last year the newly revised schedule was made available. Because that work wasn't required, because of the delay in the Muskrat Falls Project, it was delayed until '17-'18. That was on the work on interconnection because, of course, the schedule has changed on Muskrat Falls. That's why the difference in '16-'17.

The \$181,200 under Professional Services, I'm going to give you some indication. There is an electricity system regulation review and regulatory requirements for reliability. Open access regimes have some legal ramifications and there's a review that will enable legal and regulatory changes to connect to the grid. That's around \$90,000 of that money.

There's the – I'm going to call it NERC – North American Electric Reliability Corporation; we have to strengthen our reliability regime. We're dealing with other provinces which are involved in NERC as well. We are doing work with the Federal Energy Regulatory Commission, that's FERC, which will help us to sell to states if it

meets the FERC requirements and to get FERC clearances.

So all that is taking up a tremendous amount of professional services; there's some work under regulatory affairs, a development of a framework regulation under some of consultations that have taken place with regard to regulations in the offshore oil and gas industry. There's some work on energy policy with regard to transmission to North America interconnections. So all that work – and that's what I referred to earlier. There's an awful lot of work in preparation for NERC, for FERC, for that interconnection.

MS. MICHAEL: Minister, with regard to Muskrat Falls and the delay, I guess I don't have enough knowledge to know how exactly this department of government would be related to something like that with regard to the actual work of Muskrat Falls and what the professional services would be that didn't get used because of that.

MS. COADY: Certainly.

The department would be consumed with ensuring that we have the right policies around the interconnectedness. So as you can appreciate, there's a lot of work with the North American Electric Reliability Corporation, as well as with the Federal Energy Regulatory Commission in the United States to ensure compliance, to ensure we have the right regulatory framework so that we can obviously transport the electricity as required. Because of the delay of course, that means we had some extra time to be able to do that work; therefore, we've placed more money in this year than we would have used last year.

I don't know, Corey, if there's anything you would like to add as being responsible for the electricity system, if you'd like to add anything there to that, for that.

MR. SNOOK: I think, Minister, that covers it. It's about the fact that we're not connecting as soon as we thought we would, so the work wasn't required at this time. It wasn't in a position where we were ready to do that work.

MS. MICHAEL: I get that. Now I guess I'd like to know, what would be the relationship then between the department and Nalcor with regard to these issues?

It would seem to me – I can understand the government being involved on a regulatory level but then wouldn't some of that work also be Nalcor work? How do you work together in these cases?

MS. COADY: We work very hand over hand with regard to ensuring an effective electricity system, but I'm going to turn to the subject matter expert to say what exactly is happening. I think that's more your question, what exactly is happening?

MS. MICHAEL: Yes.

MS. COADY: It all has to do with preparing the regulatory environment and the policy environment to ensure that Muskrat Falls is in directive and interconnected.

Corey, is there anything you'd like to add here?

MR. SNOOK: Certainly.

For example, the minister mentioned open access requirements. The US Federal Energy Regulatory Commission requires jurisdictions that move power to have certain rules in place to make sure that you don't discriminate. So if you own a generating plant and you own the transmission, you can't give preferential treatment to your generating companies. You have to have rules around that.

Nalcor in this instance, for example, would make a recommendation or make a suggestion or highlight that this is an issue and it would be then our responsibility as government to ensure that the legislation is in place to meet those conditions or to have regulations in place that will enable that structure, whether that's a direction to the PUB, for example, it could also be in there.

MS. MICHAEL: Thank you, that's helpful. Thank you very much.

That was the Professional Services.

Under the Grants and Subsidies, I notice it wasn't totally used last year and in this year's budget it's going up by \$300,000 over last year's budget estimate. Could we have an idea of – is somebody new being added? Could we get this list of people who've been getting grants and subsidies and maybe just a little refresher of who exactly gets these grants and subsidies?

MS. COADY: Certainly.

The dip last year in the revised 2016-2017, it was lower than anticipated costs associated with the NSP diesel subsidy which was \$2.05 million versus \$2.3 million, a \$250,000 savings. That diesel subsidy is basically for Labrador isolated residential customers.

MS. MICHAEL: Right, yes.

MS. COADY: It brings rates in line with the Labrador interconnected rates.

MS. MICHAEL: Yes.

MS. COADY: When you look at the Grants and Subsidies, I'll break it down for you. The diesel subsidy for 2017-2018 is \$2.3 million, and this will be given to you in your notes as well. The other additional one, which I will point out, is an increased funding for the CF(L)Co trust agreement for 2017-2018. You may be aware, or you will recall that the Supreme Court of Canada has agreed to now hear the case –

MS. MICHAEL: Yes.

MS. COADY: – and there is \$600,000 allocated there for that. That goes in trust to CF(L)Co for that case.

MS. MICHAEL: Okay.

Thank you very much.

MS. COADY: That's what comprises the \$2.9 million.

MS. MICHAEL: Right, thank you very much.

I only have a couple of seconds left, so I'll pass over to Mr. Hutchings.

CHAIR: Thank you, Ms. Michael.

Mr. Hutchings.

MR. HUTCHINGS: Thank you.

I just want to go back and make sure I understand. Professional Services, Minister, there was – Ms. Michael, I think some of that you talked about the significant reduction. I guess it was due to the protest in regard to Muskrat Falls; some of the work was delayed? Was that related to that or something different?

MS. COADY: If you recall, back in June of 2016, Nalcor gave an update on cost and schedule.

MR. HUTCHINGS: Okay.

MS. COADY: This was just following the appointment of the new CEO. There was a significant increase in cost noted and a significant increase in schedule noted. Because the schedule is now different from Muskrat Falls and the transition to the North American connectivity, the interconnection work has been changed because of those timelines. It's been pushed to 2017-2018. That's why the change occurred. So it wasn't due to what happened in the fall, it was really due to what was noted in the change in the schedule and the cost of Muskrat Falls.

This year you'll see the Professional Services, and I can just run down again through that, it was Energy Policy. So a paper on the transmission and North American interconnection, there's work there with the North American electricity reliability. There's work there with the Federal Energy Regulatory Commission as well. So all those things combined is what makes up the regulatory affairs requirements and policy requirements around the interconnection.

MR. HUTCHINGS: Okay, thank you.

I mentioned the delay with the protest last year. Has it been quantified what that actual delay has cost the project to date?

MS. COADY: No, you're referring to what happened in November of 2016.

MR. HUTCHINGS: Yes.

MS. COADY: The CEO of Nalcor, Stan Marshall, has indicated that he will be having an update this spring, likely in June, where he will give any changes to the schedule or to costs.

MR. HUTCHINGS: Okay.

MS. COADY: And he will, at that point, be able to quantify. But I understand it wasn't as significant an impact as was originally thought.

MR. HUTCHINGS: Okay. Thank you.

The Grants and Subsidies, that's related to the offset of – it's a subsidy, right, for the Labrador coast, those other areas?

MS. COADY: Right, because they use diesel.

MR. HUTCHINGS: Right. And then the others, the trust is going forward.

MS. COADY: It's \$600,000 for the CF(L)Co trust.

MR. HUTCHINGS: Right, the Supreme Court.

MS. COADY: Could I just mention something?

MR. HUTCHINGS: Sure.

MS. COADY: I think it will be of interest to you.

As you know, we have a tremendous number of communities that are currently reliant on diesel. As part of my mandate, how can we move forward in getting these communities off diesel for all kinds of reasons, environmentally, cost wise and others?

We've been working diligently with the Canadian Energy Strategy. We co-chair a group that's looking at diesel communities. We also are working with Hydro to look at doing an expression of interest to see how we can have people bring forward ideas on how we eliminate or reduce the use of diesel in these communities.

I think it's something that we all have a responsibility to try and reduce the amount of diesel that we're burning in these communities, give reliable service and look at alternate energies. We're going to continue to do that

work. I think it's an important time to be able to take advantage of some of the new technologies.

MR. HUTCHINGS: Okay. Thank you.

Just a question on the revision of the Agreement on Internal Trade which has been talked about the past number of months, the past year, and the updated agreement and reference that was made, I know, by the Premier in regard to the opportunities for the wheeling of power interprovincially. No one has – I'm not sure what the correct word is – really discriminated against based on what they're doing in their own province.

It's called the Canadian Free Trade Agreement now, I think.

MS. COADY: It is.

MR. HUTCHINGS: Is your understanding there's still an ability for a province to basically opt out of a provision as it did in the previous Agreement on Internal Trade?

MS. COADY: The Canadian Free Trade Agreement includes a regulatory framework governing electricity transmission. It was something that was very important to this province, both this administration and the former administration. It provides rules and builds on the principles of open access and non-discrimination outlined in the Canadian Energy Strategy. Those rules are there in the Canadian Free Trade Agreement.

In addition to the development of these rules, we have agreed, at the request of provinces and territories and the federal government, to engage with the province of Quebec to discuss electricity transmission. The rules are there in the Canadian Free Trade Agreement, but there is a bilateral discussion that will be occurring with Newfoundland and Labrador and Quebec on electricity transmission and on energy.

So at the current status the Canadian Free Trade Agreement does have the rules. They will be enacted in two years, but there will be an exemption agreement, as you've just pointed out. What we're hopeful for and I think what provinces are hopeful for is that we can come to some agreement with Quebec on energy

transmission and on energy as it is so that when we start those discussions with Quebec, we'll have that desire and goal in mind.

MR. HUTCHINGS: Yeah, it's certainly encouraging that within the agreement itself there's reference to engaging in those discussions and identifies the party.

I guess the concern historically has always been that there's a definitive decision, made by whoever, that you get to wheel power east to west and that's always been the challenge. If you look at the Constitution in section 92A(1), I think, in regard to the non-discriminatory provision, there's always been reference to that there, but whatever political party in Ottawa has never had what was needed to work collectively as a nation to get an east to west electricity grid.

I'm hopeful, but yet again, this document doesn't confirm or doesn't ensure that it's going to happen. If you're having discussions, that's great. I certainly hope they're fruitful.

MS. COADY: Thank you.

I agree. We're all hopeful that we'll be able to have a very constructive and positive dialogue on the requirement of an east-west energy grid. It's certainly something that I've been supportive of for quite some time.

I think the rules under FERC and NERC also are supportive of those. Having a serious dialogue with Quebec on electricity and electricity transmission is very, very important. I think that's why our colleagues across the country encourage that bilateral discussion which we will be starting in the near future.

MR. HUTCHINGS: Thank you, Minister.

Are we on to 3.1.02? We are, right?

CHAIR: Yeah.

MR. HUTCHINGS: Yes, okay.

MS. COADY: 3.1.02 now?

MR. HUTCHINGS: Just in the first heading, 3.1.02, Salaries. Minister, there's a reduction in what was budgeted and the revision. I assume

that's related to a position within the department?

MS. COADY: In the revised 2016-2017 there were vacancies in the division during the year. That was why the revised was lower than the Estimate. You will see a slight uptick in the 2017-2018 Estimates.

MR. HUTCHINGS: Yeah.

MS. COADY: That's an increase related to a particular position that was transferred from Royalties and Benefits into Petroleum Development. It was just a transfer. The money is a follow-through on that. There are also some JES adjustments in that area as well. That's why it's increased from last year.

MR. HUTCHINGS: Okay. So that position came from –

MS. COADY: Within the department.

MR. HUTCHINGS: – petroleum benefits, I think you said it was?

MS. COADY: It came from Royalties and Benefits Division –

MR. HUTCHINGS: Royalties, sorry.

MS. COADY: – and is being transferred into Petroleum Development.

MR. HUTCHINGS: Okay, so maybe I'll ask it here. I had some questions under Royalties and Benefits and the whole auditing that goes on in regard to C-NLOPB and making sure we're getting our due course from our –

MS. COADY: Sure, that's under 3.1.04.

MR. HUTCHINGS: Okay, we'll wait until there.

MS. COADY: Oh, it's up to you.

MR. HUTCHINGS: No, we'll wait and go there.

MS. COADY: Okay.

CHAIR: Okay.

Thank you, Mr. Hutchings.

MS. COADY: This particular division, Petroleum Development, is more around the development of –

MR. HUTCHINGS: Sure.

MS. COADY: – opportunity rather than the royalties.

MR. HUTCHINGS: Okay.

MS. COADY: But we can go back and forth as you see fit.

CHAIR: Ms. Michael, further questions on 3.1.01 to 3.1.05 inclusive?

MS. MICHAEL: Thank you very much, Mr. Chair.

Yes, before I move on to 3.1.02, I'd like to pursue a little bit more with you, Minister, what you were talking about with regard to the concerns around diesel usage. Particularly, in coastal Labrador, I think is the main area.

Obviously, I think the Ramea wind project – one of the hopes of that project is to be able to come up with a solution with regard to diesel. I guess I have two or three different points I'd like you to speak to; one would be just to bring us up-to-date on what is happening. Is Ramea taking longer in terms of ironing out the wrinkles? We all know this is experimental; it is research, actually, that's going on.

The other: Is any work being done to look at if it turns out that the Ramea project shows us it really is successful and it could be a viable way of not using diesel, is there work started at all in looking at what the potential for wind energy is on the Labrador coast, any work being done at all with anticipation of that possibility?

Then I guess the third point is why I liked the name of the new director was energy and electricity and alternate. Would that director be involved in this piece of work?

MS. COADY: Excellent questions, and thank you for them.

The whole area of use of diesel in remote communities has been a subject of national interest. It's not just Newfoundland and Labrador who has a lot of communities. It's a subject of national interest, and Newfoundland and Labrador has co-chaired a committee under the Canadian Energy Strategy to look at how we can move from diesel generation to other alternate forms. That work is continuing. We are working at, across the country, looking at how we can improve alternate forms of energy. How do we improve energy opportunity for these communities while lowering costs and lowering ecological and environment impact?

The Ramea project was one such hope. For those who are not familiar with the Ramea project, it was really taking wind, converting it to hydro and then energizing the community. It has not been, I don't think – and I'll say this from my perspective. It hasn't been as easy a transition or a project as one would have hoped it would be. Mostly around – Nalcor has some proprietary work around the transmission or transduction, I don't know the exact word, of energy from the wind to hydro, but that's been a challenge in and of itself.

I'm going to turn to the director who would know the inner most details, but that project has struggled I think in terms of opportunity, in terms of making sure that the backup and the energy requirements are there. That's the Ramea project, and I'll ask Corey to further on that.

The Canadian Energy Strategy does talk a lot about wind energy. It does speak about the opportunity around solar, hydrogen, title power. So there are a lot of different, other opportunities. There have been wind studies in Labrador. Hydro has undertaken multiple studies of alternate energy opportunities, and as we move forward with doing an expression of interest we will make that information available to those that are expressing interest in utilizing some of those other opportunities, be it wind or solar or other.

There are new and emerging opportunities of how alternate energy may be used in this province. I think it's an exciting time, in that we do have a tremendous wind opportunity in the province. It's about how we get that wind to market, whether it would be an international

market or a North American market, that's being worked through.

The person responsible for alternative energies – perhaps, Corey, you can give more information on that. So if you could give us maybe your update on Ramea, as well as the position looking at alternate energy.

MR. SNOOK: Thank you, Minister.

Ramea; the minister referred to the technology which is the wind blows, they use the electricity to power the community when the demand is there. When there's surplus generation, it powers an electrolyzer it's called. So it takes the wind energy and creates hydrogen, that stores in a tank for such a time as the demand is there for it.

When the project was first created, they had a hydrogen generator from Natural Resources Canada. The Government of Canada had a modified Ford generator, and they haven't had the results from that unit that they had hoped. That was in the first phase, they called it.

In the second phase, they were going to look at other technologies and more fuel cell technology, which is more leading edge. When the project was first initiated they had a free unit from NRCan, so they wanted to try to make that work. Now they're looking at fuel cell technology. They've done some work and that's ongoing to figure out if and when they can get fuel cell technology into that system.

MS. MICHAEL: I'm sorry; I'm not getting what kind of technology you're saying.

MR. SNOOK: Fuel cell technology. It takes hydrogen and allows you to turn it into electricity.

MS. MICHAEL: Right, but that's always been there.

MR. SNOOK: No, it wasn't fuel cell. It wasn't converting hydrogen using fuel cell. It was converting hydrogen using a combustion generator.

MS. MICHAEL: Okay.

MR. SNOOK: So that's sort of a little more old school, basic technology. I shouldn't say basic, but not akin to what companies like Ballard Power and other companies around the world are doing with fuel cell technology.

MS. MICHAEL: Okay.

MR. SNOOK: They're trying to assess whether or not they can integrate that in a way that's economic.

I think with the wind systems in general, and the minister mentioned the Coast of Labrador and the data that's been collected to convert these communities. Diesel continues to be very important to isolated systems around Labrador and the Coast of Newfoundland, but around the world because they're proven. The technology is understood. You have local repairs. People understand diesel mechanics.

So in the middle of a winter in a cold northern environment, people want reliable power, number 1. That's the foremost for safety and comfort.

MS. MICHAEL: Yes.

MR. SNOOK: So trying to find that balance between, number one, reliability reigns; and, number two, cost. You can take these systems out, but at what cost. We're trying to make sure people can afford the power they have. It's great if you have all wind and batteries, but it needs to be reliable and it needs to be somewhat affordable. So we're trying to find that balance, is what the minister referred to, expressions of interest seeking what's out there to look at options to reduce diesel. Not necessarily eliminate it, possibly eliminate it, but we have to balance reliability with cost.

MS. MICHAEL: Right.

Thank you.

MR. MCINTOSH: (Inaudible) the point I was going to make is that I, fortunately, have some experience in hydrogen fuel cell technology and its application and the use of electrolyzers around the world, and if anyone wants more information on that, I think there is something in terms of education that needs to be done on that

front. Tremendous strides have been taken going forward, especially Canadians – Ballard, Hydrogenics, but also in the Far East in South Korea and the Japanese with major steps forward.

MS. MICHAEL: If I could just ask one more question, again related to what you've said about on a national level everything is being looked at. I hadn't planned on this question, but brought on by that.

There was a lot of noise when the tidal energy system in the Bay of Fundy was brought online. What's happening with regard to monitoring that and how successful it is or is not? I haven't heard a word about it since that day, I don't think.

MS. COADY: It's certainly something that we're watching with great interest. I'm going to ask my deputy minister, who's actually been meeting on this, because tidal energy is evolving rather rapidly and the systems around tidal energy are changing completely. What used to be almost like a turbine from an airplane is now down to a small apparatus.

I know the deputy minister has done some work in this area even recently. So we are carefully monitoring and carefully keeping an eye on that opportunity, because it's not just – I mean, we have a great wind opportunity, but we also have a great tidal opportunity.

MS. MICHAEL: That's right. Yes.

MS. COADY: Maybe, Deputy Minister, you can just say a few words about that.

MR. MCINTOSH: Thank you, Minister.

Yes, certainly. Two weeks ago I spoke at a conference in Halifax. I was able to monitor what's happening in terms of force and the progress in the Bay of Fundy. That's going forward, really, tremendously well.

In addition, I've been closely involved with EMEC in the Orkney Islands of Scotland, which is the European Marine Energy Centre for tidal energy and wave energy. We have one project at the moment we are looking at here in Newfoundland that's quite exciting in terms of

tidal energy. We're hopeful of taking those projects forward.

The specific project is looking at what can be learned from the technology. There are at least 35 to 40 different tidal energy apparatus machines that have been tested around the world. We're beginning to get to the point where there are commercial applications in relation to tidal energy which is very, very positive.

MS. MICHAEL: Great. Thank you very much.

MS. COADY: As you're hearing today, there's a lot of work being done on these alternate technologies and alternate energy opportunities for the province. I think it's an exciting opportunity.

We are looking at, as I said, the expression of interest off the coast of Labrador for any of our isolated diesel communities. We are pursuing opportunities in solar – not solar, sorry – in wind and in tidal, and even considering some solar opportunities, but we don't have as much sun as we would hope in this province.

MS. MICHAEL: I think Labrador gets a bit more, actually, than we do here on the Island.

MS. COADY: They get a lot more than we do.

MS. MICHAEL: Yeah.

MS. COADY: There's hope there.

MS. MICHAEL: I've done enough work up there to know there's lots of sun.

CHAIR: Thank you, Ms. Michael.

MS. MICHAEL: Thank you, Mr. Chair.

CHAIR: We'll just switch it back to Mr. Hutchings.

MR. HUTCHINGS: Thank you, Mr. Chair.

It piqued my interest listening to Ms. Michael in regard to – there was a project in Lourdes on the South Coast. It was tidal action. We supported it through the former Department of IBRD. Is the department involved with that at all? I'm just wondering what any results out of that were?

MS. COADY: I'm not –

MR. HUTCHINGS: Not aware? Okay.

MS. COADY: I had not heard about it. I'm looking at the director and I see him shaking his head.

MR. SNOOK: This is probably 10 years ago?

MR. HUTCHINGS: Yeah, it probably is.

MR. SNOOK: No, we were not engaged in that from an electricity perspective.

MR. HUTCHINGS: Okay.

MR. SNOOK: I think it was TCII maybe.

MR. HUTCHINGS: Okay. Thank you.

Minister, could you just give me an update on – we're talking about Petroleum Development here under 3.1.02 – the Come By Chance oil refinery, maybe a status? There were some inquiries or things in the media in regard to a possible sale. Is there any update on the status of that or have you heard anything from the operators?

MS. COADY: No, I haven't heard anything more recent to what the question was at the time.

MR. HUTCHINGS: Okay.

MS. COADY: I had been speaking to them. Of course, we're always open to discussions with the refinery. As you know, they need to be continuously looking at their competitiveness, but nothing new to report.

MR. HUTCHINGS: Okay. Thank you.

As well, just to ask, I know in the last sitting of the House there was – I forget the bill number – a bill related to controlling the carbon footprint, greenhouse gas emissions. I think there were five operators in the province that were included in that piece of legislation.

Since then, the federal government has come out and said they're going to mandate the provinces to come up with greenhouse gas reductions, percentage-wise, over a number of years. I'm

just wondering, as the Minister of Natural Resources for the province – and you look at places like Come By Chance, you said about being competitive – what's your thought on those two models and how we move forward to look at greenhouse gas emissions, but as well look at the economic viability of industry in our province?

MS. COADY: Thank you for the question. I think it's a very important one.

Competitiveness is essential in our industries. I think that is why the Minister Responsible for Climate Change worked so diligently to ensure we have a provincial solution, and working with our federal colleagues to find the right balance there.

The Minister Responsible for Climate Change has been very engaged with industry and continues to be very engaged with industry, ensuring that we recognize unique circumstances in our province with regard to the offshore oil and gas industry and with regard to mining and the refinery itself. I know he is completely involved and aware of ensuring that competitiveness.

MR. HUTCHINGS: Okay. Thank you.

Minister, I just have a couple of other questions on line items; 3.1.02, in particular, Purchased Services. There seems to be a significant increase. I don't know if we've covered that or not. It went up significantly in the revised and then it's down again this year, down, actually, below what was estimated last year. I'm wondering if you can give me some explanation on that line there.

MS. COADY: Certainly.

The increase, I understand, was because of an annual software maintenance program: Petrel software. We also had some relocations for three employees during that time. That's what the increase is. You'll see, I'm going to call it, rightsized again under 2017-2018 at \$264,000. That's basically because of zero-based budgeting and, again, building it up.

I will go through with you some of the Purchased Services that are required for that

\$264,500. Under Petroleum Engineering, that's software and the software licences; it's Petroleum Geoscience, so that's core storage that is required. There's marketing in there as well; for example, floor space and booth rental, space in exhibit, exhibition management services at OTC and ONS. The registrations, marketing material and advertising is in that as well.

It's a large number, but it really does speak to a lot of our marketing requirements as well as some of our software requirements for the division.

MR. HUTCHINGS: Okay. Thank you.

MS. COADY: In doing some of the rightsizing and moving things around, you'll note that we bumped up Transportation and Communications. You'll see some, I'm going to call it, movement of funds from Purchased Services up to Transportation and Communications.

If you look at Transportation and Communications, it's up from previous years and the reason for that is because we are doing so much marketing and promotions. We have to go to the NAPE Summit; we have to go to APPEX. These have all been identified by a consultant.

MR. HUTCHINGS: Yeah.

MS. COADY: It's a recommended marketing plan and making sure that we're getting out there and telling the story of the prospectivity and opportunity of offshore Newfoundland and Labrador.

MR. HUTCHINGS: Okay. Thank you.

3.1.03: that's the Canada/Newfoundland and Labrador Offshore Petroleum Board and the Grants and Subsidies. The relationship with C-NLOPB, it's all good? Any changes or ...?

MS. COADY: Actually, it's very good. We do meet regularly with the C-NLOPB. We have an ongoing dialogue to ensure that we are monitoring and aware of all conditions and requirements.

MR. HUTCHINGS: Uh-huh.

MS. COADY: As you'll note by this appropriation in 3.1.03, C-NLOPB is now 100 per cent cost recovered from industry.

MR. HUTCHINGS: Okay.

MS. COADY: There's no impact on the coffers of the people of the province. It is all now cost recovered from industry.

MR. HUTCHINGS: Yeah.

MS. COADY: Very important, obviously, C-NLOPB is to the development and regulation of our offshore oil and gas industry. They are responsible for the safety, for the benefits for development of that industry.

MR. HUTCHINGS: Are all board appointments filled at C-NLOPB now?

MS. COADY: Yeah, that's a very good point. I was just about to raise it, actually.

We are in the final stages. There was one vacancy available on the board of C-NLOPB. It was a provincial vacancy. We've gone through the Independent Appointments Commission and they've made some recommendations that will soon be coming forward.

There is a second vacancy that just recently opened up on the untimely and unfortunate passing of one of the board members. That will be moving forward through the same IAC process. But because they've been recruiting for some time, they'll have a pool of people to choose from, I'm sure, and we'll get to that expeditiously.

MR. HUTCHINGS: Okay. Thank you.

Minister, we talked about last year, I think – and I was somewhat familiar with it – in regard to the seismic vessels that were coming and the change in Transport Canada regulations. You sort of downloaded them to the provincial Occupational Health and Safety. We had some challenges with changing of crews and all of those types of things. Has it worked through that or is that still an issue?

MS. COADY: Well, allow me first to tell you what's happening this summer with regard to seismic.

MR. HUTCHINGS: Sure.

MS. COADY: Because I think that's very exciting. Then, I'll talk a little bit about the OHS regulations. I'll turn it to our assistant deputy minister for further clarification because that's very, very important.

There will be two 3-D seismic vessels – which is very, very good – off our coast this summer doing 3-D seismic which is more in-depth and in detail and one 2-D seismic. I'm just turning to assistant deputy minister to make sure I'm correct in that.

We have the largest seismic program in the world today in offshore, so it is tremendous that this continues and especially at the degree and level that we're seeing now. 3-D seismic is really advancing the knowledge and information.

As you are aware in the last couple of years, there's been a tremendous investment through the land tenure; over a billion dollars in 2015 and \$776 million in '16 with oil and gas companies coming to the shores of Newfoundland and Labrador to do exploration. To see that seismic activity, really, continue is phenomenal. It speaks to our prospectivity, it speaks to the encouragement, I think, of the industry of ensuring that they have the information that they can make investment decisions and hopefully move from prospectivity to production in a very short period of time.

It's one of the things that we are considering through the oil and gas council. How do we shorten that time from prospectivity to production? We want to move forward as quickly and as responsibly as possible to do that.

On the OSH regulations, I can tell you there was a concern a couple of years ago, a huge concern, with regard to having – there were some new regulations brought in. There are now some transitional regulations about to be brought in that meet the requirements of the regulation, but also are probably meeting the needs of the

operators as well in terms of moving forward rather expeditiously.

For more details on that, I'm going to turn to the assistant deputy minister responsible, Wes Foote, to give you probably a more detailed update on the OSH regulations.

MR. FOOTE: Thank you, Minister.

Yes, as indicated, there were amendments made to the Atlantic Accord act that came into effect in December of 2014. As part of that comprehensive OSH regime which we had been working on for a number of years – it brought in modern OSH principles: the right to refuse, et cetera – the regulations that came along with that regime were older regulations that were promulgated in the federal system.

It was always planned from the beginning that these older regulations would be replaced by more modern permanent regulations and there was a five-year time frame given in order to allow that. But in order for the legislation to come into effect, you had to have some regulations. Those were what we referred to as the Transitional Occupational Health and Safety.

There were two provisions that the province felt would get us through that short period and that allowed the chief safety officer of the C-NLOPB to either substitute or exempt requirements.

MR. HUTCHINGS: Yeah.

MR. FOOTE: As it turned out, the chief safety officer went more on the substitution route than the exemption. In order to substitute, there were submissions that needed to be made, so there was some paperwork that had to happen.

Two things happened during that period. There were a group of operators – and the process that the board uses is called a regulatory query. It's a formal process. The operators who were in this area were familiar with that. The geoscience contractors, geophysical contractors are not so much familiar with that, so it caused some concerns.

Also, as part of the new legislation that came in, there was a requirement to publicly publish for a 30-day period to get any comments from

outside. There never were any comments but the publishing period was required. All of that to say those were the concerns in the spring of 2015.

Those concerns have been alleviated now; everyone understands the process. Basically, if you use the same asset that you bring in, once you've gone through that process, you don't have to go through it again, you're good.

As the minister alluded to, because we had so many of those regulatory queries, the ones that appeared to be of highest volume, the committee set about to do amendments to those immediately. Right now, we should see a *Canada Gazette* this July. So they would just take those requirements out, amend them so that those RQs are just not required. Meanwhile, the permanent regulations, the full suite, are still under development.

MR. HUTCHINGS: Okay. Thank you.

CHAIR: Thank you, Mr. Hutchings.

Ms. Michael, we'll turn it back over to you.

MS. MICHAEL: Thank you, Mr. Chair.

I'd like to continue a few more questions with regard to the C-NLOPB. They're related, actually. I'm interested in the right to refuse. One of the issues that we don't hear much about right now, but it's still there, is the whole thing of the night flights.

I'm taking it for granted that there hasn't been any operator who's requested to use night flights. We know they can request. Right now there seems to be a bit of a hiatus with regard to it, but we still don't have anything in place to say night flights are not going to happen, even though at the moments they're not happening.

It would seem to me that if they were to be brought back in – which I hope they won't personally – then it sounds like the right to refuse could be something that could be kicked in at that point in time. I'd just like a bit of discussion around the whole night flight thing.

MS. COADY: Thank you.

C-NLOPB; obviously, this is something they would be reviewing, considering and understanding.

MS. MICHAEL: Yes.

MS. COADY: It has not been raised in discussions with me as being anything that is on top of mind or under – I'm sure it's always under constant awareness, but it hasn't been raised with me at this point as something that's going to change. The C-NLOPB has that responsibility and takes it very seriously, as do all operators, actually.

With regard to the right to refuse, I don't know, Assistant Deputy Minister Foote, if there's anything there that you – I mean it is a principle that is under the OHS regulations. Is there anything there to be added?

MR. FOOTE: I can just comment on the process. In terms of just going back as well to the night flights, there were certain additional requirements to the aircraft – like, for example, the auto-hover requirement – that basically would make night flights safer than they were before. A lot of that work has been done.

In terms of the right to refuse, the process is as it is in the province. A worker would assess the situation, bring that to their supervisor. The supervisor assesses that situation, makes a decision and then that can be appealed right up through to the chief safety officer.

MS. MICHAEL: Right.

MR. FOOTE: As you indicated, there haven't been any evening flights for a while, so that hasn't come up.

MS. MICHAEL: Right. Thank you.

Now, Minister, I mean I do understand that the C-NLOPB has the role that it has, but the government – it is the Canada-Newfoundland and Labrador Offshore board. It would seem to me that, certainly, if discussions around this nature were to happen, wouldn't the person representing government on the C-NLOPB have some position to bring forward in that discussion?

MS. COADY: Thank you.

Obviously, when discussions come up in the C-NLOPB that have impact or have – or they certainly have larger impact, they do come to government for a decision.

MS. MICHAEL: Right.

MS. COADY: I don't know if this particular one – we do have a process in place. There are people that do sit on the board. They sit as individuals, but they do represent the province in that they are provincial appointees to that board, but they are acting on behalf of the best interests of the C-NLOPB.

We haven't had any major discussion. As I said, I meet on an ongoing basis with the C-NLOPB. Night flights have not come up as something that is under consideration or review at this point that I'm aware of.

MS. MICHAEL: Thank you.

I'll just make one point; I don't need a response to it. I think as we're getting more and more exploration happening and now with Hebron being towed out, I think this may more and more become an issue, so just to put that forward.

Another point related in terms of something that came out of the Wells Offshore Helicopter Safety commission – because this did come out of that because of the disaster we had. Judge Wells did recommend the independent offshore safety authority, which is not an unusual thing in the industry. It exists in other places.

I'm just wondering if that is on your plate at all. Is there something? Are you discussing it? Are you looking at it? We were told the provincial government would lobby the federal government about this. Is any discussion happening at all around it?

MS. COADY: Thank you for the question.

Regarding Justice Wells's report, I understand that all aspects have been implemented. His requests and requirements around the outcomes of the very difficult situation with regard to the Cougar flight have been implemented. Making sure and ensuring that safety is the number one

priority, not just of C-NLOPB but indeed all of us, indeed the operators, indeed employees, indeed the government, indeed all of us are – safety first is, I guess, is the mantra that we must uphold.

With regard to the safety authority that you mentioned, there has been some review by the federal government with regard to some of these aspects. I've been very focused on making sure that all safety requirements of the Wells report were in place. The discussion around whether or not a separate authority – there's been a lot of review by the federal government. For example, there's a review underway now with regard to the National Energy Board. There are lots of considerations, but nothing specific to the safety authority that I'm aware.

MS. MICHAEL: Okay. Thank you. The discussion is to be continued on this point.

I will go on then to 3.1.04, Royalties and Benefits. Could we have a specific explanation of the salary line? There's been a drop from last year's budget by \$202,300.

MS. COADY: I'll first talk to the revised budget in '16-'17.

MS. MICHAEL: Sure.

MS. COADY: That was due to vacancies within the Energy Economics and Royalties Division during the year. At different times during the year we might have been in a recruiting mode trying to bring people in to the department.

There has been a change to the management structure. We did combine the director of Benefits and the director of Energy Economics into one position: the director of economics and benefits. So we've kind of combined those two because they work in tandem, those two things. You have to have the economics in order to work out the benefit side of things.

There was a second position, a manager of negotiation and industry liaison position that was never filled. It was on the books, but it had never been filled. When it's not filled it still carries the line item, but it just was never filled. That position has been eliminated. That's why

there's been a reduction in the overall salary estimate.

MS. MICHAEL: Minister, do you have any idea of why that position was being looked at as a potential position?

MS. COADY: No, I'm sorry. It was prior to my term as minister.

MS. MICHAEL: Okay. Thank you.

With regard to Professional Services under this subhead, the budget was \$670,000, the estimate for this year – or for last year, rather – and then it actually went up to \$4,531,600. So something in particular happened last year, obviously. Could we have an explanation?

MS. COADY: Absolutely. It's a serious increase, no doubt.

That was related to an audit conducted by Natural Resources from the period 1997 to 2004. There was an audit conducted of that time and it went to arbitration. The audit findings relate primarily to a disallowance of certain insurance premiums as eligible for royalty deduction. The Department of Natural Resources, in an audit of a particular operator, said we were disallowing certain insurance payments.

The operator felt that shouldn't be the case, that they were royalty eligible, eligible for royalty deductions. It went to arbitration. The department was represented by legal counsel. Arbitration went in favour of the operator, and we had to allocate then funds to provide for the expenses of the operator with regard to the arbitration. So we booked that, and that's why it was a tremendous amount. We used savings within the department to find the money for that, and that's why it's there on the books.

That arbitration is now under appeal because the department still feels that insurance premium costs should not be royalty deductible. There's a fairly significant amount of money involved in this, but we had to book the expenses because that's what the panel had determined. So the panel had determined that the department had to cover the costs of the operators over this arbitration, which is what's been booked.

Now if you look at 2017-2018, we have \$170,000 there. That's under Professional Services.

MS. MICHAEL: Professional, yes.

MS. COADY: In that \$170,000, that is some consultants to supplement the audit work that is required and that is some of the benefits to fund the Oil and Gas Industry Development Council. There's nothing there for those, what I'm going to call, arbitration and panel amounts because we can't budget for something that we don't know will happen.

MS. MICHAEL: Right.

CHAIR: Thank you.

MS. MICHAEL: That, then, brings me to another question.

Was this the first operators to bring up this whole issue of saying that the insurance payment should be deducted from royalties?

MS. COADY: I'll turn to my subject expert on the matter.

MS. SULLIVAN: It's not that insurance costs are not deductible, period; it has to meet certain conditions and be filed in a certain time period, et cetera. This is the first arbitration, that I'm aware of, that has come up in regard to these particular costs.

But, again, each project has different terms, different agreements in place. In this particular one, the insurance costs that were incurred were deemed to be outside of those agreements. As the minister has indicated, we are appealing that initial decision, but it's not uncommon that if you're on the – not the winning side of an arbitration, that costs may be awarded.

MS. MICHAEL: Right. It's not a general issue; it's specific and could or could not have implications for other agreements.

MS. SULLIVAN: That's correct.

MS. MICHAEL: Okay. Thank you.

CHAIR: Thank you, Ms. Michael.

We'll turn it back over to Mr. Hutchings.

I will remind the Committee that it is 11:47 a.m. and we're scheduled to break at noon. But if we need a few extra minutes we can ...

MR. HUTCHINGS: Okay.

Thank you, Mr. Chair.

Just a question on that point, Minister; it was an arbitration that was won by the applicant. We're taking it to court, I guess, are we, or appealing it to court?

MS. COADY: Appealing it.

MS. SULLIVAN: The arbitration is actually split into two parcels. We were not successful in the first section and we are appealing that decision of the arbitration panel to court.

MR. HUTCHINGS: Okay.

I'm just wondering, we were mandated to pay out the \$4.5 million before we went to court? We couldn't ...?

MS. COADY: Thank you.

It was pretty much the same question I had asked and inquired.

The panel itself had determined the cost should be awarded. So we respected the panel's ruling with regard to that and paid out the required amount of expenses with regard to that arbitration panel.

MR. HUTCHINGS: Was this the expense or was it basically the expense you mean in regard to the insurance or whatever it was for? What exactly was the \$4.5 million for?

MS. COADY: The panel cost would be the cost of the panel itself as well as legal fees were included in that \$4.5 million. I don't think anything else was included. It was mostly the arbitration panel costs as well as the legal fees of the operator.

MR. HUTCHINGS: When you say the panel's cost, do you mean costs of operations or cost ...?

MS. COADY: Yeah.

MS. SULLIVAN: Do you want me ...?

MS. COADY: Yes, please give more detail.

MS. SULLIVAN: In terms of this particular operator, there is a provision in their agreement that we will go to arbitration on issues such as these. The normal course of business would be that we would establish the three-party panel and the costs of the panel conducting the arbitration are split between both parties.

MR. HUTCHINGS: Okay.

MS. SULLIVAN: When we talk about panel costs, we had to pay the panel costs as well for the operator as awarded by the panel, in addition to a portion of the operator's legal costs.

MR. HUTCHINGS: Okay.

MS. SULLIVAN: We didn't end up having to pay 100 per cent; we argued that they should be reduced. And they were.

MR. HUTCHINGS: Okay.

I mentioned before in Royalties and Benefits in regard to auditing and where we are in regard to equity, getting returns on investment and all those kinds of things. Can you just give an update on where we are in regard to the oversight of that? Are we up-to-date in terms of audits being done with the C-NLOPB and that type of thing?

MS. COADY: Thank you for the question.

Obviously, audits are a very important part of what the department does of ensuring that the agreements that have been made with operators are reviewed and audited on an ongoing basis. We have money allocated in here, for example, to do audits.

We have to travel, in some cases, to Calgary to do those audits because that's where their headquarters are based. There's money involved in that which has been allocated in some of the Transportation and Communications, for example, budget to ensure that they do that.

Audit is something that we take quite seriously. I'm going to turn to the assistant deputy minister to give us a further update on where audit sits at the moment. Attracting and ensuring that we have effective auditors has always been an important point for the department.

MS. SULLIVAN: Yes, in terms of the audit department, an interesting correlation that when oil prices are low, we have a better chance of retaining our auditors because they're not being hired by operators. So we've had the benefit of actually having a fairly stable audit department over the past year, albeit there have been a couple of vacancies. In addition, I will just highlight that there's a new audit system that's been brought in over the last couple of years for royalties which has made our work much more efficient than in previous years.

In terms of the status of the audits, I don't have each one outlined here, but I know that we are well within the timeline of required audits. There's nothing outstanding or nothing of any concern at this point in terms of those timelines and having the audits done on time. We're very, very cognizant of that.

MS. COADY: (Inaudible.)

MR. HUTCHINGS: Okay. Thank you.

Minister, I'll go to 3.1.05, investment in Nalcor and its subsidiaries. What's the total investment? I know it's here somewhere, but just take me through the total investment of Nalcor this year from the provincial government. That would be Muskrat Falls and the other equity pieces, I guess.

MS. COADY: It is significantly less. If you remember last year it was \$1,313,000,000. This year it is down to \$485,400,000 – significantly less. Most of the reason that it's significantly less is because of the extension of the federal loan guarantee that was announced in the fall. Because of the lower requirements under that federal loan guarantee program, we've been able to reduce the requirements of equity in Nalcor. That is why it is significantly less.

MR. HUTCHINGS: Has that agreement been signed, the extension of the loan guarantee?

MS. COADY: As I understand it, it's in the final processes. Yes.

MR. HUTCHINGS: So for all intent and purposes, if you're booking it in here in regard to the savings, it must be done.

MS. COADY: Yes.

MR. HUTCHINGS: Okay.

Do you have – in regard to and maybe it's here somewhere – the actual savings because of the extension of the loan guarantee in terms of interest savings or what that would be? You indicated that meant less equity you had to take in Nalcor. Do you have a number of what that savings would be or what it would represent?

MS. COADY: It would depend on what savings you're looking at. If you're looking at savings overall because of the lower interest rate that would be gained, it's estimated to be about \$1.5 billion.

Over the period of time that we would be utilizing the extension of the loan guarantee and getting that lower rate because of utilizing the federal government's borrowing rate, it's approximately \$1.5 billion. That's significant. Because in this particular instance the equity is being reduced because of some of the functions of the loan guarantee, we were able to reduce the equity requirements.

If you will remember, there were some upfront equity requirements of the loan guarantee. We were able to change some of those requirements to bring down our equity needed; therefore, that's what reflected in having brought down the number from \$1.3 billion to \$485 million.

MR. HUTCHINGS: Okay.

In 3.1.05, Loans, Advances and Investments, the Estimate this year is \$710 million. So \$485 million is from Muskrat Falls and the others are the various oil and gas projects, I guess, equity or ...?

MS. COADY: No, it's actually a hydro loan. When Hydro went out to the market – and that's the \$225 million – the bond market was quite high at the time. Instead of utilizing the bond

market at the time with the higher bond rating, we actually borrowed on behalf of government and got a lower rate and therefore were able to reduce the overall cost of borrowing for government.

MR. HUTCHINGS: Okay.

MS. COADY: By doing that, Hydro may go back out into the bond market again and look for a lower bond market. At that particular time it was a high bond market, but it was the way in which it was done to ensure we had the lowest cost impact as possible.

MR. HUTCHINGS: Okay. Thank you.

My understanding is Nalcor paid a dividend back to the province this year. Is that correct?

MS. COADY: You're talking about 2016-'17 or '17-'18?

MR. HUTCHINGS: I think it's projected for this year. They're projected to pay a dividend this fiscal year.

MS. COADY: I'm going to just make sure. I don't know the amount.

MR. HUTCHINGS: Okay.

MS. COADY: I'd have to check that for you. Corey, can you check that?

We're going to check that amount, if there is any dividend booked.

MR. HUTCHINGS: Okay.

Minister, originally there was an Ernst & Young report. It was an interim report. I think it was estimated to be about a million dollars. I think then the final report, maybe, was going to be made available in early 2017. Could you just give me an update on that report, where it's to and what the cost incurred to date is?

MS. COADY: Certainly.

As you will recall, one of the first things that we did when we came into government was to have EY, Ernst & Young, come in and do a cost and schedule an associated risks review of the

Muskrat Falls Project, which they did. They did an extensive report that had a number of solid recommendations which government accepted and implemented.

One of the things that was in that report, of course, and one of the things that we had been monitoring and had been going on in the previous administration, was an ongoing discussion with Astaldi, which was the contractor for the powerhouse.

In December of 2016, there was an agreement with Astaldi as to a plan to how to proceed. Coming from that I did have a conversation with EY for EY to come back in and to really finalize what I'm going to call was the 2016 report, finalize the initial report. They had been having some discussions with the Oversight Committee on a go-forward engagement to ensure that independence and review is there.

I understand that through the Oversight Committee, which is where the EY report was originated – has been discussing, reviewing and working with EY on both finalizing what I'm going to call the original report, and then looking at a path forward on how we continue to ensure that overall assessment is ongoing.

CHAIR: Thank you, Mr. Hutchings.

Ms. Michael.

MS. MICHAEL: Mr. Chair, actually all the questions with regard to the last subhead are questions I would have been asking, so I think we've had a full discussion. The last one I was going to ask was about EY, so I don't have any more questions.

CHAIR: Before I turn it back to Mr. Hutchings, then, would you like to have some closing remarks, Ms. Michael?

MS. MICHAEL: Yes, I would. Thank you.

I have found this session today very helpful, Minister. I'm very grateful to all of your staff. You've really given us a lot of information that's been really helpful. We may have more questions for the minister that perhaps in the House – I have a couple here that I'm thinking

are more House questions and I'll save them, but it's been a very good morning.

Thank you so much.

MS. COADY: I was very glad that my officials were able to engage and give you the substance of some of the depth of the conversation. I wanted to make sure they were available to you as they are to me.

CHAIR: Thank you.

Thank you, Ms. Michael.

I'll turn it back over to you, Mr. Hutchings.

MS. MICHAEL: Not casting aspersions on anybody else, but this was an excellent session with your officials.

MS. COADY: Good. Thank you.

CHAIR: Thank you, Ms. Michael.

We'll turn it back over to Mr. Hutchings.

MR. HUTCHINGS: Thank you, Mr. Chair. Just a couple questions to clue up.

Minister, is there any discussion with regard to deep water – I know there is some exploration going on – with Statoil and others? Can you give us an update on where that is? I know they're doing, I think, two exploratory wells this year.

MS. COADY: Uh-huh.

MR. HUTCHINGS: Where do you envision that going in terms of – obviously, it's a long road between exploration and production, but where you think that is and a status update on that?

MS. COADY: Certainly.

We're very pleased that Statoil has continued to do exploration in the Flemish Pass in particular. You will recall in the last couple of years a significant discovery – I'll call it a significant discovery – in Bay d'Espoir. We've had some other discoveries in Mizzen, Baccalieu and some other locations – I'm going to call it – in the Flemish Pass.

Statoil will continue to do that exploration this year. They're reviewing the geology to see how they may be able to move forward with production. As they continue to do that review and as they continue to do that exploration, I'm sure they'll be coming to have discussions on how we can possibly plan for production.

It will be a significant – this is a different area in the Province of Newfoundland and Labrador.

MR. HUTCHINGS: Yeah.

MS. COADY: It is deep water and it is significantly further out than, say, the Jeanne d'Arc which is where all of our development has been. But it does offer a great opportunity for Newfoundland and Labrador to expand into another basin and that's very exciting. We look forward to having further discussions with Statoil as they move towards making some, hopefully, development plans.

I would also like to add to that, if I may, the West Orphan Basin. I just want to make sure that everyone is aware. Right now, all of our development is in the Jeanne d'Arc Basin; you're hearing more and more about Statoil's Flemish Pass. I want to make sure you're aware of the West Orphan Basin and the excitement around that.

That was the subject of the last land tenure was in the West Orphan Basin. We had a number of new entrants. We have Hess and Noble joining BP in that area. They're experts in a play trend which is a fan-like structure in offshore in the West Orphan Basin. So it is very good to see the continued prospectivity and opportunity in Newfoundland and Labrador. We're going to continue to work to ensure that we maximize our opportunities in that area.

MR. HUTCHINGS: Thank you, Minister.

Just one final question; there's the UN Law of the Sea that's related to the continental shelf and development beyond 200 nautical miles. There was always a back and forth with the federal government and others of who would – I think it's 7 per cent royalty that over a period of time is paid out to the United Nations.

Have we moved forward in discussing that in terms of who's going to take responsibility for that? I think it was our position in the past that Newfoundland and Labrador wouldn't but someone else could pick it up.

MS. COADY: A couple of key things. UNCLOS – it will be the first time in the world that this has been enacted.

MR. HUTCHINGS: That's right, yeah.

MS. COADY: There is a set progress step, as you pointed out. It goes up to 7 per cent but it takes quite some time.

MR. HUTCHINGS: Yes.

MS. COADY: It is fairly clearly laid out how that progresses. We've left it to the federal government who is responsible for UNCLOS and left it, at this point, as part of their requirements. We'll continue to monitor this as we move forward.

We're not in any formal discussions with Statoil at all on development. So at this point, it is something that we're just merely watching with interest.

MR. HUTCHINGS: Okay.

Thank you, Minister.

Mr. Chair, that's it for me, but I certainly want to thank the minister and her staff for a very informative session this morning. I look forward to maybe further questions in the future.

Thank you.

CHAIR: Thank you.

If I could get the Clerk to call the last set of subheads, please.

CLERK: 3.1.01 to 3.1.05 inclusive.

CHAIR: 3.1.01 to 3.1.05 inclusive.

Shall the subheads carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Against?

Carried.

On motion, subheads 3.1.01 through 3.1.05 carried.

CHAIR: Shall the total carry?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

On motion, Department of Natural Resources, total heads, carried.

CHAIR: Shall I report the Estimates of the Department of Natural Resources carried without amendment?

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay.'

Carried.

On motion, Estimates of the Department of Natural Resources carried without amendment.

CHAIR: Just a reminder to the Resource Committee that we have another session scheduled for tomorrow morning at 9 with Advanced Education and Skills.

With that, I'd certainly – yes, Minister.

MS. COADY: I just want to thank my team for being here and being so engaged and all the work they do, and the entire team at Natural Resources who work very, very diligently and with, I would say, great skill and knowledge to advance, not just our offshore oil and gas, but our mining and our energy and our alternative energy opportunities in the province. So I want to thank them for that, and I have the Estimates

books that I'll be happy to give to my colleagues.

CHAIR: Thank you, Minister.

I certainly want to thank your staff, as well as the Committee, for making my job as Chair this morning fairly smooth.

With that, the Chair will entertain a motion for adjournment.

MR. DEAN: Moved.

CHAIR: So moved by Jerry Dean.

Thank you very much.

All those in favour, 'aye.'

SOME HON. MEMBERS: Aye.

CHAIR: Carried.

Please enjoy the rest of your day.

Thank you.

On motion, the Committee adjourned.