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**Proceedings of the Standing Committee on  
Resources**

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Department of Natural Resources

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Honourable Perry Trimper, MHA

## **RESOURCE COMMITTEE**

Department of Natural Resources

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Chair: Brian Warr, MHA

Members: Derrick Bragg, MHA  
Jerry Dean, MHA  
John Finn, MHA  
Jim Lester, MHA  
Lorraine Michael, MHA  
Pam Parsons, MHA  
Tracey Perry, MHA

Clerk of the Committee: Kim Hawley George

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Appearing:

### **Department of Natural Resources**

Hon. Siobhan Coady, MHA, Minister  
Gordon McIntosh, Deputy Minister  
Perry Canning, Assistant Deputy Minister, Petroleum Development  
John Cowan, Assistant Deputy Minister, Energy Policy  
Tanya Noseworthy, Executive Director, Policy & Strategic Planning  
Phil Ivimey, Departmental Controller  
Doug Trask, Assistant Deputy Minister, Royalties & Benefits  
Keith White, Executive Assistant  
Diana Quinton, Director of Communications  
Graham Letto, MHA, Parliamentary Secretary

### **Also Present**

Keith Hutchings, MHA  
Paul Lane, 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 Tracey Perry, MHA for Fortune Bay - Cape La Hune.

The Committee met at 9:05 a.m. in the Assembly Chamber.

**CHAIR (Warr):** Good morning, everybody.

Beautiful spring morning, and a great morning to get started with our Estimates on Natural Resources. My name is Brian Warr and I'm the MHA for Baie Verte - Green Bay and it'll be my pleasure to chair your meeting this morning.

Before we start, I'd like to ask the Resource Committee to introduce themselves, please.

**MR. HUTCHINGS:** 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. LANE:** Paul Lane, MHA, Mount Pearl - Southlands.

**MR. FINN:** John Finn, MHA, Stephenville - Port au Port.

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

**MS. PARSONS:** Pam Parsons, MHA for Harbour Grace - Port de Grave.

**MR. DEAN:** Jerry Dean, MHA, Exploits.

**CHAIR:** Thank you very much.

Minister, we'll start off with you with some comments and perhaps your staff can introduce themselves as well.

**MS. COADY:** Thank you, Mr. Chair.

And thank you all for being here on such a lovely day. My name is Siobhan Coady. I'm the MHA for St. John's West, Minister of Natural Resources, and it's our pleasure to be here this morning. I've brought our full team for whatever questions you may have this morning, but most importantly I have the parliamentary secretary.

Perhaps what I'd like to do is turn to the parliamentary secretary and then let our team introduce ourselves for the Broadcast Centre to hear their voices.

**MR. LETTO:** Graham Letto, Parliamentary Secretary, Natural Resources.

**MR. MCINTOSH:** Gordon McIntosh, Deputy Minister of Natural Resources.

**MR. CANNING:** Good morning.

Perry Canning, ADM, Mines.

**MR. COWAN:** John Cowan, ADM, Energy Policy.

**MR. TRASK:** Doug Trask, ADM, Royalties and Benefits.

**MR. IVIMEY:** Philip Ivimey, Departmental Controller.

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

**MR. WHITE:** Keith White, Executive Assistant to Minister Coady.

**MS. QUINTON:** Diana Quinton, Director of Communications.

**MS. COADY:** Thank you very much and welcome everyone this morning, and thank you to my team for being here. It's an exceptional team; responsible for approximately a billion dollars in revenue to the provincial government each year, this department is. I thank all the officials here for their efforts and their continuing efforts on behalf of the people of the province of Newfoundland and Labrador.

Really, the Department of Natural Resources is focused on three main areas: oil and gas development and prospects; we also have a division responsible for mines and the geological survey, and work around the mining industry; and we also have a full division responsible for electricity, including Muskrat Falls Project, as well as renewable energies.

As you know this year we've worked very, very diligently on *Advance 2030*, which is a process to see the development of oil and gas in the province of Newfoundland and Labrador. We're really focused on maximizing our efforts for the development of oil and gas. The *Advance 2030* spells out a very good plan, I think, that really will focus on exploration as well as project development.

I think what you've seen with *Advance 2030*, we've had about 150 stakeholders involved in the development of that plan and we've also had a tremendous response from the community all over Newfoundland and Labrador in terms of making sure that we develop our offshore oil and gas, and we're very pleased about that. You also see through Nalcor Energy, the oil and gas division, we're talking about moving that to a stand-alone Crown corporation this year and really utilizing this Crown corporation to help us drive the developments under *Advance 2030*.

Of course, we work directly with the Department of Natural Resources to accelerate the growth and opportunity of our petroleum industry, returning significant value to the people and economy of Newfoundland and Labrador. These efforts will also result in greater transparency and accountability for the oil and gas division as well. It won't be a subsidiary. It will focus directly on achieving *Advance 2030*. *Budget 2018* is committing \$60 million over 10 years to the Innovation and Business Development Fund, which is focused on strategic investments for growth in the Newfoundland and Labrador oil and gas industry. This will support actions outlined in *Advance 2030*.

*Budget 2018* is supporting mineral exploration and growth in the mining industry, a major

contributor to the economy particularly in rural areas of the province. Commitments include \$1.7 million for the Mineral Incentive Program, including the Junior Exploration Assistance Program, to encourage mineral exploration and to support the mining industry. We've seen great growth in the mining industry, specifically around prospecting in the last number of years. We've had about 21,000 claims staked over the last couple of years which is more than the last five years combined.

We have approximately \$4.5 million allocated for the geological survey which maps our diverse geology and provides sophisticated geoscience to help position the province globally as an exciting prospect for commodities including iron ore, gold, nickel, copper, zinc and industrial minerals. Cobalt is also an important mineral for us as well.

*Budget 2018* is focused on completing the Muskrat Falls Project through an equity investment of \$723.9 million in Nalcor, and of course we are working diligently for electricity rate management. Government is also exploring other renewable energy opportunities to provide the province with a potential for use here at home by residents, business and industry, as well as exporting to satisfy the clean energy demands of the North American market. You would've seen in *Advance 2030* some reference to offshore wind opportunities and how we may be able to work with some of our oil and gas partners in developing that opportunity, much like what we are seeing in some other locations around the world.

I'd like to note that if you exclude the funding from Nalcor, the Canada-Newfoundland and Labrador Offshore Petroleum Board and the Business Development Fund and other items outside the direct department's control, the department's core operating budget is approximately \$3 million. So that's what we really use for activities within the Department of Natural Resources. So it's a very small – when I say a small department, it's a small, effective department that is very cost effective.

There are approximately 154 employees in the department. Our current staffing levels are the same as they were a decade ago, so we haven't

had that kind of massive increase you've seen in other departments. For 2018, salaries are \$13.1 million.

We have a great team at the Department of Natural Resources who are committed to moving very forward on continuing to develop our economy and continuing to develop the opportunities that we have in the province to the benefit of Newfoundlanders and Labradorians.

I want to thank them on behalf of government and on behalf of the people of the Province of Newfoundland and Labrador for their continued hard work, their extra efforts and the great success that they've had. I can tell you there is a lot of energy – no pun intended – in the department focused on the areas that I think are very important to the people of the province.

This year, I would like to note as well, as you know, we are situated on Elizabeth Avenue in the Natural Resources Building. We have now, as you're well aware through the Estimates process, a number of departments that have come together. We have welcomed three new divisions within the Department of Natural Resources – within the building. I shouldn't say the department, within the building. We've welcomed Labour Relations, Human Rights and Fines Administration, they are now housed within the building of Natural Resources. We welcome them there. They're a great addition to us.

We are, I think, completely filled now in the building, or very close on completely filled, every square inch is completely filled, which I think is a very good thing for cost measures for government.

Having said that, I'll leave it at that, and welcome any questions that you may have about the budget or about anything that we're doing at the Department of Natural Resources.

**CHAIR:** Thank you, Minister.

I just remind the department, these people should know, but if you're asked to answer a question, just say your name, look for your tally light and go ahead and answer the question.

I'd ask the Clerk to call the first subhead.

**CLERK (Hawley George):** 1.1. 01.

**CHAIR:** Shall 1.1. 01 carry?

Mr. Hutchings.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

Good morning. I don't have anything, Minister, on 1.1.01, Minister's Office. I'm sure things are going well there.

**MS. COADY:** Very streamlined. As you can see we're continuing to fine tune the Minister's Office and bring costs down. You'll see a decrease again this year.

**MR. HUTCHINGS:** Okay, thank you.

1.2.01, Executive Support, last year, Minister, in *Budget 2017*, Salaries were reduced \$1,689,800 to \$1,427,900. When we asked about that in Estimates last year, you indicated there was an elimination of associate deputy minister position and the elimination of the executive director of iron ore.

In recognition of that reduction last year, the salary line for '17-'18 went over \$147,300. I'm just wondering: Was there a position added back or the result of that increase was a severance payments or exactly what it was?

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

You're exactly correct, it is severance and leave payouts required for the former ADM of Petroleum Development who retired during the year. A big loss to the department, I can tell you he had a wealth of knowledge, but that exactly is what it was, it was severance and payout. As you can see in 2018-2019 Estimates, we're back down to \$1,458,000, which really the variance there is due to step costs for the current executive staff.

Last year's budget was \$1,427,000, this year's budget will be \$1,458,000 and that's just step increases.

**MR. HUTCHINGS:** Okay.

When I look at Salaries I can see the increase, so that would be basically due to step increases?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** Okay, thank you.

Transportation and Communications, under the same heading, 1.2.01, Executive Support. Last year, \$83,000 was budgeted, \$100,000 was spent. Just wondering what caused the line to go over budget in regard to that. What would that be about?

**MS. COADY:** Certainly. Increased travel by the new deputy minister, making sure that we are maximizing efforts, specifically, around oil and gas. We also have a new ADM of Royalties and Benefits. We're glad to have both of them with us. There was additional travel to support that position and making sure that he had the supports and the information and knowledge that was required.

Certainly, I can give you kind of where we are in travel. We do take in a significant amount of travel in the Executive branch of Natural Resources, in support of both mining activities and oil and gas activities and even in the electricity sector.

Just for example, the World Energy Cities Partnership AGM, the Offshore Technical Conference, which is coming up now shortly, Offshore Europe, the Baie Verte Mining Conference, the Expo Labrador, the Energy Mines and Ministers' Conference and the Labrador West Iron Ore conference. So really making sure that we have a good executive presence at some of these opportunities to really promote both the mining and minerals as well as the oil and gas and the electricity sectors.

**MR. HUTCHINGS:** So some of these events, Minister, executive would attend, would we be involved in having booths and those type of things for marketing and all those types of things?

**MS. COADY:** Certainly, and that will come in a different Estimate, but absolutely.

For example, at the Offshore Technical Conference, which is coming up shortly, as you're very familiar with that conference, there would be a booth from Newfoundland and Labrador. We do have a prominent position on

the floor there attracting people specifically around the oil and gas that one is. I'll use PDAC in Toronto, we were there in February, I believe.

**OFFICIAL:** March.

**MS. COADY:** In early March, we were there in early March and, again, Newfoundland and Labrador would have a prominent location on the floor of that convention centre as well.

Very important for us to continue to promote both oil and gas and the mining sectors. I can tell you that we have ongoing dialogue with a number of companies, both from supply and services as well as operators, producers and developers who will visit the booth to gain more information. It is a valuable investment, I believe.

**MR. HUTCHINGS:** So just on that note, it may not be this section, but have we seen an increase or decrease in those expenditures for the past few years in terms of – or is it stable?

**MS. COADY:** Very stable. Certainly, within this fiscal climate we haven't been able to increase that. What we've done is fine tuned it, making sure that we're choosing the right locations at the right time to be partner in, but, no, there's a promotions plan within the department, we're sticking to that plan. As we move forward, if we identify other opportunities, we'll do so, but, at this point, it's pretty stable.

**MR. HUTCHINGS:** Okay.

Minister, in preparatory work for *Budget 2018*, would you have gone and done a zero-based budgeting process for the department again this year?

**MS. COADY:** Absolutely. Each line – and you'll see they're all very fine tuned, you'll see even \$100 changes sometimes and that is the fine tuning that we do.

Under Transportation and Communications, as you can see, there was a \$100 reduction from budget 2017-18 to this year, and that really is looking at very specifically how much the cost will be. We don't anticipate the overage that we had in '17-'18 because positions are now

established within the department and we'll be making sure we hold to that budget.

**MR. HUTCHINGS:** Would Nalcor be required to do zero-based budgeting process as well?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** Okay. That's it for me on that particular section, 1.2.01.

Just another question I had, in your opening comments you mentioned *Advance 2030*. The Executive Support speaks to the establishment and evaluation of policies and objectives.

Who's the lead in regard to *Advance 2030* and oversight and execution of that particular plan through your department?

**MS. COADY:** The Royalties and Benefits division of the department. The DM of Royalties and Benefits really does have the Industry Council and the responsibility for the Industry Council, therefore the responsibility for *Advance 2030*.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** And doing a great job of it, by the way.

**MR. HUTCHINGS:** Yeah.

Forgive me, I know I read through it, but is there a reporting process with *Advance 2030* in regard of goals and milestones and hitting those targets?

**MS. COADY:** Yes, certainly. As you know, we have an Industry Council that was developed last year –

**MR. HUTCHINGS:** Yes.

**MS. COADY:** – and they're really helping us with the oversight and making sure we're moving through the implementation plan for *Advance 2030* and, of course, I am the chair of the committee. So that reports back to us and we report back to Cabinet.

**MR. HUTCHINGS:** Okay, thank you.

Mr. Chair, I'll move to 1.2.02 Administrative Support. Last year under Salaries there was only \$835,000 budgeted and \$985,600 was used. I'm just wondering what the issue was in regard to that difference?

**MS. COADY:** Budget \$985,600. This is under 1.2.02?

**MR. HUTCHINGS:** 1.2.02, the first line, Salaries.

**MS. COADY:** Yeah.

Last year's budget was \$985,600, the actual spend was \$835,000. The savings were a result of a vacant clerk position in the Information Management Division during the year, as well as a vacant account and budget analyst position in the Finance Division.

As you can see from the Estimates this year, the variance is going to be – the estimate is \$922,600 and the difference between the budget last year and the estimate of this year is there is planned attrition management in the department.

**MR. HUTCHINGS:** Two of those positions, are they vacated because of attrition or are they kept, or –?

**MS. COADY:** I'm turning to the person responsible to make sure they are kept.

**MS. NOSEWORTHY:** The clerk position has since been filled. The accountant budget analyst position is under review for attrition.

**MR. HUTCHINGS:** I'm sorry; the accountant budget –

**MS. NOSEWORTHY:** Position.

**MR. HUTCHINGS:** Is under review?

**MS. NOSEWORTHY:** There are two positions there. The accountant and budget analyst position. Budget analyst will be filled, the accountant position won't. The clerk II has been filled since.

**MR. HUTCHINGS:** Okay.

The accountant position would be eliminated through attrition. Okay.

**MS. NOSEWORTHY:** Yes.

**MR. HUTCHINGS:** Okay.

The Finance Minister, too, spoke of an attrition plan and reducing the public service through that means. The attrition plan for your department, Minister, could you just give me a little rundown on that and what it is. Are there targets set or progress made to date? Just give me a general overview, if you could.

**MS. COADY:** Certainly. I'm just getting my notes out here because – just one moment, I want to make sure I have the correct notes.

**MR. HUTCHINGS:** Sure, no problem. Yeah.

**MS. COADY:** I had hoped to have them all written on one piece of paper. Unfortunately, I do not. There is a 1 per cent attrition target for the department.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** So we're working through and looking at it on an individual by individual position basis. As a position becomes vacant – as we know, people are retiring and we're considering the tasks performed by that person and that job, and moving forward with meeting those attrition targets.

**MR. HUTCHINGS:** Okay, and that's 1 per cent.

That 1 per cent, is that related to actual positions or people? Because we know there are often positions that are left vacant. Is it 1 per cent of actual all positions?

**MS. COADY:** One per cent of all positions.

**MR. HUTCHINGS:** Okay. Thank you.

Do we have any idea of how many vacant positions are in your department today?

**MS. COADY:** Yes; that I have.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** There are 21 vacant positions that we have currently.

**MR. HUTCHINGS:** Okay. Would they be moving forward through the public service to fill those positions, all of them?

**MR. NOSEWORTHY:** Yes, there are a number of positions with the Public Service Commission right now up for recruitment and some are working through the process.

**MR. HUTCHINGS:** Okay.

My final question on that one. So the intent is to fill these 21 positions?

**MR. NOSEWORTHY:** Yes.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** Just if I may, we have a number of new hires as well to existing positions. We've just, over the year, hired about 11 new people. These are hires to existing positions and they were public hires, I'll call them, through the Public Service Commission.

**MR. HUTCHINGS:** Okay.

Was there any that would not have gone through the Public Service Commission?

**MS. COADY:** No. We have one 13-week position. That would be the only one that would not go through. That was a position we required for the Muskrat Falls inquiry. We had to go through a number of boxes and that type of thing.

**MR. HUTCHINGS:** Mm-hmm.

**MS. COADY:** As we move those materials over to the public inquiry, that position will no longer be required.

**MR. HUTCHINGS:** Okay.

That would've been for the past fiscal year, would it, the 13-weeker?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** Yes, correct.



Okay. Thank you.

**MS. COADY:** And I think that person is going to remain for some part of this, what I'm going to call this fiscal year, because of course we're still moving through, making sure everything is at the public inquiry.

**MR. HUTCHINGS:** Okay. Thank you.

Under 1.2.02, under Revenue, I'm just curious, there's a marker there of \$5,000 in revenue that wasn't received in prior years. Is this kind of a placeholder for some kind of revenue stream, or what would that be? Provincial Revenue, it's listed as.

**MS. COADY:** Now I see it. Does anybody know what that is?

**MR. IVIMEY:** That is more or less a placeholder for miscellaneous revenue within the department. That's the only spot that we have in the department for any kind of a miscellaneous revenue that we receive such as supplier credits or refunds or repayments of employee expenditures or anything like that. The \$5,000 more or less is a placeholder.

**MR. HUTCHINGS:** Sure.

**MR. IVIMEY:** Historically, we have hit that mark but it's just in the past year we actually had no miscellaneous revenue received.

**MR. HUTCHINGS:** Sure. Yes, okay.

Thank you. I'm good with that section.

1.2.03, Administrative Support. I'm just wondering, in Purchased Services there's \$52,400. I think before this was told to us that it was a placeholder for possible vehicle purchases. Is that the same again?

**MS. COADY:** Thank you.

It's actually not a vehicle purchase; this was required to address some of the deficiencies in the racks where we keep our core storage. When we did a review of where the core storage – as you know, the core storage for mines, quite heavy pieces of core samples and when we

looked at the racks, they needed to be replaced and that \$52,400 was used to do just that.

**MR. HUTCHINGS:** So where would these racks be? They'd be all over?

**MS. COADY:** Yeah, in the core storage facilities around the province.

**MR. HUTCHINGS:** Right.

**MS. COADY:** For example, in Deer Lake. Where else do we have them, Perry?

**MR. CANNING:** There are six core storage facilities across the province. I think we have 1.4 million metres of core; many of these are 12- to 15-foot high. In Buchans, we understood that a number of the shelving was constructed of wood and started to shift, so we had to have an engineering review and manage required repairs.

**MR. HUTCHINGS:** Okay, perfect.

Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael, good morning.

**MS. MICHAEL:** Good morning.

Thank you very much, Mr. Chair.

Thank you, Minister, for being here, along with all your staff. All the questions I may have had prior to this have been asked, so I'll just continue from where we are.

Geological Survey, 2.1.01, just a brief explanation of why the salary line is down this year from last year's, both the budget and the revision.

**MS. COADY:** Certainly.

For context, last year was \$3.74 million. The actual spend was \$3,723,000. We had some vacancies within the division, partially offset by additional costs for some severance. When the puts and the takes come through and, over a year, some people were vacant and we had to fill those positions, we had some severance, it went down a little tiny bit. This year, it's going to be

\$3,612,000 and the variance is due to lower salary costs for 2018-19 as a result of some attrition management due to retirements within the division.

**MS. MICHAEL:** Perhaps you could give us a description right now as well in this division of the staffing component. Do you have vacancies at the moment?

**MS. COADY:** Yes, we do. I just have to look them up.

I'm just going to go through some – we do have a number of positions vacant in the Geological Survey: a geologist II position, a geologist III position, another geologist II in the Mineral Lands for example. Some of these positions are with the Public Service Commission at present, some people are temporarily positioned elsewhere and we're waiting to backfill them.

There are a number of positions that are available. I can add them up at present: One, the interview has been conducted and we're waiting on the board to report; another is now with Executive for approval; there's another position that is temporarily relocated.

**MS. MICHAEL:** Thank you very much, Minister.

Under Transportation and Communications, there's a variation this year downwards. Last year both the budget and revision lines were \$557,700 and this year it's down to \$468,600. Could you give us an explanation of why?

**MS. COADY:** As you know, each year we look to see where the Geological Survey will be located in the province; we have to allocate certain monies of helicopters, for example, if they're in remote areas. What we've done here is looked at a reduction in the Transportation and Communications really for that very purpose.

There's been some moving around in the way that we can conduct our work during this year. What that is denoting is that there has been a change in the allocations and movement around the province this year.

**MS. MICHAEL:** And it's part of the zero-based budgeting?

**MS. COADY:** Correct.

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

One other question, Professional Services – again, last year the budget was \$33,500, but \$55,400 was the revision. Can you explain what the extra cost was, that you hadn't anticipated?

**MS. COADY:** Absolutely.

This is an unanticipated requirement to update field data collection processes. We actually had to – the Department built an app so that we can have it on a hand-held device and that's really for data collection in the field. We made sure because that was a requirement to collect field data, which is important for our prospectivity and for prospecting as we go forward, we made sure that was allocated.

That's the difference and now we've rightsized it again this year and we don't anticipate that to happen.

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

**MS. COADY:** If I may I will note, as you know, there's been a move within Transportation and Works. We're moving a lot of our vehicles into Transportation and Works and we'll be leasing them. There's been some movement in from both Supplies and Purchased Services to help fund that in Transportation and Works. There's been a movement of funding.

**MS. MICHAEL:** Okay, so under Purchased Services that explains the extra 10,000 last year?

**MS. COADY:** Correct; \$36,000 will go to TW for that requirement.

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

That's happening with a number of departments, I understand.

**MS. COADY:** Yes.

**MS. MICHAEL:** Coming down to Grants and Subsidies, can you explain this line to us, Minister?

**MS. COADY:** Certainly.

The Grants and Subsidies line includes \$352,500 in funding for Defence Research and Development Canada proposal related to disaster-risk reduction in communities. The objective is to identify high-risk residential areas and present strategies for cost-effective avoidance and mitigation techniques to prevent slope stability failures from occurring.

C-CORE – this is all for C-CORE – has submitted a proposal to the Defence Research and Development Canada for the project; however, to obtain the funding, C-CORE requires a provincial government department to be the signatory. So it's a flow through.

**MS. MICHAEL:** Okay.

**MS. COADY:** But I think it's a really interesting project because all it talks about are the mitigation techniques for slope stability, and of course that would fit under what we do in the geology department. I think it fits there very, very well. We'll receive 100 per cent offsetting federal revenue for it, but it is an important project. It's erosion, really.

**MS. MICHAEL:** Right. Okay, well there are probably many things in the province that could gain from that. Would that information from Defence be information that they're going to be able to share with the province?

**MS. COADY:** That's a very good question, I'm sure that they will be sharing their information. I'm getting an indication that, yes, we're sharing in that information. I have to say through the Geological Survey, we do co-operate very closely with other provinces and, of course, the national Geological Survey, the sharing of this type of information is incredibly important.

**MS. MICHAEL:** Good.

What is the deadline? Do you know that they hope to have that finished in this fiscal year or ...?

**MS. COADY:** It's a three-year project.

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

Just a couple of general questions: Last November, you issued a release on new research

for potential gold resources in Central Newfoundland. Is there any uptake yet on that information?

**MS. COADY:** Certainly, we've had a tremendous increase – I was going to say boom, but a tremendous increase in the interest in Central Newfoundland. It really is based a lot on what the Geological Survey has been finding. So if you overlay a map of where some of the staking has taken place in the last year and overlay where the geological survey was, you'll see that they are very closely aligned.

Twenty-one thousand claims staked in 2016 and 2017. A very high interest in gold. We do have Marathon Gold who is doing a lot of research and a lot of exploration. They're moving very, very well forward. We have others that are doing a lot of work in that area as well. So a high level of interest in gold in Central Newfoundland.

**MS. MICHAEL:** Minister, I know environmental studies isn't part of your department, but we do know that gold mining is one of the most unfriendly environmental mining processes.

Do you have concerns about that? Is your department involved in any way in looking at what can be done with gold mining that would cause less endangerment to the environment?

**MS. COADY:** Well, certainly, we work with companies that are involved in gold mining, companies that are involved in any of our work with mines and minerals to make sure that they have remediation plans, to make sure they have the funding for remediation plans. So one the most important things, I think, that the department has to ensure is making sure that they can fund the remediation.

We also work with companies on an ongoing basis to make sure that they're using the latest techniques, that they're doing some innovations to try and reduce the harm to the environment. We have a number of people within the department that work hand over hand with companies to make sure that they're doing as little disruption as possible.

I don't know if the ADM would like to make a comment on that because I think it's an important point?

**MR. CANNING:** It is an important point. Thank you for raising it.

I would say that, currently, we're in the exploration phases and any development proposal from a proponent would go through a significant and deep environmental assessment. That's where those matters about how they're going to process their gold, what will the tailings look like and all that stuff, that's where that would really come under a pretty glaring light to understand what the impact will be and how to mitigate such impacts.

**MS. MICHAEL:** Thank you very much.

Obviously, the environmental assessment process will be the most important step. So during the exploration stage, the actual exploring doesn't have any effect, I'm aware of that because it's the process, rather, that causes the environmental damage.

**MS. COADY:** An important distinction, of course, is prospecting versus a mine under development, but I will say that I think we all want responsible development and we want to ensure that those that are involved in mining activities or any of the natural resources extraction activities are doing so responsibly and working with companies to ensure that they are using the most innovative techniques.

Again, as I said, the department is very focused on remediation so that we can – once the mine is complete, there is remediation and there are funds available to remediate, I think, is critically important.

**MS. MICHAEL:** Right.

**CHAIR:** Ms. Michael, I have to remind you your time is expired.

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

**CHAIR:** Thank you.

Mr. Hutchings, from 2.1.01 to 2.1.03.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

Minister, just to reference comments you made in regard to Purchased Services and going from a leasing process as opposed to purchasing. Could you just explain that again or a few more details on that?

**MS. COADY:** Certainly.

As you know, there will be a centralized point within government in Transportation and Works responsible for vehicles. So they'll maintain them, they have the inventory of them and they replace them. It's really to maximize the availability and use of vehicles within government so you don't have, for example, a vehicle sitting parked in a parking lot – and I'll use Natural Resources – in Natural Resources that could be utilized by another department if there was a centralized pool.

So some of the monies that were in various divisions within Natural Resources and with other divisions around government are now being pooled and put towards one central agency. So it will be like leasing. We would go and we would say to Transportation and Works that we would need a vehicle for this particular period of time, this type of vehicle, and they'll make sure that we have it, but it maximizes the use of vehicles all across government.

**MR. HUTCHINGS:** So you're leasing within your pool. When you say leasing, you're not meaning you stopped purchasing vehicles and you're leasing from agencies?

**MS. COADY:** No, sorry. I should clarify that.

**MR. HUTCHINGS:** Yeah.

**MS. COADY:** No, it's that we would be utilizing the centralized service within government to have our vehicles.

**MR. HUTCHINGS:** Across all boundaries.

**MS. COADY:** Correct.

**MR. HUTCHINGS:** Okay.

You also mentioned there was an app that was developed within the Geological Survey

Division. Was that done in-house or was it done outside privately?

**MR. CANNING:** The app is being done by an outside developer.

**MR. HUTCHINGS:** Okay.

**MR. CANNING:** The previous software is no longer available and supportable, so we want this app to be on the devices that folks will take into the field – iPads, I'd call them – so they can bring back their information after the day and download it into a laptop computer.

**MR. HUTCHINGS:** Sure.

So who would have been doing that piece of work and what's the estimated cost?

**MR. IVIMEY:** That I'm going to have to get back to you on.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** If I may, it wouldn't have been a tremendous amount because you can see the difference is \$33,000 to \$55,000.

**MR. HUTCHINGS:** Sure.

**MS. COADY:** I'll make a good stab and say probably \$20,000 only because I see the change in the estimate there.

I think it's really crucial for us to understand that having this on a handheld device allows us to have real-time data in the field. Certainly, if you go back in time, it would have been by handwritten notes and those would have had been transcribed over. This gives us real-time data in the field.

**MR. HUTCHINGS:** Right.

**MS. COADY:** So it's a great tool and a great use of funds to make sure that we have that real-time data.

**MR. HUTCHINGS:** Okay.

Minister, in Estimates last year, 2017-2018, two line items here, Supplies and Purchased Services. The estimated last year for Supplies

was \$116,100 and for Purchased Services was \$403,200. The stated budget for 2017-2018 and the documentation this year, those two numbers are different. I wonder if we could get an explanation on why those numbers are different.

**MS. COADY:** Could you tell me what – are you at 2.1.01.

**MR. HUTCHINGS:** Sorry, 2.1.01, Geological Survey.

I'm referencing under Operating Accounts, Supplies, we can do that one first. Last year, the estimate in 2017 was \$116,100. What's in your document this year for the budget for 2017-2018, which would be the estimate, is \$65,100.

I'm wondering why it was stated one number in the estimate last year and it's restated to a different number this year?

**MS. COADY:** I'm going to ask Phil to answer that question.

**MR. HUTCHINGS:** Okay.

**MR. IVIMEY:** The difference in those numbers is the items that the minister referred to earlier in regard to vehicles and leases, so the costs that were associated for the fuel for our vehicle fleet and repairs and maintenance for the vehicles. The repairs and maintenance would have been under Purchased Services and the cost of the fuel would have been under Supplies.

So the funding for two of those items were transferred from our department over to TW because they now are responsible for those items. The numbers were restated in those two particular areas.

**MR. HUTCHINGS:** Yeah, so it was a policy decision made during the fiscal year which resulted in, I guess, what we voted on here in the House, then it was a reallocation of those dollars. That change there from last year to this year would show up, I guess, in TW?

**MR. IVIMEY:** Correct, exactly. You would see the exact opposite of those numbers in TW.

**MR. HUTCHINGS:** Right, okay.

I won't ask you about Purchased Services because, I guess, that covers it off as well.

Just a broader question in regard to the role that Research Development Corporation had played, which evolved, I understand in the last budget, into InnovateNL, and the RDC would have interaction with the mining sector and different opportunities that would exist.

Is that still a critical part in some of the things you've talked about recently in regard to promotion, *Advance 2030*? Is there still a connection, or would we say opportunities to innovate and drive that sector through InnovateNL? How does that work today? Is there any difference from RDC, and what is it?

**MS. COADY:** Thank you. An important question.

The promotions and Geological Survey and all of that remains with the Department of Natural Resources. Funding for companies or organizations who wish to do innovations would still be under InnovateNL. Companies would go to InnovateNL as they did to RDC previously for that funding pool.

**MR. HUTCHINGS:** Okay.

In your opening statement I asked about the oversight of *Advance 2030*. No doubt, under the auspices of InnovateNL that would be a mechanism to drive that opportunity that you outlined in *Advance 2030*.

Those that oversee *Advance 2030* in the department, they must be in contact with InnovateNL to see exactly what's happening to make sure that this component or InnovateNL is being used to drive the *Advance 2030*. I'm just thinking about the synergies and the interconnection, they can't be doing it in isolation, I would suggest.

**MS. COADY:** Okay.

Well, *Advance 2030* is for the oil and gas industry, and you're correct –

**MR. HUTCHINGS:** Yeah, okay, but I mean in terms of overall mineral and development.

**MS. COADY:** Yeah.

*Advance 2030*, the department liaises with TCII on a regular basis, obviously, to ensure that we are working together. I think that's very, very important. We are talking to the folks at TCII about *Advance 2030* in how we move the oil and gas industry.

We are in the early stages of developing a new minerals strategy for the province. We've announced that we will be working with industry and the communities to develop – similar to what we've done with *Advance 2030* we're going to do in the minerals industry.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** We will be working with TCII, of course, on that plan and looking to have synergies with that department.

TCII does hold the responsibility for InnovateNL, and they do look to the mining industry, they do look to the oil and gas industry for potential projects as well.

**MR. HUTCHINGS:** Okay. Thank you very much.

I just wonder, Geological Survey, can we get maybe what projects are planned for this year?

**MR. CANNING:** There are a number of projects. In the Labrador Trough we are looking at some regional mapping. If you look at the map, this is a part of the Labrador Trough that's kind of north of Lab West.

**MR. HUTCHINGS:** Yes.

**MR. CANNING:** They are there looking for iron, nickel, copper, platinum group, some uranium and gold formations in those sediments up there.

On the Island – I don't know if you can see this map but it's kind of spotted across. Central Newfoundland base metals focused on the Buchans-Robert's Arm group of rocks. Newfoundland industrial minerals, we're focused here on fluorite mineralization in the St. Lawrence area. Regional gold projects in

Newfoundland and Labrador: Gander Bay to Beaver Brook and the Hopedale area.

**MR. HUTCHINGS:** Okay. And those would be new projects?

**MR. CANNING:** They're a continuation because –

**MR. HUTCHINGS:** Sure. Okay.

**MR. CANNING:** – they continue to work on those areas and update their geological maps as they spend more time in the field.

**MR. HUTCHINGS:** Yes.

**MS. COADY:** Could I add to that?

I think it's important to note that we work very closely with the federal government. If they're doing a geological survey of Canada, any time they're doing any work in the province, and they do work with us, we work together to help offset some costs and share data information.

**MR. HUTCHINGS:** Sure.

**MS. COADY:** Now we'll be working with Quebec, especially in the Labrador Trough. I just want you to understand, because I think this is an important point, Quebec also does a geological survey. Newfoundland and Labrador does a geological survey. You know that the Labrador Trough is mostly on the Labrador side but a lot also on the Quebec side. So sharing information and data so we can help advance opportunities in that area I think is important.

**MR. HUTCHINGS:** Okay.

Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael.

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

I'm moving on to 2.1.02, Minister, Mineral Lands under Salaries. Can you explain what's happened there? Because we've gone from the budget of \$1,290,700 down to \$1,254,900.

**MS. COADY:** Certainly. The revised budget for 2016-17 is due to vacancies within the division during the year. As I said, we have vacancies occur and by the time you recruit for them you have a little bit of shortfall there.

Coming to 2018-2019, you'll see there's a slight decrease, lower salary costs for 2018, that's because we're planning less overtime.

**MS. MICHAEL:** Okay.

**MS. COADY:** So that's what that is for, '18-'19, it's just slightly less overtime.

**MS. MICHAEL:** That is something you do have control over?

**MS. COADY:** It certainly is, and we're trying to manage it a little bit better and save some money that way.

**MS. MICHAEL:** Okay. Thank you very much.

Under Supplies, it's not a lot, but the budget last year was \$34,000, the revision was \$12,000 and this year \$25,400. What are the supplies there? I guess this is a real number for this year based on zero-based budgeting.

**MS. COADY:** The difference between the \$34,000 and the \$12,000 was lower than anticipated supply expenditures for vehicles. Things like tires and bedliners, as well as the cold storage supplies, trays and things of that nature. We didn't need them. The anticipated expenditure wasn't there. So that's the difference between budget and the revised budget.

The \$25,400 is really zero-based budgeting, right-sizing, making the reductions as we see required.

**MS. MICHAEL:** Okay, thank you.

Under Professional Services, last year the budget was just \$1,300 but \$18,000, looks like, was expended, and this year it's gone up. The estimate has gone up to \$8,600 from last year's estimate. So just an explanation, please.

**MS. COADY:** Certainly. The difference last year, which is fairly significant I guess between

the budget and the revised. We had to have the Mineral Rights Adjudication Board do a hearing last year that we didn't anticipate, as there was a grievance filed under the *Mineral Act*. It was between two parties that shared a boundary from a mining and minerals perspective. So the Mineral Rights Adjudication Board was assembled to make a ruling, and they did do that, and we don't anticipate that occurring in this year as well.

If you look at this year, we've put in \$8,600 again. That's right-sizing. It's an increase, just looking at where we think the requirements will be under zero-based budgeting.

**MS. MICHAEL:** Would the \$18,000 have been the expense of the actual hearing, or would there have been legal costs in there as well?

**MS. COADY:** I'm not sure about legal costs. I'm going to turn to my – no, no legal costs. It's just the expense of the hearing.

So as you know, we go the Independent Appointments Commission to get the adjudicators, which we did last year, pulled them together, and that hearing did take place and resolve the issue that was required to be resolved.

**MS. MICHAEL:** Thank you very much.

Coming down to Purchased Services, again, the revision was quite higher than the budget. The budget was \$55,000 and the revision was actually twice as much: \$110,000. This year, it's down to \$69,600. If we could have an explanation, especially of the revision last year.

**MS. COADY:** Certainly.

I mentioned earlier about the core storage facility and we did the inspections.

**MS. MICHAEL:** Uh-huh.

**MS. COADY:** That's the expenditure for those core storage facility inspections that were required. We also had higher than anticipated Moneris fees associated with departments online claim-staking system. The combination of the two increased the budget.

As I mentioned to you, we had quite a lot of staking happening in '16 and '17 because of the gold, I think, in Central Newfoundland, but that kind of drove a lot of the staking that took place, so the Moneris fees were up. I think the majority of it would have been with the core storage facility inspections that we carried out.

**MS. MICHAEL:** Okay, thank you.

With the increase this year over last year's budget line, what are you anticipating in your budgeting there?

**MS. COADY:** Well, certainly that is again for zero-based – when they went out and they looked at their budget and looked at what the requirements were, it felt that \$69,600 was a better reflection than the \$55,000. I don't know if I turned to the ADM if there's anything in particular there that drove that price or that cost.

**OFFICIAL:** It's Moneris.

**MS. COADY:** The Moneris fees.

**MS. MICHAEL:** The Moneris fees, okay.

**MS. COADY:** Yeah, they're anticipating that there will continue to be more Moneris fees because of the interest in the mining industry.

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

Going on to 2.1.03, here there's a big increase under Purchased Services. The budget was \$656,800, the revision was slightly up \$665,800, so we need an explanation there. This year in your zero-based budgeting, you've gone up to \$1,153,800. If we could have an explanation of that line.

**MS. COADY:** Certainly.

That was anticipated expenditures under orphaned and abandoned mines.

**MS. MICHAEL:** Yes.

**MS. COADY:** If you recall even last year that we had a plan, we started in 2016-2017, we budgeted an additional \$300,000 last year – sorry, '16-'17 we put in an additional \$300,000; '17-'18 is an additional \$690,000. In '18-'19 it's



\$1.152 million, and that is all around the requirements and commitments to ensure that we address the concerns around orphaned and abandoned mines.

When we came into government, I understood that there was a requirement to do a lot of work around orphaned and abandoned mines. So we set out on a plan to do just that because it is so essential to the environment. We don't want any risk, or we want to eliminate as much risk as we possibly can on those.

**MS. MICHAEL:** Are any of these orphaned and abandoned mines at a stable point or will there always be expenses involved with them?

**MS. COADY:** They're stable in that we're not anticipating any major disruption. But there is a continuance. We set out a four-year plan, just to remind you, under this orphaned and abandoned mines. Next year we're going to allocate another amount of money to bring these up to a point where we think that we've addressed some of the issues.

I'm going to turn to the ADM because I think this is again one of those important issues that we've got to continue to address.

**MR. CANNING:** Thank you, Minister.

Thank you for the question. One of the things we're doing with respect to the orphaned and abandoned mines is developing a risk registry. We didn't have a risk registry. We did not have a risk matrix. So we're working with our colleagues in Environment to develop a risk matrix and then assess each one of these facilities to understand what mitigations we require over a period of time and how we hold ourselves accountable to achieve those mitigations.

For the last number of months the teams have been developing – it's important to get the process down to develop a risk matrix and all the questions that get you to what risk you might feel is appropriate for each line item associated with these dams and orphaned and abandoned sites.

We're going to be doing that, and that would give us an overview and a clear picture and we'd

be able to go in then to our risk registry and say, if these are our mitigations that we had planned upon are we doing the appropriate measures to achieve that. So this would give clarity and I think some transparency to that whole process.

The other thing that we're doing is ensuring that when we have development agreements, folks have to ensure that they have the funds available for reclamation and closure so that the people of the province are not held accountable for the financial costs associated with mining development. All the great benefits that come from mining, and clearly there are many, the one thing we want to make sure is that we are not assuming the risk.

**MS. COADY:** I think, if I may, that is critical as we move forward, and I think that the Province of Newfoundland and Labrador, and I don't know under which administration, but the Province of Newfoundland and Labrador in the *Mining Act* has ensured that any mines that now operate in the province have to have the funds to remediate, and the funds available to make sure that we are not, in the future, facing some of these orphaned and abandoned mines issues.

So if you're operating a mine in the Province of Newfoundland and Labrador, you have to be able to remediate. You have to have the funds available to remediate. These are orphaned, abandon mines from mines long gone, long history that the people are no longer there to make sure those are remediated.

**MS. MICHAEL:** If I can just make one point, please.

I know from the environmental assessment process that federally – so it sounds like it's also provincial – that reclamation now is an essential part of any approval.

**MS. COADY:** Absolutely.

**MS. MICHAEL:** Okay, and that's provincial as well.

Thank you very much.

**CHAIR:** Thank you, Ms. Michael.

Understanding that we only have three hours for Estimates this morning, and out of respect for the time, with leave, I'd like to ask Mr. Lane if he had any comments at this particular point in time.

Do we have leave?

**AN HON. MEMBER:** (Inaudible.)

**CHAIR:** Ten minutes.

Ms. Michael.

Mr. Lane.

**MR. LANE:** Thank you to my colleague for that.

Minister, I'm not going to do the line-by-line thing, but I have some general questions, I guess. I believe you said you have an attrition plan of 1 per cent for the department. Is that just with your department, or is that consistent across the board, do you know?

**MS. COADY:** You'd have to check with every department. I know in our department that is the requirement. I couldn't answer your question for other departments, but I can say what it is for our department. We don't have a tremendous number of people working in our department. As I said, it's only 154 people. So we work very diligently to make sure that we have the skill sets and the requirements that we need, but still addressing some of the requirements to make sure that we're rightsized.

**MR. LANE:** Okay.

I guess it's not across the board, per se – and I can understand you don't have a lot of people in your department – 1 per cent, given our financial circumstance and the debt and so on, 1 per cent seems like a very –

**MS. COADY:** Manageable.

**MR. LANE:** – low number. A lot of people would say we need to cut back a lot more than 1 per cent but, I guess, based on your department and so on, it's not as simple as just picking a number and going across the board in every department. I appreciate that.

**MS. COADY:** Certainly, and that's why I suggested you ask every department what their requirement is.

**MR. LANE:** Sure, yeah.

**MS. COADY:** As I say, we have vacancies. We have current vacancies in the department now. We're looking to recruit and we're making sure that every time – things are evolving in our industries and things are evolving in the way we do business. We examine every position as it becomes available to ensure that it is still required and whether or not it can be reallocated.

**MR. LANE:** Okay, thank you.

Minister, the flatter, leaner approach, I guess, the core management review, the zero-based budget – I think, actually, you answered the zero-based budgeting – attrition and so on, strategies that are being used in your department and used across all departments. Is this same strategy being employed at Nalcor? Have you given direction to Nalcor, for example, to do that same core management review, to do that same flatter, leaner and so on, attrition? Do they have the same mandate?

**MS. COADY:** Yes, we've met on many occasions with the senior executive of Nalcor and the board to ensure that they understand – and they do, quite strongly, they're all entrepreneurs themselves, they're all business people themselves – the requirements of zero-based budgeting, which they have to do.

You will understand, I guess, because they've helped me to understand, that there is a transition taking place now at Nalcor, from the development of a project into the operations of a project. So you're going to see over the next couple of years, and you're starting to see it now with the Nalcor convergence of people who are going to operate the project – and I'm turning to my ADM – and the construction stopping. So there will be a changeover in some of the people and the skillsets required within Nalcor.

So there will be a convergence over the next couple of years, but they do understand and are working diligently and have rightsized where they actually have impacts and controls as well, to try and manage that convergence.

**MR. LANE:** So have you provided them with any targets, for example, or have you basically said try to become as efficient as possible and so on, or have you said I want to see a certain percentage cut in costs to Nalcor?

**MS. COADY:** I'm going to say it's a combination of the two.

So when we sit down with Nalcor, we start with the conversation with zero-based budgeting, rightsizing, the costs going up, and then sometime if they come looking for a particular ask, we may have to say: We just can't fund that ask, you'll have to fund it internally. They'll have to go in and make adjustments within their budgeting.

**MR. LANE:** Okay. Thank you.

Minister, I have a couple of questions now – I have several actually but I only have so much time – about this division that's going to take place, which was contained in the budget, dividing the oil and gas, creating it's own separate corporation and so on.

You indicated, I believe, that you said the rationale for this would be so that we could focus more on oil and gas, I believe, was to some degree what you said, a greater focus and so on.

I'm just wondering if you can explain, whether somebody is in a separate building under a separate name, I could be in this building – we already had a vice-president of oil and gas development or whatever it's called, some title like that, at Nalcor. So whether that person is in this building with Nalcor on the shingle or he's in a different building under oil and gas division or whatever, how does that really change anything in terms of, he has a job to do, I assume he's focused now, I would hope he would be and all the people under him. What's the rationale for making that change, if you will?

**MS. COADY:** Over the last number of years we've been putting a tremendous focus on: How do we increase the exploration and development of our offshore? As you know, in 2016 I believe it was, we started an Industry Development Council, we've worked through, in the last while, developing what I think is a stellar plan

for developing our offshore, doubling it even more so than that, increasing, really increasing our exploration.

I've heard from operators around the world that talk about they feel that this is a great place to invest because of the types of work that we're trying to achieve in the province and the support of the *Advance 2030*.

Nalcor Oil and Gas is within the, what I'm going to call – it's a subsidiary of Nalcor Energy. Nalcor Energy is very focused on electricity and the development of the Muskrat Falls Project, energy marketing and the provision of energy to the Province of Newfoundland and Labrador. They're really focused on that electricity side of things.

Yes, there's a division under that auspices called the Oil and Gas department, Oil and Gas subsidiary and they have their own board of directors. They operate within that corporate structure. We felt that to really – I hate to use the word advance now – move on the *Advance 2030*, to really focus on that, we wanted to take that division out from underneath the work that's being done under the electricity sector of Nalcor and let it stand alone.

It physically stands alone at this point in time. It has a different office. It has its own board of directors. We don't anticipate any costs of so doing. They're already standalone, but this helps with transparency and accountability. The reporting structures now don't go from their board to the board of Nalcor. It goes from their board, direct to the province and we'll be working hand over hand. There's only one focus of oil and gas and that is the development of the oil and gas industry and management of the equity that we have under it.

So that's kind of the thinking of it. We don't anticipate – and I'll say this again – any major costs here at all, save for maybe a name change that we could brainstorm and make a name change on, we don't anticipate any cost to this, but it does give us that standalone Crown corporation that reports directly to government, has its own accountability structures to the government and to the people of the Province of Newfoundland and Labrador, instead of underneath the auspices of Nalcor. Nalcor will

then be very focused on electricity provision and the sale of electricity in the province as well as outside.

**MR. LANE:** Thank you, Minister.

I guess it's a matter of opinion on whether it'll be any more focused, but anyway we'll move on.

Minister, on the accountability piece that you just spoke to. This will be my last question, my time is running out for now. What about the *Energy Corporation Act*? You talked about accountability and transparency. So given that statement, will this new division fall under the *Energy Corporation Act* or will you be removing them from that and simply place them under ATIPPA, or have you thought about that?

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

As we've indicated when we announced that we will be making this move, we're going to take some time now to look and see how that will be done. So, Justice and Natural Resources and Finance and others are coming together to determine – I mean the deputy minister is heavily involved in this – what the best avenues and ways and means of doing these things are.

So that is why we're taking our time to make sure that we do this correctly.

**MR. LANE:** Thank you, Minister. I'm out of time.

**CHAIR:** Thank you, Mr. Lane.

Thank you, Minister.

Mr. Hutchings, you can continue on.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

I just want to go back and comment on or ask a question. Ms. Michael, or I'm not sure who it was, the issue came up of the Labrador Trough and Geological Survey.

I think, Minister, you mentioned in regard to a recent announcement by the Premier of our province and the Premier of Quebec related to, I guess shared or a mutual agreement in regard to

exploration of the Labrador Trough and things that could be mutually done together. I guess if you could just give me a general overview from your perspective, from the Minister of Natural Resources, how you've seen that and what exactly was agreed to.

The second question I have, there was reference to sharing of data from the work we do and some of the Geological Survey and some of things maybe Quebec has done in their mining industry. How would that work in regard to sharing of that data and those types of things?

**MS. COADY:** Thank you. A most important question I think.

The memorandum of understanding with Quebec, that the Premier most recently signed, I think is a good step forward with regard to – you know we share a border – how do we maximize the opportunity of the Labrador Trough, especially as the commodities are rising and we have more interest in the Labrador Trough.

As commodities prices rise, you're seeing the reboot of Alderon. You're seeing Tacora coming in and taking over the Wabush mine. You're seeing the expansion of Tata, as well as IOC's expansion. Unfortunately, they're on strike at the moment. You're seeing this, I guess, focus on the Labrador Trough.

What we've done with the Province of Quebec is we're looking at a few areas that we may be able to have some further dialogue on. One would be the information around the Labrador Trough. Both the Province of Newfoundland and Labrador and the Province of Quebec do their own independent geological surveys.

I'm sure geologists would love to have a conversation as to what information you're seeing on both sides of things. So we're going to allow the geologists to have those kinds of conversations, and really looking at: where is Quebec looking? You heard earlier the ADM talk about we're looking at the Northern part of the Labrador Trough this year and perhaps – and I can't tell you where they are looking, but Quebec is doing further work in another area I'm sure.

Also, and I'll use infrastructure, in the Quebec side of things is where the port is, where a lot of the railway is. How do we work together on those types of things ensuring access, ensuring availability, ensuring growth of the opportunities in the Labrador Trough? Things like skills and training of workers. We share a lot of the workforce. They go back and forth between projects.

So skills training, we're going to be talking about that. We're going to be talking about telecommunications. How do we – items that are of mutual best interest. That's what we're going to be working on.

I don't know if the parliamentary secretary – you just walked in, sorry. You had to step out for a moment, but we're talking about the Labrador Trough and the memorandum of understanding between Quebec and Newfoundland and Labrador about things like the geological survey, the infrastructure, skills training. Conversations about how do maximize and leverage our best opportunities there.

**MR. HUTCHINGS:** So in the second part, too, just in terms of sharing of data: how would that work, and what sharing of data would occur?

**MS. COADY:** At this point, we haven't moved to that level.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** We are, I think, going to see how our geological teams can come together and discuss what they're seeing on both sides of this from an information gathering perspective. We would probably share with them some of the information we put out publicly and early so that they have it. Again, bringing geologists together to have those mutual conversations is probably what we'll look at, at this point.

**MR. HUTCHINGS:** Yeah. I'd ask for a comment; I understand the rationale behind that, between sharing information between two provinces. The other challenge is we each try to attract investments, and investments from around the world, to develop and exploit what we have in our jurisdiction.

How does that fit with – I get the sharing of information, that piece, but we're competitive in trying to attract to our jurisdiction particular industries and investment. How do we balance that in terms of our relationship?

**MS. COADY:** Most certainly. Anything that is developed in the Labrador Trough, it would depend on where the resource is itself.

You can see, for example – and I'll use Tata. As an example, you can see Tata, the resource is actually on the Labrador side. A lot of development has occurred on the Labrador side, but you've seen the Government of Quebec, through Plan Nord, actually make an investment in Tata.

**MR. HUTCHINGS:** Mm-mmm.

**MS. COADY:** So you can see because the border is so close and because the development – and you have a lot of workers from Quebec who actually go to Tata to work, and they go back and forth.

So you're absolutely right. We'll continue to do a lot of our own investment strategies, a lot of our own development with regard to promotion, but where possible and where practical and where it is in our best interest from the Province of Newfoundland and Labrador's perspective, we'll work together with Quebec.

**MR. HUTCHINGS:** Okay. Thanks very much.

2.1.03, Mineral Development – I think you may have referenced, I'm not sure if we covered it – under Purchased Services.

Last year we asked about projected expenditures related to safety and dam maintenance. I think you spoke to some of that a little earlier in regard to questions. For '18-'19, last year I think there was \$740,000 you had forecasted to use. This year that's increased, but I think you referenced the point that you want to look at meeting your plans that you had in regard to dealing with some of these issues. I guess that's an increase to deal with additional dams or safety that's required, and basically you just upped the budget to deal with some of the capacity you need there to do a (inaudible).

**MS. COADY:** Absolutely.

I'll just look at '17-'18, the budget was \$656,800 and we actually spent \$665,000, a slight increase of \$10,000. That was the contract for dam repair that we did at the old Rambler mine. So you can see that sometimes we hope to get it at the price that we're getting and you see a bit of an increase, much the same – we have a four-year plan and a commitment on orphaned and abandoned mines. We've had to put some additional monies there because of some of the changes that are required under that.

**MR. HUTCHINGS:** Okay. Thank you.

Under 2.1.03, the same one, Grants and Subsidies, that's consistent at \$1.7 million. Last year we were told that's related to prospector assistance, junior exploration, and I think there was some monies for the creation of the Matty Mitchell room at the Department of Natural Resources. I think it's about \$50,000.

Is that consistent in terms of the breakdown of that amount for Grants and Subsidies and where that will be allocated this fiscal year?

**MS. COADY:** You are correct.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** The Prospector Assistance Program is \$350,000, and that's consistent with last year. Junior Company Exploration Assistance Program is \$1.3 million –

**MR. HUTCHINGS:** Yes.

**MS. COADY:** – that's consistent. We increased those I think back in '16-'17. The Matty Mitchell room is \$50,000 – consistent.

**MR. HUTCHINGS:** So everything is held there in regard to budgeting for those?

**MS. COADY:** Correct. But you will recall that we did an increase in 2016-17.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** Yes.

**MR. HUTCHINGS:** The other issue – your official mentioned earlier in regard to orphaned and abandoned mines, and I just talked about safety and dam maintenance program. There's a four-year spending forecast for that. Is everything on target with regard to dealing with those that have been identified, in that four year-period? Just a comment I guess, in terms of that plan, it's laid out, and are you meeting your targets.

**MR. CANNING:** This year we're asking for additional funds to manage the Consolidated Rambler site.

**MR. HUTCHINGS:** Yeah.

**MR. CANNING:** That's what that whole risk registry is about, really understanding more deeply and more granularly about the future requirements of those sites.

So I would say that our big focus this year is to deal with Consolidated Rambler, and to continue, really, pursuing this whole notion of risk registry so we can really identify every key component that we need to assess at these sites.

**MR. HUTCHINGS:** Okay, if I just ask one more to clue up.

So the registry, I'm sorry – is that new, the registry?

**MR. CANNING:** It is new. When I came into the role, as I'm sure our DM came into our roles – when I saw these dams, I asked the question: Do we have a risk registry to understand all the component parts of that?

**MR. HUTCHINGS:** Right.

**MR. CANNING:** The answer was no. It was never done here in this province. Something I would be very familiar with in the private sector. So we need to go down that path to ensure that we have a risk registry to clarify and understand every particular issue with respect to abandoned sites.

**MR. HUTCHINGS:** So you go out and do a risk assessment, identify it, label it what it is, and then put it in your registry and your work – from budgetary process, you'd work on them as

you go, kind of thing. That's open and transparent and people can see it.

**MR. CANNING:** Right, so from here on out, you'd have your mitigations all laid out –

**MR. HUTCHINGS:** Right.

**MR. CANNING:** – to understand if you're meeting those mitigations, and what additional costs – because these things have a way of coming back at you in the future.

**MR. HUTCHINGS:** Sure. Okay, great. Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

**MS. COADY:** If I may, very important, the orphaned and abandoned mines – that four-year plan really did identify and they are on track as they move through that plan.

**MR. HUTCHINGS:** Okay, good.

**MS. COADY:** And we have allocated additional funds now – I think the ADM has covered that – under that four-year plan as well.

**MR. HUTCHINGS:** Okay, thank you.

**CHAIR:** Thank you, Minister.

Ms. Michael.

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

Minister, before I ask any more questions, I usually ask this one upfront: Can we expect to be able to get the binder from your department after today?

**MS. COADY:** Absolutely.

**MS. MICHAEL:** So then we don't have to worry about lists and stuff because all of that will be in the binder.

**MS. COADY:** Correct.

**MS. MICHAEL:** Thank you very much.

We still may ask some information about lists, but we don't need –

**MS. COADY:** Of course.

**MS. MICHAEL:** – to copy it all down and get it all. Thank you.

Just a few more questions with regard to mining. Again, this has to do more with updates on some of the different mining projects. Where are things with Vale and the beginning of the underground mining operation?

**MS. COADY:** Thank you for the question. This is a very important topic, of course, for Newfoundland and Labrador. As you know Vale Global, which is headquartered in Brazil, has done a global review of their whole minerals division. Vale in Labrador certainly was part of that.

We have had a number of discussions with Vale to encourage them to continue to go underground; it is a good economic value. Vale has continued to review whether or not they will be able to – it's a fairly significant investment on their behalf to go underground; I think in the billions of dollars area for them to maximize that.

We are cautiously optimistic. They are looking to stream cobalt and that would be helpful in the development of that underground mine. We're continuing to encourage them to go underground and we're looking for their support to do so hopefully in the near future.

**MS. MICHAEL:** Sounds like it's not quite as sure as it was about a year and a half ago.

**MS. COADY:** Well certainly, there's been change in the commodities pricing over that last year. What we are seeing, though, is an increase in cobalt which is making that even more economic again. That's a positive thing. We do know the economic value, we do know that there's a huge cost to go underground, so we're continuing to work with Vale to encourage them to do just that.

Over the last year, you've seen a decline in the overall commodity pricing for Vale, and that's problematic and that's why they've done a

global review and they've actually shut down some areas – not here. But things are continuing as they are in Vale. Of course, in Labrador, really what we're talking about now is going underground and we want to encourage them to do just that.

**MS. MICHAEL:** As you know, I have a special interest in this, having sat on the joint panel. I haven't read the report in a while but I do remember one of our major points being that the thing that would really make it of benefit to the people of Labrador would be going into the underground mine. That was a very serious consideration that we made.

**MS. COADY:** Absolutely.

**MS. MICHAEL:** Knowing the fluctuation in commodity prices, I'm going to hope that this is a temporary slowdown.

**MS. COADY:** It is encouraging to see the increase in cobalt, I have to say, and the fact that Vale has gone out to start streaming I see that as very positive, but we'll see as they move forward.

**MS. MICHAEL:** Right.

I can't remember, and I should, but if the underground doesn't happen, when is the end date for the open pit?

**MS. COADY:** 2022. I was going to say '21-'22.

**MS. MICHAEL:** It's pretty soon. Great. Thank you.

**MS. COADY:** That's why it's important for us to continue to encourage it.

**MS. MICHAEL:** Yes, absolutely, for the people of the Labrador because we all know how many are employed there, especially from the North Coast.

Can we get an update on the fluorspar mining project in St. Lawrence, please?

**MS. COADY:** Certainly.

As you know, we were pleased to see the fluorspar mine reactivate. They are moving

through I think very diligently and well in their processes of developing, and I'm going to turn to the ADM to see – their latest shipment has gone. So maybe you can just give them a quick update on where they are today.

**MR. CANNING:** Thank you, Minister.

The facility is moving forward. They went through their commissioning and start-up and all the time during commissioning – and I've done a little bit of that – you find issues of a technical nature, you work your way through and they did a good job on that and kept us informed. We really believe this is a strong opportunity for the long term for that region and we're just delighted to see this moving along as well as it is.

**MS. MICHAEL:** Thank you.

Minister, you did speak a lot when responding to Mr. Hutchings with regard to Lab West, but there were some projects that you didn't mention such as the Julienne Lake iron ore deposit, the Quest Rare Minerals and the Strange Lake rare earth project, not really a project I guess, and also the Scully Mine.

Could you give us some details on those projects?

**MS. COADY:** Let me start with Scully Mine.

As you know, last year Tacora purchased the assets of Wabush Mines.

**MS. MICHAEL:** Yes.

**MS. COADY:** We saw that as a positive thing, going forward. They have done their feasibility study and are out raising funds to restart the mine. I can't tell you the day when that is anticipated. They're out raising funds at the present time but they've moved through the processes quite diligently, so we're cautiously optimistic that they will be able to raise the funds there.

Quest is now out raising money for another tranche and, I believe, they have put in their environmental assessment. I'm turning to my assistant deputy minister to see if I'm correct there.



**MR. CANNING:** I'm not so sure they've put in their environmental assessment papers, just yet.

**MS. COADY:** Okay, so –

**MR. CANNING:** That's Search.

**MS. COADY:** That's Search, sorry. I said Quest, it's Search.

**MR. CANNING:** This Sunday, Search is on the lower coast of Labrador.

**MS. COADY:** Correct. I got my names mixed up, so Search has done that, Quest has not, at this point.

You asked about Julianne Lake, I have nothing new to report.

**MS. MICHAEL:** Okay.

**MS. COADY:** I don't know if you – I'm looking around to see if there's anything new to report on Julianne Lake, at this point.

**MR. CANNING:** It's interesting, there has been questions about Julianne Lake at some of our conferences when we have gone there to talk to folks. We continue assessing that opportunity and, obviously, iron ore is a higher value; the commodity prices has shifted upwards, so that's good.

You see it in Labrador West with respect to Tacora, Alderon and IOC has increased their production. Also, Champion just across the border has started up and they ship their ore straight down through the QNS&L to the port of Sept-Îles. So there are a lot of potential log jams, I guess, in Sept-Îles, in that port, but we're hopeful that we can continue perusing this as we have with Tacora and Alderon.

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

I'm going to move on now, I think I've covered the questions I have on mining, and move into section 3.1.01, Energy Policy.

Could we have an explanation of the Salaries line, please, because it has gone down significantly from last year's budget? Oh no, it's

not significant. I'm sorry. It's fairly insignificant.

**MS. COADY:** It's just lower than anticipated salary cost and vacancies within the division. Some vacancies, while we're waiting to hire someone, we have these opportunities for some budget savings here and there's also some severance that we had to add back in. That's the different between \$1,189,000 and the \$1,120,000.

We are also looking at the Salaries line for 2018-19. Instead of it being – it's gone down a little bit, but that's because the vacant positions budgeted and anticipated will be filled at a lower step.

**MS. MICHAEL:** Okay.

**MS. COADY:** So some of the people that have left were at a different step level then the people that we're now hiring.

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

**MS. COADY:** It's hard when you lose corporate memory out of your department.

**MS. MICHAEL:** It is.

**MS. COADY:** It is challenging, but people are – they work very hard to bring their knowledge up, very quickly.

**MS. MICHAEL:** Right. Since you've mention that, do you have a lot of that happening, because it is a concern, the loss of corporate memory?

**MS. COADY:** Well, certainly, as people retire, you're seeing that, and we have seen quite a lot of change in the Department of Natural Resources, but you're seeing that in society.

**MS. MICHAEL:** Right.

**MS. COADY:** As the baby boomer generation now is starting to move into retirement, you're seeing some major changes.

So, yes, we're seeing loss of corporate memory and that's difficult, but we're also very focused on attrition management so that people who

report to more senior people within the department are trying to gain that knowledge before people go out the door. So we're really working to manage that transition.

**MS. MICHAEL:** Okay, thank you.

**CHAIR:** Ms. Michael, I just wonder if I could ask you to hold your thoughts here, and I'll turn it over to Mr. Hutchings.

**MS. MICHAEL:** Sure.

**MS. COADY:** My deputy minister just pointed out, I'm going to just draw your attention to – the eligible numbers of retirements in the Department of Natural Resources – and I told you we have 154 people – is 36. So it is significant.

**MS. MICHAEL:** Yes.

**MS. COADY:** But it is a lot of people who are just eligible for retirement, moving through their life cycle. So it is something that we manage almost every day.

**MS. MICHAEL:** Thank you.

**CHAIR:** Thank you, Minister.

Mr. Hutchings.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

If I could, Minister, I just want to go back, your official mentioned the Fluorspar mine. So is the commissioning all completed on the mine itself, in terms of operations?

**MR. CANNING:** My understanding is yes.

**MR. HUTCHINGS:** Okay.

**MR. CANNING:** They had some issues with a filter and I think they resolved that. That's my understanding.

**MR. HUTCHINGS:** Okay, fair enough.

What about the actual export of material, has that started?

**MR. CANNING:** My understanding is – and I'll confirm it for you – that load is due.

**MR. HUTCHINGS:** Okay.

So for all intents and purposes, your understanding is it is operational now.

**MR. CANNING:** That's my understanding.

**MR. HUTCHINGS:** Okay.

Ms. Michael spoke of Voisey's Bay and the underground mining and we've asked some questions over the past couple of years, Minister, in regard to that. Originally you advised us that there were some issues in regard to engineering and procurement and they wanted to get a handle on that. Then I think there was maybe a business assessment or analysis being done by Vale and would be concluded in the fall of 2017, if I remember correctly.

When we look at some of the other discussions that have gone on, iron ore has started to bounce back a little bit, we got the cobalt issue and the significant price that's garnering around the world and what it's needed for.

So at this point in time, can you give us some insight into what exactly the holdup is because there was an amendment done to this agreement to have them go underground? Is there a timeline here? Are there penalties that we're looking at here? Where are we and where are we going, I guess, in a broader sense?

**MS. COADY:** Thank you for the question, it's an important one.

I know over the last number of years you've asked some very good questions about Vale and where their future lies. They did originally do a really – I think it's to the positive benefit for our future – tremendous task of making sure they aligned what they were doing, their engineering and procurement stages, which will help secure costs. They did that originally and then they moved into Vale Global with a new CEO, did a worldwide review of their minerals division and that took place, and now Vale is assessing whether or not they can move underground.

I feel, again I'll say, with the value of cobalt being so high, I think it works in our favour that they are out there streaming cobalt, so they'll have to supply that cobalt. That's a positive development.

Global pricing on copper is still a challenge. The commodity pricing is quite low so that is a concern.

With regard to the development agreement, at this point until we know exactly how and when Vale will move forward with their underground mine, I'll leave that to the time in which they move forward. I'm not anticipating any changes at this point, but we haven't gotten clearance – Vale hasn't made any public statements that they will be moving forward at this point, so we'd have to wait until that.

We continue to work to ensure that they understand the value of the mine, understand the impacts and we'll continue to do that.

As you know, under the previous administration there was some changes to the milestones that were given and that were allowed, some milestone changes and that was done previously. So we'll wait and see how Vale moves forward, but I am, as I've said, cautiously optimistic because of the streaming of the cobalt, the value of the cobalt and the economic value of the underground mine.

**MR. HUTCHINGS:** Thank you.

My final question on that: When asked in the House of Assembly, you indicated there was no desire or consideration of making any changes to the amendment. Has Vale made any offers or requested any changes? Are you still –

**MS. COADY:** To the Development Agreement?

**MR. HUTCHINGS:** Yeah.

**MS. COADY:** Not at this point.

**MR. HUTCHINGS:** Okay.

Is there any consideration now to make any changes to that?

**MS. COADY:** Not at this point to the Development Agreement.

I had a thought a minute ago; it's gone from my head. I wanted to say something but it left me. I'll come back to it if I regain it.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** We do know – this is the point – the remedies that are available under that Development Agreement. Should things not progress, we do know there are remedies available to us and we'll keep that in mind as this moves forward. Right now we are encouraging the underground mine development.

**MR. HUTCHINGS:** Okay. Thank you.

I'll move on to 3.1.01. I wonder if you could just comment. I know it was mentioned earlier in regard to the Oil and Gas division being removed from Nalcor and stand alone. Do you foresee any transfer of employees from the line department that you have now into this new entity?

**MS. COADY:** The line department being Natural Resources?

**MR. HUTCHINGS:** Natural Resources.

**MS. COADY:** No, not at this point.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** That hasn't been considered or contemplated. What it would be is that the Oil and Gas division would remain – what they're tasked with is doing, really, two things; one is managing the equity that we have in our offshore. The second thing that they really do is a lot around prospectivity, the seismic, the geology around the prospectivity and the promotion side of that.

That will remain. That's the consideration at this point, so no transference of skills.

**MR. HUTCHINGS:** No, that's what I was suggesting, if it was required.

**MS. COADY:** No.

**MR. HUTCHINGS:** Okay.

Under Professional Services, the Estimate was \$181,200, the revised was \$86,200 and now it's gone back up again from what the original Estimate was. I'm just wondering about that change there and the Estimate back up to \$191,200.

**MS. COADY:** Certainly.

Last year some of the planned studies that we wanted to do didn't take place. We went from \$181,000, which is what I'm going to call the normalized budget, down to \$86,000 because there were other things happening.

This year we plan to do a number of market analyses on capacity markets. We have to do peak demand reduction strategies and mandatory reliability standards. We've got some money there for some offshore for some work on FORRI, which is the – help me out here, Gordon, what does FORRI stand for – Frontier and Offshore regulations. I staggered it but it was there.

There's some additional funding available for Professional Services. The \$191,000, the \$10,000 increase, is the zero-based budget review.

**MR. HUTCHINGS:** Okay.

You said the term "peak demand." Is that related to electricity in general in the province?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** So you'd be doing something separate than Nalcor would be doing under peak demand.

**MS. COADY:** Correct.

The province, obviously, from a policy perspective and the policy of the requirements under electricity, would be looking at some of these peak demand reduction strategies. I don't know if the ADM wants to add anything to that?

**MR. COWAN:** The first study the minister mentioned was capacity market. The province is interested in understanding how we can

maximize our market opportunities. If we have some further insight in capacity markets, that would be very beneficial in terms of revenue streams. If we look at our peak and our load, then we can understand how people use their power.

We already have some insight, but if there are opportunities there as well to shave that peak, that also presents a marketing opportunity related to capacity markets because that's a capacity product that we could use. Again, that would provide us with the ability to generate additional revenue.

**MS. COADY:** Just on that, the department is really tasked with the policies.

**MR. HUTCHINGS:** Sure.

**MS. COADY:** Doing your own studies and making sure you have the information you require for policy development is critical. The budget is rightsized at \$191,000 but it is pretty much equivalent to the budget that is normalized over the years.

**MR. HUTCHINGS:** Yeah, so the capacity market and the peak demand, as examples, would you have done those in the last two years? When were they last done departmentally?

**MR. COWAN:** I'm not aware of those studies being in the past. They would be new areas that we would use, as the minister said, to support policy development within government.

**MR. HUTCHINGS:** Okay. Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael.

**MS. MICHAEL:** Thank you very much.

Thank you, Mr. Chair.

Coming back to 3.1.01, Minister, under Professional Services, last year the budget was \$181,200, but only \$86,200 was spent. I'd like an explanation of what didn't happen that was expected. This year, the rightsizing has gone up from the budget of last year by \$10,000. What is the expectation there as well?

**MS. COADY:** We've had some vacancies in that division and some of the studies that we had hoped to undertake didn't go forward. Now they will go forward. It's a timing issue I guess.

**MS. MICHAEL:** Okay.

**MS. COADY:** We've had a number of vacancies in that division so we're now pretty much, I think, on track again. I'm looking at my ADM to make sure nothing has happened in the last little short while. We have a full complement and we'll be moving forward in some of these studies.

When we do zero-based budgeting we really have to go out and look at everything that you're doing again. For the \$181,000, it was felt that the \$191,000 was required, that additional \$10,000, to help fund some of those studies and some of that work that we're doing. That's why zero-based budgeting sometimes goes up and lots of times it goes down.

**MS. MICHAEL:** Yes. Thank you.

Coming down to the Grants and Subsidies, last year the budget was \$2,900,000 and it was revised downwards by \$500,000. This year it's even below that revised number as well, so now we're down to \$2,300,000.

Could we get an idea of these grants and subsidies? Why the variance? I think we do know some of them.

**MS. COADY:** Certainly.

\$2.9 million was budgeted and we spent \$2.4 million. It was because we had a lower-than-anticipated cost associated with the NSP diesel subsidy program last year. That was a \$500,000 savings right there; \$1.8 million versus \$2.3 million.

**MS. MICHAEL:** What caused that, Minister? Why was it down that much?

**MS. COADY:** I think just usage.

**MS. MICHAEL:** Usage.

**MS. COADY:** It was just usage, a little less requirement.

**MS. MICHAEL:** Okay.

**MS. COADY:** This year, in 2018-19, you'll see there's \$2.3 million. The difference between the budget last year and the budget this year is the removal for funding. We no longer require the funding for CF(L)Co trust.

Remember there was \$600,000 – I see nodding heads – for CF(L)Co trust that was put in last year because we were moving through the court system.

**MS. MICHAEL:** Right.

**MS. COADY:** Now we anticipate the Supreme Court, of course, will make some kind of ruling by June so we won't have that expense.

**MS. MICHAEL:** Okay.

**MS. COADY:** If we do have to do something further, it may have to go into contingency, but at this point with the CF(L)Co trust we felt that covered off what was required.

**MS. MICHAEL:** Okay. Thank you.

You've answered another question I had written here.

This of course does bring up once again, which we do every year, the Ramea project because obviously we all have the hope that eventually what's happening down there could end up replacing the use of diesel on the coastline in Labrador. Can we have an update on what's happening with the fuel-cell technology?

**MS. COADY:** There have been some challenges, unfortunately, with the conversion – and I'll turn this over to the assistant deputy minister who will be more fulsome in his reply. There have been some challenges in the Ramea project with that conversion, the fuel-cell conversion.

Just for those who may be listening, there was a source of wind power being converted into hydrogen, to be used and stored, and there was some proprietary technology that Nalcor was developing, but there have been technical difficulties, I'll use that. So it hasn't moved as smoothly as one would hope.

On the bigger issue – and I think this is a huge issue for Canada, not just for Newfoundland and Labrador, and I speak to my colleagues and to the federal government about this regularly – we have 20 communities in the Province of Newfoundland and Labrador that use diesel as a source of electricity. They're off the main grid, they're stand alone and they use diesel.

We really think there's an opportunity to move to some type of renewable technology; we have to have backup, obviously, and that may be diesel because that is most cost effective. But we're trying to find a solution and we're working very much with our colleagues across the country, because I think this is a national issue, for remote and rural communities. We're also looking at maybe there is some wind or solar or hydrogen technology, or whatever type of technology we can use.

So we have a person who is really working towards that; I think you'll hear some more things coming. We certainly want to move forward. We have a team of people that are really working on this issue because if we can get 20 communities in the Province of Newfoundland and Labrador off diesel, it would be a very good thing from two perspectives. One, from greenhouse gas perspective – and I think this is important to the federal government, it's important to the people of the Province of Newfoundland and Labrador, so there should be some funding available from the federal government to help us do that.

Secondly, we want to move to a system that gives a good robust opportunity for electricity in these besides diesel, right. Diesel's very expensive.

**MS. MICHAEL:** Yes, and the greenhouse gas issue is a serious one, and you're right. I mean, I think if this technology can be made to work, it's important not just for us here in this province.

And you may not have this figure, Minister – if not we can seek it from Environment. What is the percentage of our greenhouse gas emissions that comes from the 20 communities using diesel?

**MS. COADY:** I don't have that specifically from diesel, but I can tell you it would have to be significant; 20 communities, all in rural and remote communities. I think it's an opportunity – and I speak regularly to my federal colleagues and provincial colleagues to ensure this. As a matter of fact, at the federal, provincial and territorial meetings this is a key issue and we'll be having another meeting this summer and again looking for solutions and opportunity and sharing information back and forth as to what's happening in other jurisdictions.

But I think this is the one place the country could really drive forward.

**MS. MICHAEL:** If it looks like your officials might be able to come up with that figure, could you get it to us? I think it looks like you might be able to.

**OFFICIAL:** (Inaudible.)

**MS. COADY:** Okay, I'm getting some figures. The remote and diesel communities I've been told is less than 5 per cent of greenhouse gas. Transportation overall is about 40.

**MS. MICHAEL:** Okay, so transportation is the big figure.

**MS. COADY:** Transportation continues to be the big issue.

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

Okay, that's all the questions I have I think. Oh, the net metering program – where are things with that?

**MS. COADY:** You're testing memory. It's going well. There have been a number of applications. You submit your application of course to either Newfoundland Power or Newfoundland and Labrador Hydro. There have been a number of applications approved. I don't know if you have that number off the top of your head, to the ADM?

**MR. COWAN:** The numbers are fairly small. We did meet with Newfoundland Power a number of weeks ago to ask where they were, and they had I think it was two or three, so it's a fairly small number of applications in the queue

right now. I believe Newfoundland and Labrador Hydro had maybe one.

**MS. COADY:** If memory serves me, I think there were five and they were approved, but we're looking for more take-up on that program for people to be able to use and supplement wind or solar in their own homes and –

**MICHAEL:** And would those applications be residential or commercial?

**MS. COADY:** I think they're all residential if memory serves, yeah.

**MS. MICHAEL:** Okay.

There's really not a lot of advertising being done about it, though, for people to know about it.

**MS. COADY:** Good point.

**MS. MICHAEL:** I'll make that point.

**MS. COADY:** So noted.

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

I only have 35 seconds, so I'll stop at the moment because (inaudible) –

**CHAIR:** Thank you.

Mr. Lane, I'm just trying to gauge the time so I'm just going to have to go back to Mr. Hutchings and we'll see where we go.

**MR. LANE:** Yes, fine.

**CHAIR:** Mr. Hutchings.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

Just a follow-up to Ms. Michael's question with regard to those 20 communities and the greenhouse gas emissions, you said it was less than 5 per cent. Is that 5 per cent of the provincial greenhouse gas emission?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** I think us as a province in regard to the percentage of the national amount,

we're a bit under 2 per cent, is that correct, somewhere around there?

**MS. COADY:** I wouldn't comment.

**MR. COWAN:** (Inaudible) Climate Change when I go back.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** Climate Change would be able to assist you with that.

**MR. HUTCHINGS:** Sure. Thank you.

We know we discussed legislation here in regard to the Newfoundland system operator and the open-access piece, just give us a rundown on – I know that will be a separate entity that's going to be set up. Is there money budgeted for that, or do we know what the annual operating budget would be?

**MS. COADY:** Thank you.

Just for those that are listening, the Member opposite is referring to the independent system operator that will be housed within Hydro and ring-fenced, and the question is: What's the budget for that? That's within the Hydro budget, and I don't have that figure off the top of my head. I don't know if you do, ADM.

**MR. COWAN:** No, Minister. Largely, the staff that form the system operator, as the minister has indicated, is ring-fenced, so those people would have already existed at Hydro.

**MR. HUTCHINGS:** Yeah.

**MR. COWAN:** So that operation centre is now part of the system operators. The only additional position that I would see, and I'm not sure, would be the actual Newfoundland and Labrador system operator, the person who is in that position.

**MR. HUTCHINGS:** So we wouldn't see a huge cost to that, as we've talked about before because most resources are already there.

**MS. COADY:** Correct; they are ring-fenced within Hydro itself.

**MR. HUTCHINGS:** Okay, good.

**MS. COADY:** That is the difference between – going back to the legislation, there was a question as to whether or not we'd have an independent, stand-alone organization –

**MR. HUTCHINGS:** Right.

**MS. COADY:** – or one within Hydro, and really the consideration was the cost and the usage. We are at the end of the line, we'll say, so we don't anticipate a whole lot of usage of our transmission assets by outside entities.

**MR. HUTCHINGS:** Right, yes, indeed. Thank you.

I'll move to 3.1.02, Petroleum Development. I just want to ask a question in regard to Salaries. Under 3.1.02, there was a salary savings there last year of \$83,200. I'm just wondering, was that a vacant position or what exactly that was?

**MS. COADY:** That is correct. The variance is due to vacancies within the division during the year and for parts of the year. We had a director's position and a marketing and promotion position that was vacant.

If you look at 2018-19, it was \$1,216,000 last year and \$1,209,000 this year. Small variances because a lower step again. Somebody came in at a lower step than the person that left.

**MR. HUTCHINGS:** Okay, thank you.

If we drop down to Revenue - Provincial, there's a line item of \$81,000. Can you just explain to me what that would be?

**MS. COADY:** Yes, that's the delegate fees for the Offshore Technology Conference.

**MR. HUTCHINGS:** Okay.

Maybe here would be a good time to just give me an overview of the upcoming seismic program for this year. I think last year it was two 3D vessels and one 2D vessel – I think, if I remember correctly, from some of the things you talked about. What can we expect this year?

I know we had some discussion in regard to the budget, and some of that would be used to correlate or review the data that already exists and then there would be a portion that would be looked at for further seismic work. Could you give me an idea of the future seismic work, what's going to happen this year?

**MS. COADY:** Certainly. Seismic work usually correlates to upcoming license rounds.

**MR. HUTCHINGS:** Yeah.

**MS. COADY:** I don't have, off the top of my head, exactly the locations. I'll search the memory banks as I'm speaking.

This year we're going to spend approximately \$28 million; \$20 million of it which will be new exploration, which is normalized to say '16-'17 year expenditures.

Last year there was a big bump because of the 3D. As you noted, last year there was a big emphasis on 3D in one particular area that was being done and that's because those license rounds were underway and there are indications of great prospectivity in those areas.

This year there will be the \$20 million new, \$8 million in looking at and analyzing past data, which is normalized amount. A big investment \$28 million, probably one of the largest investments in 2D and 3D seismic, but it's more tied to the license round.

I don't know if you want to comment, Gordon, at all.

**MR. MCINTOSH:** In terms of the discussions going forward, the final program isn't in place, but I think it will be at least two vessels doing the seismic programs this year.

**MR. HUTCHINGS:** Okay.

**MR. MCINTOSH:** And clearly, there are private sector programs as well as our own program.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** That's a very good point that the Deputy Minister just made. This is only for the



Province of Newfoundland and Labrador. There's more seismic being done and more exploration work being done by other organizations, right – other groups.

**MR. HUTCHINGS:** Sure. For the private sector, right?

**MS. COADY:** Correct.

**MR. HUTCHINGS:** Yeah.

I just want to go back to the budget issue, and we talked about it before here in regard to the \$28 million.

From your direction to Nalcor, did you ask them to reduce their budget by a certain figure? Was it \$20 million, or what actually transpired there? What was your expectation for Nalcor going into *Budget 2018* in reducing cost? Was it a figure? Was it, you know, have a look and see what you could do? What was that direction?

**MS. COADY:** Certainly, the budget this year for Nalcor – I can grab it for you in a moment. I just got to find the right piece of paper.

Nalcor capital this year is \$723,900,000 which is the amount of money that is required for the Muskrat Falls Project and energy marketing and so on. The direction to Nalcor, as the direction to every agency, board and commission and every entity within government, is to keep your costs as low as you possibly can.

When we had the conversation, the board of directors obviously is responsible for the development with the senior executive of Nalcor. They came forward with a budget that they required. We asked them to ensure that everything they're doing is as cost effective and as low cost as possible, because the people of the province – we are borrowing a tremendous amount of money and our fiscal situation in the province continues to be quite problematic.

We did ask the board and we did ask senior management to come forward with a budget as low as they possibly could make it. They came forward with their budgets. They were fine-tuning. They were looking at where they could find savings. They did zero-based budgeting. They knew where some of the costs – there were

some convergence costs, what I'm going to call this transition.

I think this is a key point; this transition from construction to operations is starting to happen. Especially where you see, for example, the transmission lines are now completed. Nalcor is still working, of course, on the building of the Muskrat Falls dam.

So no, there was no specific dollar amount given to Nalcor to find. It was more, make sure your budget is as fine-tuned, as low, as reviewed – they did come in with their zero-based budgeting. We did review that. We asked for, to make sure they fine-tuned absolutely everything they possibly can to make it as low as they possibly can.

**MR. HUTCHINGS:** Okay, thank you.

Just a final question on that. The board and the CEO came forward with – my understanding – a \$20 million reduction, and that would be in the seismic program or the exploration program. Subsequent to that, I think it was on the day of the budget, there was an OC that directed \$20 million back as a grant to Nalcor to replace that \$20 million suggestion.

At the end of the day, were there any savings from Nalcor? Did they cut any in their administration costs, because that \$20 million was put back in?

**MS. COADY:** Nalcor, basically, I think their core budget is flat to last year, which is a decrease considering this transition. There have been a lot of what I'm going to call budget reviews and analysis within Nalcor to get their budget as low as they possibly can.

So to answer your question on the \$20 million, the board of directors took a decision, they felt they could pause the exploration program this year; do the analysis, but pause new exploration. We felt, because of *Advance 2030*, it was very important for that to continue. We said we wanted that to continue, and that's what the direction to the board has been.

How that will be funded; we believe there will be some extra revenues through the Oil and Gas division of Nalcor to help offset that increased

cost – sorry, not increased cost, that \$20 million investment in new exploration. If we have to supplement that, then we'll have to do that, but we believe there will be some additional revenues through the Oil and Gas division this year that will help offset that \$20 million investment in new exploration. We felt that it's very important that we continue to do new exploration.

**MR. HUTCHINGS:** Sure. I just have a final comment, if I could.

Just on that note; the \$20 million is not in the overall budget of the province or in your department. Your expectation is that \$20 million grant will be replaced to Nalcor based on revenue increases in oil production or other areas that during the year you can transfer over to them. Is that the general –?

**OFFICIAL:** (Inaudible.)

**MS. COADY:** Pardon me?

**OFFICIAL:** (Inaudible.)

**MS. COADY:** Okay.

I just wanted to confirm what I was about to say.

**MR. HUTCHINGS:** Yes.

**MS. COADY:** That is correct.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** If we do have to help fund that, we'd have to find it from other savings or other opportunities to help make that investment. I feel that we will be able to see some increases; we're already seeing some increases. As you saw this week, the price of oil has gone up.

**MR. HUTCHINGS:** The exchange rate is good.

**MS. COADY:** The exchange rate, so we're hopeful they will be able to fund that program.

**MR. HUTCHINGS:** Okay. Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael.

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

Coming to 3.1.03, Minister; this covers the money that goes from the provincial government to the C-NLOPB to cover the provincial share of their operating costs I understand.

This year the money is going up. The Grants and Subsidies, the money that will go from the provincial government to them is going up. What is the reason for that? Has the federal government share gone up as well?

**MS. COADY:** Thank you for that.

I will let you know that C-NLOPB is at no cost to government. While their budget line item is here, it is at no cost to government. It is completely recovered. It's 100 per cent cost recovered.

**MS. MICHAEL:** By government? The government receives the money back or ...?

**MS. COADY:** It's 100 per cent cost recovered from the industry.

**MS. MICHAEL:** Right.

**MS. COADY:** There's no cost to government at all. While there is a Grants and Subsidies line to be voted on here it is completely cost recoverable.

**MS. MICHAEL:** Okay.

**MS. COADY:** Let me just explain why there are increases in their operating budget, because I think it's important that they be held accountable nonetheless. They have some personnel costs, they have step increases that have gone up and their premises have gone up. They have investments in computer hardware and software and they also have a number of consultants that are required. What you're seeing is there is an increase from last year to this year due to those reasons.

**MS. MICHAEL:** Okay.

I'm trying to get a handle, then, on how things do work. We probably have asked different questions before.

When it comes, for example, to the sale of parcels of land in the offshore by C-NLOPB – and there is revenue from that; you also have revenue from penalties for time extensions, that kind of thing – does that money go to C-NLOPB or does it come to the Provincial Treasury?

**MS. COADY:** On the land tenure – and correct me if I'm wrong here – that is more a commitment for exploration, it's not revenue. If someone bids – and I will use a million dollars – on a particular piece of our offshore, they commit to making a million dollars investment.

**MS. MICHAEL:** Right.

**MS. COADY:** It's not revenue generation but they have –

**MS. MICHAEL:** Right, but the penalties are revenues.

**MS. COADY:** The penalties are revenues. That would go to C-NLOPB as part of their budget, correct?

**MS. MICHAEL:** Okay. Thank you very much.

Coming to 3.1.04, under Professional Services, last year it was \$170,000 budgeted, revised down to \$115,000 and this year it's \$155,400. What exactly are those professional services and why the differentiation?

**MS. COADY:** This is where efficiencies and staff complement really help. If you look at the Professional Services, the variance from \$170,000 last year to \$115,000 is really related to royalties and having to hire external audit services.

This year, because we had a full staff complement, because we had expanded software, we didn't have to hire those consultants which we would normally have had to do. That's a benefit there. When they considered Professional Services for 2018-19, because of the zero-based budgeting that we've done, we were able to see some cost reductions there over last year.

**MS. MICHAEL:** Okay. Thank you.

Coming up to the Salaries in the same section, there's a slight variation in salary from last year's budget to this year's Estimate. There was a revision downwards as well there last year.

**MS. COADY:** Last year was because we had vacancies within the division. This year, the difference is lower salary costs because a temporary position is no longer required; there was a temporary clerk position. We're moving through the temporaries and either making them permanent or – temporary should be by nature temporary.

**MS. MICHAEL:** Right.

**MS. COADY:** A temporary position is no longer required there in that department.

**MS. MICHAEL:** Okay. Thank you very much.

Coming over to 3.1.05, Innovation and Business Development Fund, "appropriations provide for expenditures under the Innovation and Business Development Fund, which focuses on strategic investments for the future growth and development of the oil and gas industry in the Province." It's a \$6-million grant or subsidy.

Could you explain this? I think this is a new section, actually.

**MS. COADY:** It is a whole new section. You recall when Husky was moving forward with the White Rose expansion project, the West White Rose?

**MS. MICHAEL:** Yes.

**MS. COADY:** We were able to negotiate with them the opportunity to have a \$60-million fund over 10 years. They will be giving government \$6 million for government to work with industry to develop the supply and service development, if we have any infrastructure requirements; really, the development of the industry. That was all part of the West White Rose development project. Over the next 10 years you'll see the growth of a fund, \$6 million every year, to really develop the industry.

**MS. MICHAEL:** But the \$6 million is not coming from government per se.

**MS. COADY:** No, it's 100 per cent from Husky as part of the benefits under that project.

**MS. MICHAEL:** Okay.

This is the second time now, in C-NLOPB, for example. Where else in government's bookkeeping really does it show that money really doesn't come out of government, it's cost recoverable because it's coming from outside?

**MS. COADY:** I'm going to turn that over to the very capable accounting department.

**MR. IVIMEY:** You would see it reflected right here underneath. You see the vote of \$6 million in the Grants and Subsidies subhead.

**MS. MICHAEL:** Yes.

**MR. IVIMEY:** Then you see just down below the provincial revenue that would come in for \$6 million, we see the net cost of the fund being zero. The provincial revenue is reflected right here. As we receive the money from Husky, it goes into the Department of Natural Resources and goes into our provincial accounts. As we spend the money from here, the two of them are offset. At the end of the day it's zero within our budget.

**MS. MICHAEL:** Okay. Good enough. Thank you very much.

I'm not a bookkeeper and the person who does my taxes – it's not a big deal to do my taxes, but I still have to get somebody to do it.

I have a couple of more questions, more general ones I guess. I know this has been asked by Mr. Hutchings and I try not to repeat questions, but I'm still trying to get a handle on how you're going to do the division of the Oil and Gas division into its own separate entity.

The question attached to that, because your mandate letter still has you – they have to be responsible to the minister, I would assume. Can you just give us a little bit more detail? Maybe there's no more to give but ....

**MS. COADY:** Certainly, all these details are being worked out as we speak. Things are evolving and that's why we said we're going to

study it and make sure this is done correctly. Nalcor Oil and Gas will be reporting into the Department of Natural Resources directly. So they'll have their separate board of directors. That board of directors will report to the Department of Natural Resources, much like Nalcor reports to the Department of Natural Resources now so we have oversight. That'll be the same.

**MS. MICHAEL:** Right.

**MS. COADY:** So that really does give us transparency and accountability for you and the people of the province of understanding the expenditures and the revenues of the department, rather than having them embedded in Nalcor, as it is today.

**MS. MICHAEL:** Right.

**MS. COADY:** The Department of Natural Resources will be working very closely with the Nalcor Oil and Gas. I don't know what to call it. The new Crown corporation for oil and gas, I'll use that. The new Crown corporation for oil and gas will be working very closely, obviously, on promotion because they do the whole piece on prospectivity and exploration. So we'll be working closely, as we do now, but probably even more so as we move forward with *Advance 2030*.

**MS. MICHAEL:** Okay. Thank you very much.

I suspect, and it's probably what you mean, it would seem to me that where they're going to be their own separate Crown corporation, that in and of itself would mean for more direct connection to them than with the mother corporation that they were part of.

**MS. COADY:** Absolutely.

**MS. MICHAEL:** Okay. Thank you.

Your mandate letter also tasks you with pursuing options for the exploration and development of offshore natural gas.

Is this something that's high on the agenda or where are things with that?

**MS. COADY:** It certainly is part of *Advance 2030*.

So, as you know, natural gas at the present time, the price is very, very low, so a whole lot of development is unlikely, but if we're not prepared for a resurgence in gas, if we're not prepared to utilize our gas, then we never will be. So in *Advance 2030* it clearly outlines a plan and a process for us to be prepared for the development.

**MS. MICHAEL:** Yes.

**MS. COADY:** In fact, it certainly even goes bold enough to say that in 12 years we would have natural gas development offshore Newfoundland and Labrador.

We certainly are seeing some gas opportunities in the prospectivity and the exploration that's being done offshore Newfoundland and Labrador. There is already discoveries of gas and we think there is an opportunity for development as we move forward, but, of course, that is dependent on pricing and that.

**MS. MICHAEL:** Yeah.

**MS. COADY:** But if we are not prepared to encourage development, then we'll miss the opportunity when it becomes available.

**MS. MICHAEL:** Thank you. I think my time is up.

**CHAIR:** Thank you, Ms. Michael.

Mr. Hutchings.

**MR. HUTCHINGS:** Thank you.

Minister, could you just give me an update on the incident, Husky and the SeaRose and the near collision with an iceberg about a year ago?

In questioning in the House, I asked you about it and there was an indication that there was an investigation ongoing and at the conclusion, some decisions may be made from a provincial perspective and what the expectations would be on Husky going forward.

I'm just wondering if you could give me an update on that, please.

**MS. COADY:** Certainly.

As you know, C-NLOPB is tasked with the requirements of ensuring safety in our offshore. They take that very seriously and that's why they've made some of the moves they have. I understand that they are still finalizing the report into the investigation that occurred in that incident. That has not been finalized. I don't think it's been made public at this point in time. I don't think it's been finalized, I haven't seen a final copy for sure.

As you know, they did do an interim step of saying that Husky had to, once they had the interim report, they did make Husky – they did shut down Husky, made Husky come forward with new plans. I understand that Husky has done that. They've made significant changes at their management level and significant changes to their processes to ensure compliance.

We've been reassured, I can tell you, as a department, by not just Husky but all the entities in our offshore of how serious they take this incident and how they'll make sure that this does not occur again. I can't tell you when the final report or even what the outcomes of the final report will be. C-NLOPB is still doing that.

**MR. HUTCHINGS:** Okay. Just in a general sense, Minister, do you have concerns in regard to the amount of time it's taken for the C-NLOPB to complete this report, to release some of the information in particular to what had happened because I had gotten a briefing from the C-NLOPB and went down and they went through the protocol for the ice management plan for the offshore operators and as well for the exploration.

This is very strict, very stringent. There's a threshold here that needs to be met in regard to what they encounter, in regard to ice and other things. It seems here, this is going on for a prolonged period of time.

Do you have concerns in regard to the timeline that this is taking to get this out in public of what actually transpired and the confidence that

we all could be assured that there's no chance of this happening again?

**MS. COADY:** Thank you, that's a very important question.

When the incident occurred – and I don't have my notes in front of me as to the date, the end of March, I'll say, of last year – the chief safety officer and C-NLOPB did call immediately, call Husky in, the day after the incident occurred. They made sure that there was compliance. They made a ruling on compliance that the ice management plan had to be followed. Husky knew the concerns around non-compliance and what could happen if they are non-compliant.

The chief safety officer, following that meeting, was comforted enough, and with the enacting of the compliance order, knew that Husky was required to comply. He felt, at that point in time, that safety was paramount and that continuance of work – work could continue in the offshore for Husky.

Husky did initiate, then, a full review. Once that report was made available to C-NLOPB, the C-NLOPB launched their own full review, based on some of the information they were given. So they have been following through, and following through on the processes of this quite substantively and significantly over the last year.

I think there is a process that has to be followed. In the first instance, safety is paramount for all of us, not just for C-NLOPB, not just for the chief safety officer, but I think indeed for all of us in the Province of Newfoundland and Labrador, is understanding that safety is paramount.

So I think this is a process of it, and C-NLOPB is following a process. I think part of that process you saw was when the chief safety officer, the day after the incident, issued the compliance order. I think you're seeing a process with Husky having to do their own internal investigation, then C-NLOPB not being fully satisfied, launching their own investigation and following through. You saw what happened to Husky when that investigation – the interim report came out.

So I think the process is being followed. I think everyone is ensuring that they're being held to account, that Husky is being held to account and all operators are being held to account on that safety issue.

**MR. HUTCHINGS:** Okay, thank you.

3.1.04, Royalties and Benefits. Just a general question in regard to – I know there's oversight in regard to us receiving our royalties and there's an auditing process that goes on in regard to ensuring that we get what we're entitled to.

Can you give me an update on the auditing process, where it is and is it up to date?

I know a few years back we had to go through a process of going back in time and auditing a number of years to make sure it was accurate. Just give me a general sense of where we are with that program today.

**MS. COADY:** Thank you for that.

I can report to the House that the division has been working very diligently to ensure an effective process there. In the past year, I know they have worked to bring forward – I'm just looking at my notes here now.

In '17-'18, they completed and issued the 2010 year and completed the 2011 year. So '10 and '11 have been completed. They're currently working on '12, and audit work is ongoing for '13 and '14.

If you look at the plan that was communicated to the Auditor General back in 2014-2015, they will be on par. They'll be on that track by the end of the year. So that is the track they're following.

In the last year, there was significant time and effort addressing some of the backlogs of, what I'm going to call, old disputes, issues with a number of operators. That took up a considerable amount of time, but it actually was very helpful in allowing us, the department, to close audit years. When you're in arbitration you can close an audit year. Last year we put a significant effort to make sure that we could settle these disputes to close the audit year as well.

So work is currently ongoing. I think by the end of '18-'19 we should be completed and issued up to what we said we would be.

**MR. HUTCHINGS:** Okay, thank you.

I move to 3.1.05, Innovation and Business Development Fund. Ms. Michael asked about the \$60 million you referenced over a 10-year period, \$6 million a year.

My understanding is the operator, Husky, and the partners can recover that \$60 million through capital costs of the project. Is that correct?

**MS. COADY:** You're asking whether or not that is recoverable?

**MR. HUTCHINGS:** Yes.

**MS. COADY:** It is.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** Right?

**MR. HUTCHINGS:** So, in reality, that \$60 million is kind of like a loan to the province; \$6 million a year for 10 years. Then the operators will use that in their actual capital costs recovered from the overall royalties from the field.

**MS. COADY:** As with any investments, or in general – I won't use the word. In a general sense, when offshore operators make investments in the province they can recover them through their royalty program. That is correct.

**MR. HUTCHINGS:** Yeah, I understand, but I guess in terms –

**MS. COADY:** Just one second, I'm going to ask my ADM to comment.

**MR. HUTCHINGS:** Yeah.

**MR. TRASK:** It's not a capital expenditure, so it'll be deductible against royalty.

**MR. HUTCHINGS:** Pardon me?

**MR. TRASK:** It's not a capital expenditure but will be deductible against royalty.

**MR. HUTCHINGS:** Yeah.

My point is we negotiated \$60 million but it's recoverable by the partners, that \$60 million they're going to get through the royalties, which is if that \$60 million wasn't recovered from the royalties it would be disbursed through those (inaudible) equity and come back to those partners.

**MR. TRASK:** It would be retained by (inaudible). Correct.

**MR. HUTCHINGS:** Anyway, it was just a comment. Okay.

Yes, thank you.

**MR. TRASK:** But only a portion is to (inaudible.)

**MS. COADY:** I'm just checking to make sure that was clear, because it's not the full \$60 million – it's not a capital expenditure but I knew what you meant.

**MR. HUTCHINGS:** Yes.

**MS. COADY:** I think your question was whether not that is eligible under the royalty expense, and it is eligible under royalty expenses.

**MR. HUTCHINGS:** Yes, to be recovered.

**MS. COADY:** To be recovered.

**MR. HUTCHINGS:** Yes, okay.

Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael.

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

Just a few more questions from me, Minister.

Under 3.1.06, which is pretty straightforward because it's the appropriations that go to Nalcor Energy. My first question has to do with the Revenue - Provincial line where last year the budget was \$225 million and it was revised to \$226,240,500 and this year the line is empty. Is this the repayment from Nalcor to government?

**MS. COADY:** That is a loan –

**MS. MICHAEL:** For the loan?

**MS. COADY:** You are correct. It's a loan to Hydro –

**MS. MICHAEL:** Yes.

**MS. COADY:** – and it was repaid with interest.

**MS. MICHAEL:** So it's been fully repaid.

**MS. COADY:** Correct.

**MS. MICHAEL:** Well, that's good news.

**MS. COADY:** Okay. I just want to make sure there's nothing else outstanding.

**MS. MICHAEL:** No. Great, thank you very much.

Now when it comes to the appropriations to Nalcor – and that money, of course, goes to Nalcor and they use it for all of their operations. I know we usually have to wait for their report to get the report on how that money is spent.

Would Nalcor Energy be getting any of that money? And, if so, would they be expecting when they become a Crown corporation to get money directly from government?

**MS. COADY:** Are you talking about Nalcor Oil and Gas which is Nalcor Energy?

**MS. MICHAEL:** Nalcor Oil and Gas, yes.

**MS. COADY:** Okay.

**MS. MICHAEL:** Sorry.

**MS. COADY:** Nalcor Oil and Gas – and I'm looking for confirmation – are self funded because of the equity and the revenue they get. I

would anticipate – I don't want to say this will happen because of course we haven't separated them out at this point.

**MS. MICHAEL:** That's right, I realize, yes.

**MS. COADY:** I would anticipate they would be self funding and actually providing dividends to the Government of Newfoundland and Labrador.

**MS. MICHAEL:** Mm-mmm.

**MS. COADY:** That's what I would anticipate. Right now, as you probably know, Nalcor Oil and Gas accepts revenue and it would go to Nalcor Energy.

**MS. MICHAEL:** Exactly.

**MS. COADY:** Correct.

Now when you have Nalcor Oil and Gas, if it's a separate Crown corporation it would be paying dividends to the province.

**MS. MICHAEL:** That's what I would assume.

**MS. COADY:** Direct.

**MS. MICHAEL:** Okay, all right.

You're saying you're hoping that's – you expect that's the way it will be.

**MS. COADY:** I am anticipating that's the way –

**MS. MICHAEL:** Anticipating, okay.

**MS. COADY:** – the way it would be. The work is still ongoing as to how we're going to pull that division as a standalone Crown corporation, but you can anticipate that the revenues that – I'm just reading a note there, if there's a project. So you can anticipate it would be self funded because the Oil and Gas division –

**MS. MICHAEL:** That's right.

**MS. COADY:** – would take in the equities from offshore oil and gas, right.

**MS. MICHAEL:** Right, yes.

**MS. COADY:** Yeah.



**MS. MICHAEL:** Okay, thank you.

Well I'll be looking forward, obviously, to seeing how all this pans out.

**MS. COADY:** Yeah. When I talk about accountability and transparency, I think that would allow that to happen. That will allow people to understand how much is being taken in in revenue from our equity investments and how much is going out, and what's the dividend to the province.

**MS. MICHAEL:** Right. Thank you.

A couple of other issues arising, actually, from your mandate letter.

**MS. COADY:** Mm-mmm.

**MS. MICHAEL:** Your letter does refer to fracking. Are there still talks and developments going on in the area of fracking?

**MS. COADY:** You will recall that under the former administration they set up a panel on –

**MS. MICHAEL:** Yes.

**MS. COADY:** – West Coast of Newfoundland and Labrador to consider fracking onshore. There was a detailed, a very thorough report. What would need to happen, they had it done in green, yellow and red light as to whether or not you can move forward on fracking onshore in Newfoundland and Labrador.

So we set up in the Department of Natural Resources, basically, a task force to look at that report, to review it to see if you can move from red lights and yellow lights and green lights, and that work is continuing. There's no application to do onshore fracking. There's no big push to do it – as you know, there's a moratorium on – until we get all the green lights that are required, and work is continuing on that.

**MS. MICHAEL:** Great, okay. Thank you very much.

Minister, I think your mandate letter does also refer to this as well – I'm going by memory now, whether it's Nalcor or oil and gas – but Nalcor in particular is still supposed to be

looking at potential with regard to alternate energy sources and I think that's something that you're mandated to be aware of as well, as minister.

Do you have regular communications with Nalcor on this whole issue of alternative sources of energy?

**MS. COADY:** Absolutely, and we have people dedicated in the department from a policy perspective and Nalcor, of course, is very involved in that as well, this alternate energy.

I mean, we have some great energy sources in the province: wind; I dare say some solar as well – the Big Land has solar – there are tidal opportunities. I know the deputy minister has been in discussions with some people with tidal opportunities. There are a lot of renewable energy sources within the province and we have dedicated people in Natural Resources to look at this and even electrification of vehicles, for example, and how we move forward on that.

I don't know if there's anything either the deputy minister or the assistant deputy minister wants to add. Work is moving along very, very well in these areas. You've seen us talk about wind energy with regard to offshore Newfoundland and Labrador. Electrification of vehicles is something that is being worked on and how do we ensure that we're ready for that. How do we maximize our wind opportunities in the province? All those things are under active pursuit.

**MR. MCINTOSH:** Just to say that yes, we're working proactively with both Nalcor and interested businesses. We're looking at the opportunity to invest in the province, to invest in offshore wind. There are a number challenges around that and that are being addressed, and we do see a big future in other alternative energies here in the province.

**MS. MICHAEL:** Okay, thank you.

I think that covers my questions, Mr. Chair.

**CHAIR:** Thank you, Ms. Michael.

Mr. Hutchings.

**MR. HUTCHINGS:** Thank you, Mr. Chair.

Minister, 3.1.05, the Innovation and Business Development Fund, you got \$6 million per year for 10 years. Who administrates that in terms of applications and being selected, and would there be a tie-in with InnovateNL?

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

That has not been finalized at this point, but work is underway as to do just that –

**MR. HUTCHINGS:** Okay, so right now –

**MS. COADY:** – to finalize the program, to finalize what's eligible, how it's going to be administered. It hasn't been finalized at this point.

**MR. HUTCHINGS:** Okay, thank you.

I just want to ask about outside the 200-mile limit, we talk about it in regard to Statoil and some of the findings that they've made that, looking forward, it's a huge opportunity. I forget the official terms, United Nations there's –

**MS. COADY:** Law of the Sea – UNCLOS.

**MR. HUTCHINGS:** Right, there you go. And it can go up to 7 per cent in regard to production value, and there are discussions, I know in our time, with the federal government in regard to if proposed developments would go forward, who would pay that amount or that tax I guess or whatever you want to call it.

Have there been any discussions on that? And I guess in that breadth as well, could you just give maybe an update on Statoil and what their intentions are as we move forward? Has anything happened on that?

**MS. COADY:** Wide-ranging discussion this morning.

The federal government is a signatory to UNCLOS –

**MR. HUTCHINGS:** Right.

**MS. COADY:** – United Nations Convention on the Law of the Sea –

**MR. HUTCHINGS:** Law of the Sea.

**MS. COADY:** – and the requirements. As you know, I think this would be the first time in the world, should Statoil become developed, it'd be the first time that it would be ever used. So there is work being done by the federal government. I know that some of the provincial people have been involved with the review of how do you administer and develop the UNCLOS requirements.

However, I'm going to say this: there has been no discussion at this point as to who's responsible for the payment of same.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** The way I consider it it's the federal government's responsibility. They're the signatories. That's the way I consider it, but we haven't had any formal discussions because of course they're still looking at the program themselves and figuring it out. Just for the people of the province to understand, there is a set program under the United Nations Convention on the Law of the Sea. I think it goes from 1 per cent to 7 per cent over – I'm getting nods – over a period of years, and that is all part of the ball of value.

When I talk about the ball of value, it's everything that the value of a particular development, and that would include things like benefits and taxation and royalties and any other taxes that they may have to apply, such as UNCLOS. But I believe that UNCLOS, the federal government is a signatory to it so the responsibility rests with them. So I'll leave that.

You asked about where Statoil is. Statoil has been doing an awful lot of work, I think, on reviewing what their opportunity is in the offshore. In the Flemish Pass, as you know, they've done a lot of exploration work. They had one major discovery, or small – less than 300-million barrel discovery. I think that was their latest, around 300 barrel; I think that was the latest amount that they said. They've announced some other things they have around.

They're still reviewing their opportunity there. It would be a fabulous development for the

Province of Newfoundland and Labrador because it opens up another basin –

**MR. HUTCHINGS:** Sure, yes.

**MS. COADY:** So we're hopeful, but they will make decisions as they move forward and move forward with their exploration work.

I will say this, we have Jeanne d'Arc Basin – this is more for people to understand – and we have four projects in the Jeanne d'Arc Basin. You're talking about the Flemish Pass, which is a little bit further out to sea and more on the slope of the Grand Bank and, as people of the province know, Statoil has been looking at that particular area, that would open up another basin. But there are 18 more basins offshore Newfoundland and Labrador. So there's tremendous potential and we're hopeful for more development.

That's why *Advance 2030* really does focus on more exploration and more production offshore.

**MR. HUTCHINGS:** Good, thank you.

I just had a question in regard to 3.1.06, the Loans, Advances and Investments. That amount there, is there a breakout for that in regard to equity in offshore projects or is all related to Muskrat Falls? Do you have a breakout for that number?

**MS. COADY:** You're talking about the \$723,9 –

**MR. HUTCHINGS:** Yes.

**MS. COADY:** Okay.

So what the question is, the amount that we're giving to Nalcor, can you have a breakout of what's given to the –

**MR. HUTCHINGS:** Yes.

**MS. COADY:** Oil and Gas division is a net contributor to the funds of Nalcor. And that's another good reason to have it separated out; it doesn't get rolled up. But Nalcor Oil and Gas division would provide funding to Nalcor, not have equity investments, particularly, I don't think, from this province.

Correct?

**OFFICIAL:** (Inaudible.)

**MS. COADY:** Okay.

**MR. HUTCHINGS:** Yes, I'm just wondering –

**MS. COADY:** I don't have a breakdown here, I don't know if we can –

**MR. HUTCHINGS:** Okay, maybe we could get a breakdown of what that represents.

**OFFICIAL:** Yes.

**MR. HUTCHINGS:** Okay, thank you.

**MS. COADY:** I don't think I can –

**MR. HUTCHINGS:** I have a quick – just another –

**MS. COADY:** I don't want to promise something that I can't deliver to you.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** So let me take it under advisement that that breakdown can be made available to you. I'm assuming we can, but I don't want to promise you something that I don't know if I can deliver.

**MR. HUTCHINGS:** Okay.

**MS. COADY:** Okay, so we'll see if I can get you some – what you're specifically asking for is what the Oil and Gas division, what their revenues are this year, right?

**MR. HUTCHINGS:** No, no. In prior years, we have a number of what's put into Nalcor.

**MS. COADY:** Right.

**MR. HUTCHINGS:** And that's often broke out to Muskrat Falls Project –

**MS. COADY:** Okay, so you have had it previously?

**MR. HUTCHINGS:** – our equity share that we're putting into another oil project.

**MS. COADY:** Okay.

**MR. HUTCHINGS:** I'm just wondering what that number is and what the break out is. Where is it going for what project?

**MS. COADY:** Perfect.

Excellent, we'll endeavour to provide that to you.

**MR. HUTCHINGS:** Okay. Thank you.

**MS. COADY:** I just didn't know if Finance had it broken out like that.

**MR. HUTCHINGS:** Yeah.

**MS. COADY:** But you said you had it before. You can get it again.

**MR. HUTCHINGS:** Yeah, I think before, maybe in the documents.

I just have a final question for you. Minister, before I end, I just wanted to thank you for your participation, your staff, and the far-reaching discussion on a whole range of topics. While some may not be tied to a particular line item, I think it's very important that we have that discussion. I thank you and your staff for allowing us to have that discussion.

My final one is related to Holyrood, the refinery and the bill we passed here in the House some time ago related to monitoring. It was five different operators in the province in regard to greenhouse gas emissions. Holyrood wasn't involved with that because the expectation was when Muskrat comes, Holyrood would be phased out.

We're now looking at a carbon tax from the federal government. Has there been any analysis done of what the greenhouse gas emissions are from Holyrood and how that would affect – and what Nalcor would pay on an initial proposed carbon tax of, I think, \$10 a ton and how that proceed over the next couple of years? I don't know if it's been definitively stated when Holyrood was shut down but, obviously, in that intervening period it would be greenhouse gas emissions and, I assume, would be subject to a carbon tax.

**MS. COADY:** A very interesting question and I think one that is better directed towards the Climate Change office and the Department of Environment, to be quite frank. I will said this: I would anticipate that Holyrood would be part of the Muskrat Falls Project development and would be considered in that vein, that it's actually a part of the Muskrat Falls development and it would be lowering, over time, our emissions in this province as Holyrood winds up.

**MR. HUTCHINGS:** Indeed.

**MS. COADY:** I would think it would be part of that consideration and, therefore, may be exempt. But I think the question is better directed to the Climate Change office and how they're developing the whole program.

**MR. HUTCHINGS:** Yeah, I understand that. I guess my issue is that someone needs to pay the bill when the carbon tax comes. If Holyrood is still operating – we expect it will for a few years – it's going to emit. So those emissions are going to have to pay a carbon tax and that would have to come from Nalcor. It has to come from somebody, so I'm just wondering what analysis has been done or if some thought has been given to that, but that's fine.

**MS. COADY:** I think it really would depend on how the program rolls out.

**MR. HUTCHINGS:** Fair enough.

**MS. COADY:** I'm anticipating the Department of Environment would be able to answer that question for you, as they determine how that program will roll out in the near future.

**MR. HUTCHINGS:** Thank you.

**CHAIR:** Thank you, Mr. Hutchings.

Ms. Michael, any closing remarks for the minister or her staff?

**MS. MICHAEL:** Yes, for sure.

I want to thank the minister and her staff. I found the discussion today very helpful. The answers were very, very clear and direct.

I do look forward to our getting the binders. I assume, as always, that if we have any questions based on that, your people are there to answer those questions for us.

**MS. COADY:** Happy to do so.

**MS. MICHAEL:** Thank you once again.

**CHAIR:** Thank you, Ms. Michael.

Mr. Lane.

**MR. LANE:** Thank you.

I assume we have a little bit of time left, if I can ask a couple questions, seeing as how my colleagues are finished.

Minister, the first question I had related to the Vale question that was asked earlier and the underground mine. I'm just wondering: Has there been a review of policy, or will there be, in terms of how we move forward with these types of developments?

What I'm getting at, I suppose, is that one could argue that if you have a resource there, then when the thing was negotiated from the very beginning it should take into account the cream and then the more difficult stuff. Because what will end up happening in this case, perhaps, is the company comes in, they take the top layer; they take the easy stuff, the good stuff, so to speak. They benefit tremendously from it and then they can sort of walk away, or we're left trying to renegotiate the underground.

Whereas one could argue, if you want access to the easy stuff and the good stuff, you have to take all of it, the good and the bad, so to speak. And at the end of the day there's hopefully a business case that makes sense for you and makes sense for the province so that we're not into this situation with Vale of having to try to negotiate with them, or renegotiate or whatever, the underground. If it had been done from the beginning – you want the top, you take the bottom, so to speak. I'm just wondering how that scenario works from a negotiation point of view and a policy point of view.

It's a big question, I know, but –

**MS. COADY:** It is a big question, especially –

**MR. LANE:** You know what I'm getting at, right?

**MS. COADY:** Absolutely, I do. I wasn't involved with the negotiation of Vale, but I will say there are remedies under the Development Agreement. If, for example, Vale determines that it will not go underground, there are stipulations within the Development Agreement of penalties they have to pay; significant penalties, hundreds of millions of dollars in penalties.

**MR. LANE:** Oh really? Okay.

**MS. COADY:** That is under the Development Agreement. When I answered the question previously to Member of the House of Assembly Hutchings, I did indicate that we are considering remedies under the Development Agreement, should they become necessary.

**MR. LANE:** Okay, so that is there.

**MS. COADY:** There is provision within the Development Agreement that if they do not go underground, they would have to pay a significant penalty.

**MR. LANE:** Okay, so they are obligated to go there or pay it down.

**MS. COADY:** They are obligated to pay the penalty if they do not go there, yes.

**MR. LANE:** Okay, that's good enough. I appreciate that.

My next question, the \$20 million that my colleague asked about to Nalcor, I just want clarification for myself. Nalcor, in budgeting, saved \$20 million by cutting a program which you wanted reinstated and they're going to find that \$20 million through other revenues, oil and gas or whatever the case might be. If they spend \$20 million in revenues, then that's \$20 million that we don't get back in dividends or revenues, so at the end of the day I just want clarification.

They saved \$20 million but they're going to spend \$20 million, or they're going to find revenues to pay \$20 million which means, in

essence, they've saved nothing. Am I correct in that? Nalcor's actual budget, in terms of looking at salaries and potentially eliminating some positions through attrition, cutting expenses, whatever, have they lowered their budget or are they just basically status quo?

**MS. COADY:** Thank you for the question. I believe the question is: Is Nalcor's budget the same as last year – their core budget meaning their operations budget of the entity – or greater or less than? I believe it's pretty much on par with last year.

The difference is, as I said to you earlier, this convergence of now moving from construction of an entity called Muskrat Falls to the operations of that entity. You're coming to that convergence. Nalcor will be hiring people, for example, who will have the experts in DC to AC conversion which they did not have prior to because they were operating an AD to DC line.

They have to absorb all those new transitions costs within their existing budgets so they really have taken a decrease. Do you understand what I mean by that? Because they are transitioning to this operations phases, they're having to hire different skill sets, but they still have the construction underway of Muskrat Falls. While their budget may be flat to last year, in terms of operations, they really are taking more out of their operations to help fund some of these new people and new requirements of this change in operations.

The \$20 million is for new exploration this year.

**MR. LANE:** Yeah.

**MS. COADY:** We felt and I believe the people of the province feel – I can tell you the 150 people who helped us with the *Advanced 2030* felt – it was important to continue with investments in new explorations so that we can maximize our opportunity offshore.

We're hopeful that oil and gas will be able to fund that this year with no real impact, but if they can't, the Government of Newfoundland and Labrador will have to find the money somewhere.

**MR. LANE:** Okay, thank you for that, Minister.

**MS. COADY:** I do know that, if I may and I don't want to interrupt you.

**MR. LANE:** Yeah.

**MS. COADY:** Before today ends, I know that the ADM would like to update you on St. Lawrence. So I'll just leave a second or two at the end with indulgence. Not right now.

**MR. LANE:** Oh, okay.

**MS. COADY:** We'll continue to allow you to ask your questions.

**MR. LANE:** Okay, sure. I thank you for that.

I agree with the investment in the offshore, that's not my question. I guess my concern is more around: Is Nalcor doing their part to reduce positions through attrition, to cut out costs and so on because of our financial situation in the province, that the less money they spend, the more revenues or royalties or whatever you want to call it, dividends, that come back to us?

**MS. COADY:** Listen, we're all seized with that –

**MR. LANE:** Yeah.

**MS. COADY:** – because I think that is incredibly important.

**MR. LANE:** Yeah.

**MS. COADY:** I know that we've had multiple conversations and discussions with the CEO who understands it, who really does try and drive that into the organization. I can tell you I've spoken with – as has the Minister of Finance – the board of directors and they completely understand that and are working diligently towards reducing their costs.

**MR. LANE:** Okay. Thank you, Minister, I appreciate it.

Minister, when this division of Nalcor with this new standalone Crown corporation, when that happens, I'm anticipating, I guess the CEO of Nalcor – I realize the individual in place now would obviously have a contract. I understand he's made some public comments that he plans

on retiring at some point in the not-too-distant future when Muskrat is online. I would assume that that big CEO salary is going to go down because, obviously, the responsibilities are going to be – if you're dividing it up into two corporations, you can't argue that you need the same salaries and so on because the responsibilities are going to be cut in half, I would assume.

So I guess that salary goes down and I guess, at the same time, the person who's in charge of the new entity, maybe that salary is going to go up from the current person in place at Nalcor doing that kind of work now. Is that how it's going to work, do you anticipate?

**MS. COADY:** I'll speak to the first, which is the CEO of Nalcor Energy. You said, cut in half because 25 people have left the organization. There are about 1,700 people at Nalcor Energy in total and we're taking 25 of those people out of the entity. So that's the impact that we're having on Nalcor overall, is taking 25 people and saying that now reports as a direct entity to Natural Resources.

As we move forward with the Muskrat Falls Project and the evolution of the Muskrat Falls Project and the evolution of Nalcor, the salary will be considered as we move forward with the entity itself, but all we're moving is 25 people out of 1,700.

So I don't want you to think it's 50 per cent of –

**MR. LANE:** No, no.

**MS. COADY:** The impact is very small. While there's a great deal of regard for those 25 people within Nalcor, the impact is pretty small with the regard to the organization.

**MR. LANE:** No, I appreciate that, Minister.

I was using it, I guess, as just an example just to make the point, I suppose.

**MS. COADY:** Yeah.

**MR. LANE:** I understand it's not going to be cut in half.

**MS. COADY:** No.

**MR. LANE:** And I know you can say 25 people, but it's the responsibility of what that person – regardless if it's 25 people or 125 people or 1,000 people, depending on the type of work that's going on and so on, and the knowledge you need to have and what you're responsible for, you can't simply say because it's only 25 people that means it's insignificant because, I think, it's very significant in terms of the responsibility versus the reporting piece.

**MS. COADY:** Uh-huh.

**MR. LANE:** There are lots of people working in other industries and jobs that have lots of people reporting to them that don't make anywhere near that kind of salary.

So I guess the point I was trying to make is that the responsibilities goes down in that regard of what they're responsible for, I would think that perhaps there could be some savings there.

Conversely, do you anticipate that the new person that's going to be in charge of a new Crown corporation, that salary is going to end up going up, I guess, was the other side of it?

**MS. COADY:** I don't anticipate that at all.

**MR. LANE:** No, okay.

**MS. COADY:** I really don't anticipate it. My direction is we need to find savings –

**MR. LANE:** Mm-hmm.

**MS. COADY:** – really within the oil and gas side of things and making sure that the compensation is similar to what other people in government make and then where possible, except for experts or whatever, but, really, I do anticipate that we would be working very closely with the Oil and Gas division to make sure that the compensation levels are rightly adjusted.

With regard to the CEO of Nalcor in the future – because I think that's what you're asking for – as we move forward with Muskrat Falls construction coming to an end and the development of power coming online, and as you alluded to, Mr. Marshall has been very clear that he's there for the construction of the project.

I mean, we'll look at the skills, responsibilities, requirements of the CEO of Nalcor and make the composition accordingly so.

**CHAIR:** Thank you, Minister.

Thank you, Mr. Lane.

I would just like to turn the meeting over to Mr. Canning for a few remarks.

**MR. CANNING:** Thank you, Mr. Chair.

I would like to update hon. Members with respect to St. Lawrence. You may recall that when I spoke, I referenced a commissioning issue that was ongoing, and that was resolved. That is correct, that was resolved.

That was a slurry vacuum that extracts moisture from the feed and they did produce concentrate. But they're not officially, currently in production. They're doing additional commissioning of some other issues. They did mine late in 2017-18 and they do have ore stockpiled to complete that additional commissioning.

I was quite pleased to know that they had managed their way through the filter issue and they were able to produce some concentrate based on that issue being resolved.

But I just wanted to make sure everybody understood: They're not officially into production just yet. I will follow up with CFI for additional information.

**CHAIR:** Thank you.

I would like to ask the Clerk to recall the subheads, please.

**CLERK:** 1.1.01.

**CHAIR:** 1.1.01.

Shall the subhead carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, subhead 1.1.01 carried.

**CLERK:** 1.2.01 to 3.1.06 inclusive.

**CHAIR:** 1.2.01 to 3.1.06 inclusive.

Shall those subheads carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, subheads 1.2.01 through 3.1.06 carried.

**CLERK:** The total.

**CHAIR:** Shall the total carry?

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

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?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

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

**CHAIR:** We need to adopt the minutes of the April 16 meeting and that was with the Department of Fisheries and Land Resources.



I would ask for a mover of those minutes, please?

**MR. BRAGG:** So moved.

**CHAIR:** Moved by Mr. Bragg.

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

Carried.

On motion, minutes adopted as circulated.

**CHAIR:** Just a reminder of the next meeting will be this evening at 6 p.m. to review the Estimates of the Department of Advanced Education, Skills and Labour.

With that, before I close off I would certainly like to – Minister, do you want to have a –?

**MS. COADY:** I just want to thank my exceptional team in Natural Resources, the parliamentary secretary, MHA for Labrador West. I just wanted to make sure I got that right – the Member for Labrador West. We are very lucky and fortunate in this province to have such dedicated people looking after our resources.

Thank you.

**CHAIR:** Thank you, Minister, and it was a pleasure to have your department here this morning. A great meeting, and I'd certainly like to say thank you to the Table Clerk as well.

And with that, I'd ask for a motion to adjourn.

**MR. HUTCHINGS:** So moved.

**CHAIR:** Mr. Hutchings.

Thank you.

On motion, the Committee adjourned.