

Ministry of Energy and Resources

Annual Report for 2019-20

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Letters of Transmittal



The Honourable Bronwyn Eyre
Minister of Energy and
Resources

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report for the Ministry of Energy and Resources for the fiscal year ending March 31, 2020.

A handwritten signature in black ink, appearing to be 'B Eyre', written in a cursive style.

The Honourable Bronwyn Eyre
Minister of Energy and Resources



Doug MacKnight
A/Deputy Minister
of Energy and Resources

The Honourable Bronwyn Eyre
Minister of Energy and Resources

Dear Minister:

I have the honour of submitting the Annual Report of the Ministry of Energy and Resources for the fiscal year ending March 31, 2020.

A handwritten signature in black ink, appearing to be 'D MacKnight', written in a cursive style.

Doug MacKnight
A/Deputy Minister of Energy and Resources

Ministry Overview

Mandate Statement

The Ministry of Energy and Resources develops, coordinates, and implements policies and programs to promote the growth and responsible development of the province's natural resource industries. The Ministry operates as the primary regulatory authority for the oil and gas industry and ensures competitive royalty systems, regulations and policies for all natural resource sectors. The Ministry also plays an important role in promoting Saskatchewan's diverse resource potential to investors around the world.

Mission Statement

To advance and regulate responsible resource development.

Core Lines of Business

The Ministry of Energy and Resources is made up of two primary lines of business:

- To explore and develop Saskatchewan's natural resources.
- To regulate the lifecycle activities related to the responsible development of Saskatchewan's natural resources.

The Ministry employees provide services and programs through its main offices in Regina and through regional offices across the province.

The 2019-20 actual utilization was 269.5 full-time employees (FTEs).

2019-20 Operational Plan can be found here:

<https://publications.saskatchewan.ca/api/v1/products/100140/formats/110577/download>

Progress in 2019-20

Ministry Goal 1

Government Goals



Ministry Goal

Promote a competitive environment for responsible natural resource exploration and development.

Strategy

Royalty systems, regulations and policies make Saskatchewan's investment climate competitive with rival jurisdictions and responsive to price cycles.

Key Actions

- Maintain and monitor royalties, taxes and regulations to ensure a competitive environment.
 - Saskatchewan's natural resource royalty regimes continue to be monitored against market conditions and competing jurisdictions to ensure that Saskatchewan remains competitive.
- Produce accurate revenue and economic forecasts to help elected officials make informed financial decisions.
 - The Ministry streamlined the resource revenue and economic forecast process, invested in information technology improvements and trained employees on the Public Sector Budgeting module in MIDAS (Multi-Informational Database Application System).
- Improve filing of resource revenues through education, outreach and audit activities.
 - The Ministry made a series of improvements to make the filing of resource revenues more efficient. One of these improvements was the implementation of the Enhanced Oil Recovery Self-Service module, which provides industry with a self-service mechanism to file returns and to easily amend estimate and actual returns which leads to more accurate revenue billings.
 - The Ministry completed 110 audits and reviews.
- Review regulations and programs to reduce barriers to new investment.
 - The Ministry continues to regularly improve regulations to maintain and boost Saskatchewan's competitiveness. In 2019-20, it carried out red tape reviews for *The Ethanol Fuel Regulations* and *The Renewable Diesel Regulations*.

Strategy

Develop policies that support innovation, development and conservation of natural resources.

Key Actions

- Implement the *Methane Action Plan*, a suite of programs and policies, to support industry in methane emissions reduction.
 - Implement and administer the *Oil and Gas Processing Investment Incentive* and the *Saskatchewan Petroleum Innovation Incentive*.
 - These versatile incentive programs, focused on enhancing Saskatchewan's competitiveness, opened for applications in 2019 and will run until 2024.
 - In August 2019, Gibson Energy Inc., which operates a facility in Moose Jaw, was the first successful applicant for the *Oil and Gas Processing Investment Incentive*. The facility expanded production, leading to an increase of throughput capacity by approximately 30 per cent – from 17,000 barrels per day to 20,000 barrels per day – ultimately reducing the emissions per barrel of oil processed by approximately 20 to 25 per cent. The expansion also provided new opportunities for over 30 local contractors.
 - The *Oil and Gas Processing Investment Incentive* and the *Saskatchewan Petroleum Innovation Incentive* have received 25 applications with 13 advancing past conditional approval, representing over \$245 million of potential investment.
 - In addition, the Generic Transferable Royalty Credit functionality was built in IRIS on time and on budget for these programs (and for use in other potential future royalty programs).

Strategy

Increase natural resource production by working with stakeholders and other ministries to identify and address infrastructure, regulatory and trade impediments to natural resource development and market access.

Key Actions

- Increase engagement with companies to advance the growth and diversification of resource industries.
 - In partnership with the Ministry of Trade and Export Development, promote Saskatchewan's competitive position at industry events and opportunities.
 - The Ministry participated in various industry events such as the Global Petroleum Show, the Williston Basin Petroleum Conference, Mineral Exploration Roundup and the Prospectors and Developers Association of Canada International Convention and Trade Show to showcase the province's natural resources and identify new prospects.
 - 2019 marked the 50th anniversary of the annual Saskatchewan Geological Open House — co-hosted by the Ministry and the Saskatchewan Geological Society. The event continues to be the premier annual meeting venue for mining and mineral exploration companies active in Saskatchewan with over 700 local, national and international delegates attending every year.
- Identify investment opportunities based on Saskatchewan's competitive advantages.
 - To promote the discovery of new mineral resource opportunities, the 2019-20 Budget continued to support the *Mineral Development Strategy* by providing funding of \$750,000 for the *Targeted Mineral Exploration Incentive* to encourage exploration for base metals, precious metals and diamonds.
 - In 2019-20, the *Targeted Mineral Exploration Incentive* increased mining investment by supporting five companies and 37 new exploratory drill holes, which generated approximately \$2 million in expenditures by exploration companies searching for gold, zinc, copper and silver.
- Engagement with industry to identify and prioritize impacts to Saskatchewan's competitive position.
 - The Ministry regularly engaged with industry to address issues and identify opportunities to boost Saskatchewan's competitiveness. As a result, in 2019-20 the Ministry took steps towards the development of the *Oil Infrastructure Investment Program* to support increases to pipeline capacity.

- The Ministry implemented the *Waterflood Development Program*, which will enhance the province's competitiveness while sustaining the life of oil wells and supporting jobs and investment.
- Ensure stakeholders have access to high quality, easily-accessible geoscience information to facilitate the responsible exploration and development of resources.
 - In addition to a robust minerals and energy geoscience program, the Ministry initiated the comprehensive Geoscience Data Management System project. This multi-year initiative will increase exploration efficiency and improve competitiveness across Saskatchewan's natural resource sector by facilitating access to the Ministry's vast collection of geoscience data. As part of this work, the Ministry launched the Saskatchewan Geological Survey ArcGIS Hub page in December 2019, which will enhance access to geoscientific information on the province's mineral and petroleum resources.
- Support the Mineral Development Strategy through Targeted Mineral Exploration Incentive and providing new geoscience and geophysical data to encourage mineral exploration.
 - Five companies were successful applicants and the total payout was approximately \$250,000.
- Deliver the Oil and Gas and Subsurface Mineral Rights Public Offering Programs to facilitate exploration and production.
 - In 2019-20, the program raised \$17.1 million in revenue for the province through six scheduled public offerings of Crown petroleum and natural gas.
 - In 2019-20, two public offerings of subsurface mineral rights were held, which raised \$55,000 in revenue.

Performance Measure Results

Saskatchewan Oil Production

In 2019-20, the oil production in Saskatchewan was 178.9 million barrels.

Saskatchewan Mineral Production

In 2019-20, the value of Saskatchewan's mineral production sales was \$7.1 billion. Exploration expenditures in 2019-20 were an estimated \$192 million.

Saskatchewan Provincial Forest Timber Harvest

In 2019-20, timber harvest level in Saskatchewan was 4.1 million cubic meters.

Fraser Institute Global Petroleum Survey Policy Perception Index

Among Canadian jurisdictions, Saskatchewan is the most attractive jurisdiction for upstream oil and gas investment.

Fraser Institute Survey of Mining Companies Investment Attractiveness Index

In the Fraser Institute Survey of Mining Companies investment attractiveness index in 2019, Saskatchewan ranked 11th out of 76 jurisdictions.

Exploration Expenditures

In 2019, a preliminary estimate by Natural Resources Canada (NRCan) indicated that Saskatchewan achieved 13.1 per cent of total Canadian mineral exploration expenditures.

Progress in 2019-20

Ministry Goal 2

Government Goals



Ministry Goal

Achieve regulatory excellence in support of the responsible development of Saskatchewan's non-renewable mineral resources.

Strategy

Adopt a risk-based, outcome-oriented approach to the development and delivery of regulatory programs.

Key Actions

- Implementation of the regulatory regime for reducing greenhouse gas (GHG) emissions from the upstream oil and gas industry, *The Oil and Gas Emissions Management Regulations*.
 - *The Oil and Gas Emissions Management Regulations* were introduced as a made-in-Saskatchewan, results-based regulation to reduce methane-based GHG emissions by 4.5 million tonnes of carbon dioxide equivalent (CO₂e) from 2015 levels by 2025. Through its implementation and the suite of complementary policies within the Methane Action Plan, the Ministry will continue to drive and facilitate the transition to a low carbon economy.
 - The Government of Saskatchewan also reached a draft agreement with the Government of Canada on the regulation of methane reductions in the upstream oil and gas industry. The agreement is the result of several months of engagement between the two levels of government and fulfills the request of industry to be regulated by the province.
- Continue to strengthen Saskatchewan's approach to pipeline regulation through the implementation of the *Pipeline Regulation Enhancement Program*.
 - In January 23, 2020, the Ministry introduced the first electronic pipeline registry in Canada to provide more efficiency and regulatory certainty for the Saskatchewan's oil and gas sector. The new pipeline licensing system includes a streamlined application review process and reduces the time required for routine approvals.
 - *The Pipelines Administration and Licensing Regulations* are now in effect, along with *Directive PNG034: Saskatchewan Pipelines Code*, which clarifies and enhances requirements set out in previous regulations.
- Establish and operate the Western Regulator Forum Secretariat role to further promote collaboration and alignment of priorities among oil and gas regulators in Western Canada.
 - The Ministry assumed responsibility for the operation of the Western Regulators Forum (WRF) Secretariat including chairing the Executive Committee.

Strategy

Deliver efficient regulatory programs with a focus on client service.

Key Actions

- Build the single window to be a one-stop regulatory service for the oil and gas industry.
 - Expand the Integrated Resource Information System (IRIS) to include pipeline and facility licensing, liability management programs and self-service for enhanced oil recovery reporting.
 - All IRIS-related projects were successfully completed on time and under budget, including enhancements related to pipeline and facility licensing, liability management program and the new online self-service module for filing Enhanced Oil Recovery Operator's Return. These IRIS modules now have better data quality and are more efficient.
 - The Ministry launched new IRIS online training courses to support industry in their regulatory reporting requirements and activities through IRIS. The training courses were designed and developed in conjunction with industry subject matter experts and are now available for all oil and gas operators on a new website User Learning Centre on Saskatchewan.ca.
- Continue to update and modernize regulations and directives to address regulatory risks.
 - Clarified requirements related to the public notice process in Saskatchewan and production limits for oil wells.
 - Implemented improvements to the Site Specific Liability Assessment Directive, the Licensee Liability Rating Program Directive and the Phase II Environmental Assessment Directive.

Strategy

Build public confidence in industry regulation through transparency, accountability and engagement.

Key Actions

- Effectively manage the abandonment, decommissioning and remediation of oil and gas wells and mines.
 - Continue to develop a risk-based monitoring and audit program targeted to wells, facilities and pipelines.
 - Streamlined and clarified the procedures for obtaining regulatory approvals to conduct abandonment operations (*Directive PNG015: Well Abandonment Requirements*). The changes allow industry to use more cost-effective well abandonment techniques based on the actual risks posed by the abandonment. As a result, there were 2,151 abandonments completed in 2019-20 — a significant increase from the previous fiscal year. The number of abandonments increased by almost 50 per cent from the previous fiscal year.
 - With the launch of the new IRIS pipeline module in January 2020, approvals for pipeline applications now incorporate risk assessment rules, creating processing efficiency for routine pipeline licence applications.
- Provide oversight of the Cleanup of Abandoned Northern Sites (Project CLEANs)
 - Major progress was made on Project CLEANs, particularly on the tailings cover at the Gunnar mine and mill site. Work also began on the other aspects of the site (wasterock pile, landfill areas and the acid plant).
 - Work has been virtually completed at sixteen satellite sites, four of which are expected to be accepted into the Institutional Control Program in 2020-21, while work continues on the remaining sites.

Performance Measure Results

Turnaround Time

Turnaround times for various applications through the IRIS.

Measure under development.

Progress in 2019-20

Ministry Goal 3

Government Goals



Ministry Goal

Achieve organizational excellence.

Strategy

Ensure fiscal responsibility, balanced budgets and a more effective government through continuous improvements.

Key Actions

- Exercise prudent fiscal management.
 - The Ministry continues to improve fiscal management, ensuring the fiscal forecasting process is sound, reporting is timely and prudent budget utilization is exercised. In 2019-20, the Ministry met all its expense-related targets.
 - The Ministry continues to evaluate its business approach in managing the IRIS contract with its service provider. The evaluation showed positive results and improvements in the service provider's performance.
 - The Ministry increased training opportunities for employees and rolled out two mandatory courses on the responsibilities and associated implications with regard to financial transactions: "Making Payments in Government" and "Fraud Awareness".
- Robust strategic and operational planning that supports the most efficient allocation of financial and human resources.
 - Strengthen the Ministry's strategic planning and initiatives function.
 - Establish IT management and planning structures to address current and future priorities for clients in the delivery and development of regulations.
 - The Ministry has created a robust framework for strategic and operational planning including further integrating information technology, budgeting and workforce planning into its planning processes.
 - In 2019-20, there were 209 enhancements implemented in IRIS.

Strategy

Create an environment that is client-focused, which fosters engagement at all levels and high performing development.

Key Actions

- Implementation of a responsive plan to address areas of opportunity from 2018-19 employee safety and engagement surveys.
 - Including an emphasis on increasing senior leadership visibility, focus on employee recognition and further encouraging innovation.
 - The Culture and Inclusion Committee introduced a plan and began implementation to improve employee engagement across the organization.
 - The Physical and Psychological Safety Committee developed an action plan focused on priorities that support the health, safety and wellness of employees. Priorities include the strengthening employee security policies to minimize potential safety risks, establishing emergency preparedness and management protocols, promoting a positive safety culture within the Ministry and establishing processes for employees when working alone, especially at remote sites.
 - The Ministry participated in the Workplace Resiliency Training, with a response rate of 100 per cent. Workplace Resiliency training is a baseline survey of public employees to gauge awareness of psychological health issues in the workplace.
- Build capacity for a workplace that is inclusive, respectful and fosters diversity.
 - The Ministry continues to build a positive and inclusive workplace through the work of the Culture and Inclusion Committee. In 2019, it collected data from employees to produce an interactive visual representation of the diversity of the Ministry. The result visual product will create opportunities to talk about diversity and inclusion across the organization.
- Develop a leadership development and recruitment strategy.
 - The Ministry took steps towards improving leadership development processes through changes made to the Central Learning Fund, which now accepts applications for graduate studies program as a way to encourage and support the development of leadership skills.

Performance Measure Results

Employee Engagement

The Ministry's employee engagement index was 66 per cent, which is higher than its interjurisdictional peers. The engagement survey results were used to inform the work of the Culture and Inclusion Committee.

Employee Safety

The Ministry's physical and psychological safety climate scores increased.

Safety Category	2018	2019	Change over Previous Year
Physical Safety Climate	3.44	3.48	1.2%
Psychological Safety Climate	3.26	3.31	1.5%

Financial Summary

The Ministry's actual expenditures for 2019-20 were \$42.4 million, which was \$3.9 million under the budgeted appropriation of \$46.4 million. The variance is largely the result of vacancy management, project delays, reduced remediation costs and program underutilization.

The Ministry collects revenue on behalf of the government from the production and sale of Saskatchewan's energy and mineral resources, disposing of Crown mineral rights and other associated taxes, services and fees. All revenue collected is deposited in the General Revenue Fund. In 2019-20, the Ministry recorded revenues of \$1.3 billion, a decrease of \$99.5 million over the 2019-20 budget estimates.

Summary of Expenditures

The following table outlines information on actual and budgeted expenditures by subvote and subprogram, as per the structure for the Ministry of Energy and Resources. Variance explanations are provided for individual variances that are greater than \$100,000.

Subvote/Subprogram	(in thousands of dollars)			
	Actual Expenditures 2018-19	Estimate 2019-20	Actual Expenditures 2019-20	Variance Over/(Under) 2019-20
ER01 Central Management and Services				
Minister's Salary (Statutory)*	52	53	53	-
Executive Management	697	959	713	(246) 1
Central Services	13,690	16,032	15,651	(381) 2
Accommodation Services	3,005	3,069	2,946	(123) 3
ER01 Central Management and Services Total	17,444	20,113	19,363	(750)
ER05 Energy Regulation				
Operational Support	13,325	12,977	12,530	(447) 4
Surface Rights Arbitration Board	165	229	134	(95)
ER05 Energy Regulation	13,490	13,206	12,664	(542)
ER06 Resource Development				
Operational Support	2,718	3,924	3,646	(278) 5
Lands and Mineral Tenure	2,047	2,325	2,153	(172) 4
Saskatchewan Geological Survey	5,577	5,550	4,903	(647) 6
Forestry Development	600	682	607	(75)
Remediation of Contaminated Sites	34,005	33,750	33,000	(750) 7
ER06 Resource Development	44,947	46,231	33,000	(1,922)
Total Appropriation	75,881	79,550	76,336	(3,214)
Remediation of Contaminated Sites	(34,005)	(33,750)	(33,000)	750 7
Capital Asset Acquisition	(1,889)	(2,775)	(4,044)	(1,269) 8
Capital Asset Amortization	2,952	3,338	3,138	(200) 9
Total Expense	42,939	46,363	42,430	(3,933)

* Statutory adjustment to Minister's Salary.

Variance Explanations (Amounts greater than \$100 thousand):

1. Salary savings due to cost sharing and general operating savings.
2. IRIS infrastructure delays, bad debt expense for oil, potash, misc. mineral, and the Oil and Gas Admin Levy, vacancy management, and operating savings.
3. Lease savings.
4. Vacancy management savings.
5. Waterflood Development Program savings.
6. Targeted Mineral Exploration Incentive savings and vacancy management savings.
7. Reduced remediation costs.
8. Capital asset pressures due to additional system development projects.
9. Capital amortization savings due to project delays.

Summary of Revenue

The following table outlines information on actual and budgeted revenue by category for the Ministry of Energy and Resources. An explanation of major variances is provided on all revenue that is greater than \$3.0 million.

Revenue Category	(in thousands of dollars)			
	2019-20 Budget	2019-20 Actual	Variance Over/(Under)	
Non-Renewable Resource Revenue				
Oil	687,700	663,528	(24,172)	1
Crown Land Sales	46,600	17,127	(29,473)	2
Natural Gas	3,400	4,263	863	3
Potash	618,600	554,426	(64,174)	4
Uranium	50,786	53,264	2,478	5
Other Minerals	34,714	44,346	9,632	6
Total Non-Renewable Resources	1,441,800	1,336,954	(104,846)	
Other Own-Source Revenue				
Mineral Rights Tax	9,000	11,409	2,409	
Sales, Services and Service Fees	382	941	559	
Other Miscellaneous Revenue	75	2,417	2,342	
Total Other Own-Source Revenue	9,457	14,767	5,310	
Total Revenue Ministry of Energy and Resources	1,451,257	1,351,721	(99,536)	

Explanations of Major Variances:

1. Decrease in oil revenues of \$24M was primarily due to the decrease in the WTI price.
2. Decrease in crown land sales of \$29.5M due to overall global oil and gas supply driven conditions.
3. Increase in natural gas revenues of \$0.9M due to an increase in production and an increase in the average royalty/tax rate.
4. Decrease in potash revenues of \$64.1M due primarily to lower sales volumes and production, as well as higher operating costs.
5. Increase in uranium revenue of \$2.5M due primarily to prior period adjustments.
6. The primary contributor to the increase in other revenue of \$9.614M is due to the increase in royalties on gold due to higher prices.

Additional financial information can be found in the Government of Saskatchewan Public Accounts located at <https://publications.saskatchewan.ca/#/categories/893>