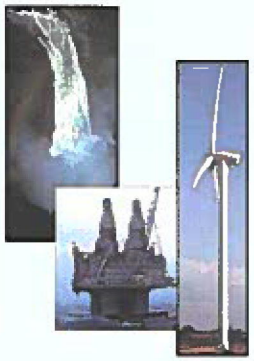
Energy Plan
Focusing Our Energy

Presentation to Cabinet

September 2007

Department of Natural Resources

Newfoundland Labrador



Blue Book Commitment

*"Implement an **energy plan** to ensure that all energy sources are used first to provide a reliable, affordable supply of power for domestic use and for Province-wide economic development, and then to take advantage of business opportunities in export markets to sell energy that is excess to our needs on terms that secure maximum benefits for the Province."*

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Overview

- Why an Energy Plan?
- Key Messages
- Energy Plan Elements
- Cost
- Release

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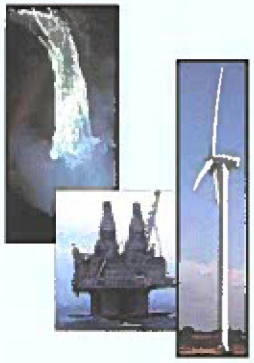

What is the Energy Plan?

- The Energy Plan sets out the direction and policy position of the government in managing the province's energy sector:
  - It demonstrates Government's leadership role.
  - It provides increased clarity and certainty for public, industry, regulators and all levels of government
  - It shapes operational plans and decision-making into the future.

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Why Do We Need an Energy Plan?

- We need to prepare the Province to capture future opportunities:
  - Develop discovered offshore resources, including natural gas
  - Realize potential for new discoveries in relatively unexplored areas (e.g., Labrador Coasts; Orphan and Laurentian Basin)
  - Develop hydroelectric potential, including the Lower Churchill

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Why Do We Need an Energy Plan?

- We need to address and capitalize on profound and rapid changes in this sector:
  - Heightened global competition for investment dollars
  - Increasing awareness of environmental issues, including climate change
  - Extraordinary changes in supply, demand and prices for fossil fuels
  - Rapidly evolving technologies for renewable energy sources

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What are the Objectives of the Energy Plan?

- To manage the energy sector to ensure:
  - Our energy resources are developed to provide a reliable and competitive supply of energy for domestic use and province-wide economic development
  - Revenues, benefits and opportunities for economic growth are optimized for the people of Newfoundland and Labrador
  - Our environment is protected and, where possible, improved
  - It is globally competitive and of world-class quality, so that we become significant exporters of energy products and professional services.

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Key Messages

- Establishes a long-term strategic plan for the development of our energy resources – out to and beyond 2041
- Ensures energy resources will be developed for the benefit and long-term self reliance of the people of the province
- Protects the environment and promotes a sustainable clean-energy future
- Ensures revenues from non renewable resources benefit future generations – renewable resource infrastructure
- Maximizes strategic economic opportunities from energy resources

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Energy Plan Elements – Key Initiatives

Sections

1. Focusing our Energy
2. Newfoundland and Labrador's Energy Warehouse
3. Oil and Natural Gas
4. Electricity
   - Hydro
   - Wind
   - Holyrood
   - Transmission
5. Energy and the Environment
6. Energy and the Economy

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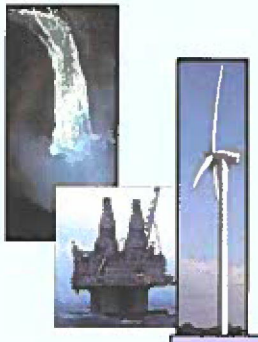
Energy Plan Framework



Vision

Principles

1. Sustainability
2. Control
3. Cooperation & Coordination

Goals

Environmental Stewardship

Energy Security

Sustainable Economic Development

Maximize Electricity Exports Value

Maximize Oil and Gas Value

Effective Governance

Actions

Managing Our Energy Warehouse

Oil and Gas

Electricity

Environment

Economy

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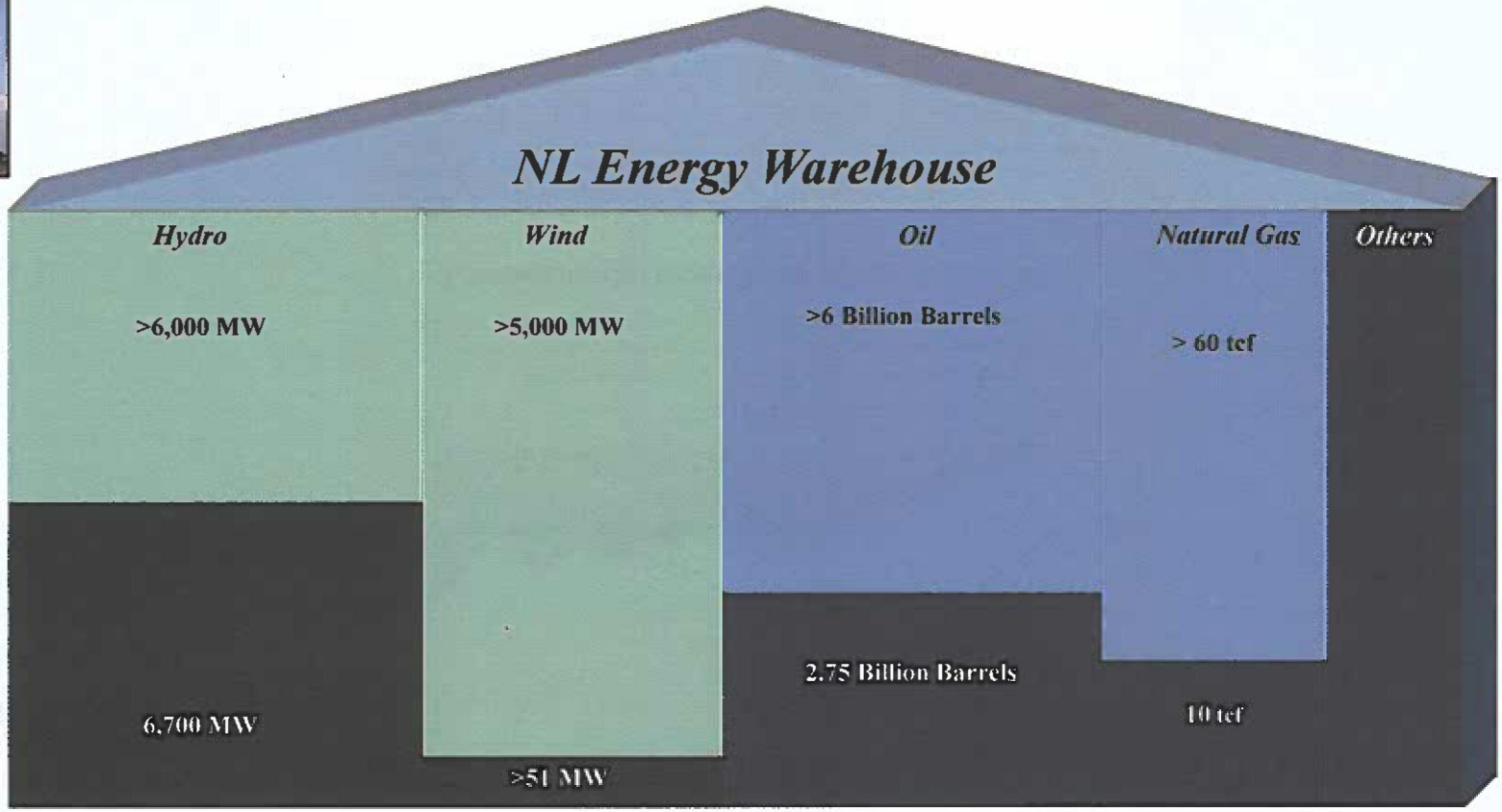
Managing our Energy Warehouse



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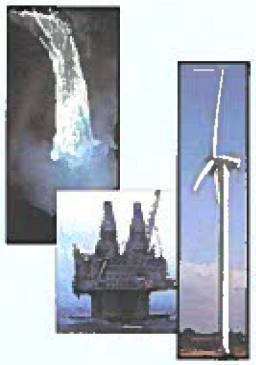
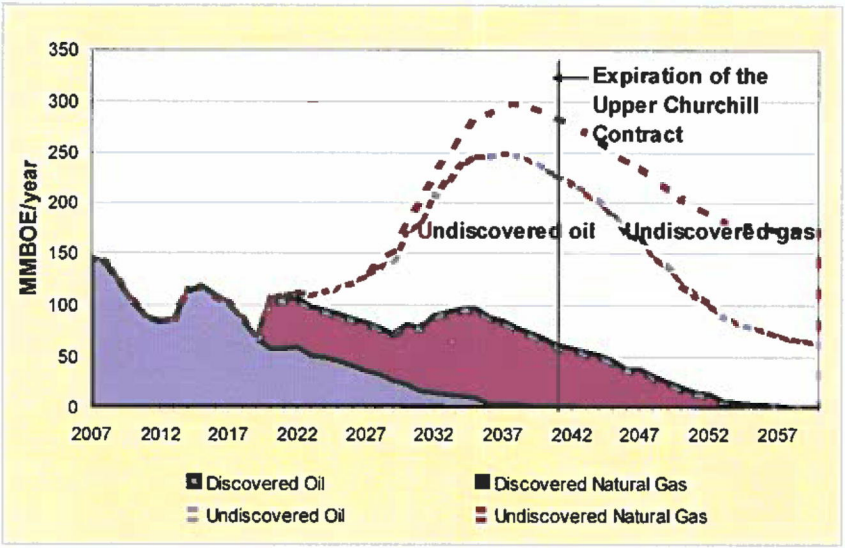
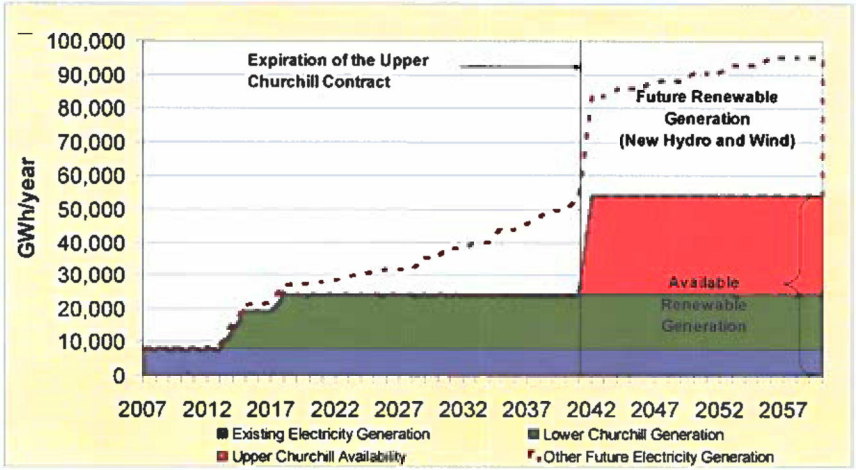


Managing Our Energy Resources

Hypothetical Petroleum Production from Discovered Reserves and Resources - 2007 – 2060



Renewable Electricity Generation - 2007 - 2060



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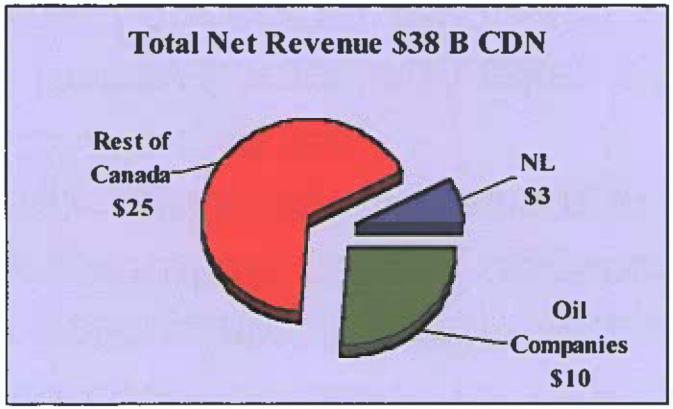
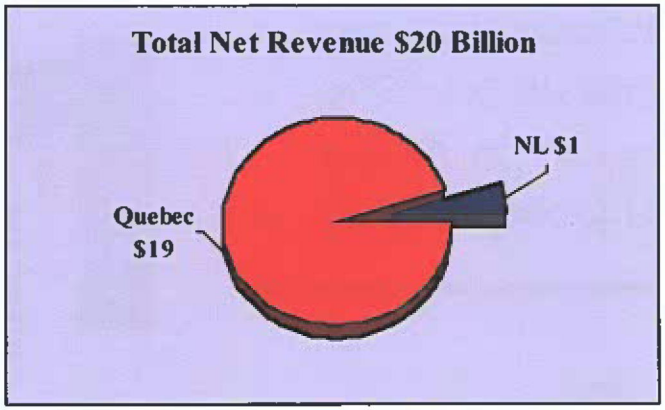
Managing Our Energy Warehouse

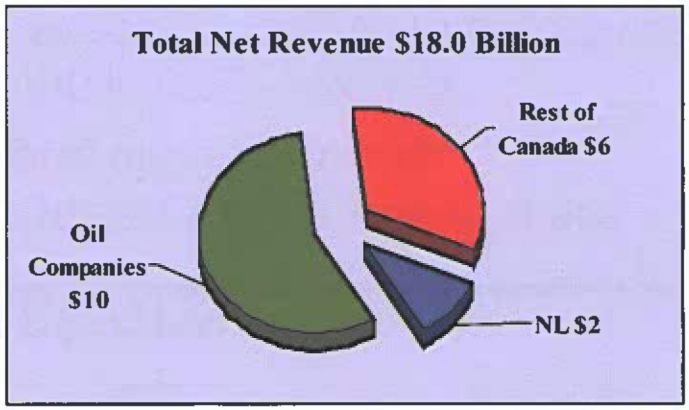
Energy Project Net Revenue Summary
To Dec 2006 (Billions $CDN – Nominal)



Upper Churchill Project Net Revenue Summary To Dec 2006 (Billions $CDN – Nominal, estimated)

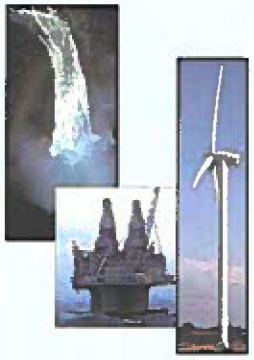


Offshore Petroleum Projects Net Revenue Summary To Dec 2006 (Billions $CDN – Nominal)



Managing Our Energy Warehouse

Key Actions



- Ensure fiscal regimes provide maximum returns and are designed to respond to changing circumstances.
- Assume an ownership interest in energy resource development where it fits our strategic long-term objectives.
- Leverage our non-renewable oil and gas wealth into a renewable future.
- Increase strategic investment in information gathering on our energy resources and options for their development.
- Ensure our policies and legislation provide the tools to responsibly control the pace of development.
- Plan and make decisions between now and 2041 to ensure Upper Churchill's success.
- Ensure the Energy Corporation takes a lead role in the development of our energy resources.

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Oil and Natural Gas – Key Actions

Encouraging Onshore and Offshore Exploration Activity

- $25 million investment in exploration activities

Equity Ownership

- 10% equity in all future oil and gas projects for the province

Fiscal Regimes

- Development of new Natural Gas and Offshore Oil Regimes that improve benefits for the province while providing a fair return for investors.

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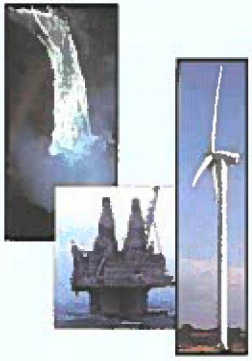

Oil and Natural Gas – Key Actions

Regulatory Framework and Land Management

- Work with Federal Government on time limits for development ("fallow field")
- facilitate development of satellite fields and open access requirements

Local Benefits

- Focus on benefits requirements targeting sustainable industries where we can create or capitalize on our competitive advantages.
- $5 million investment for export-based petroleum fabrication and manufacturing opportunities incentives
- Pursuit of refining, petrochemical, and other value-added secondary processing opportunities.

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Natural Gas Royalty

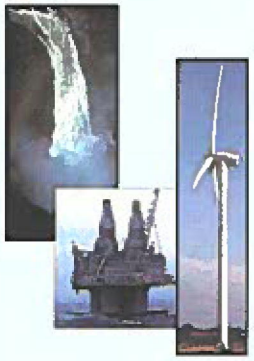
Previous Terms

Basic Royalty	
Net Back Price:	Basic Royalty Rate:
< Cdn $2 (Minimum Price)	2% (Minimum Rate)
> Cdn $6 (Maximum Price)	10% (Maximum Rate)
Net Royalty	
R Factor (R):	Net Royalty Rate:
< 1 (Minimum)	0% (Minimum Rate)
> 4 (Maximum)	50% (Maximum Rate)

Current Terms

Basic Royalty (Only change in structure relates to netback prices as they impact the Basic Rates.)	
Net Back Price:	Basic Royalty Rate:
< Cdn $4 (Minimum Price)	2% (Minimum Rate)
> Cdn $8 (Maximum Price)	10% (Maximum Rate)
Net Royalty	
R Factor (R):	Net Royalty Rate:
< 1 (Minimum)	0% (Minimum Rate)
> 4 (Maximum)	50% (Maximum Rate)

- Basic Royalty begins with production with rates impacted by netback gas prices.
- Net royalty begins with cost recovery with rates impacted by revenue to cost index.



Natural Gas Royalty

Rationale for Change

- Feedback from consultations with ConocoPhillips and Husky in March 2007
  - Government take is too high
    - Basic Royalty rate kicks in too early at the high rate and the Net Royalty take is too high
  - A disincentive to exploration and development

- Wood Mackenzie recommended revision to the basic royalty tiers and rates to address industry concerns and reflect price forecasts.
    - Reduce Basic Royalty by increasing band to $4 (low) and $8 (high) from the current $2 and $6.

- Flexibility to adjust royalty for "Pioneer Project"
- Acknowledges concerns and provides more meaningful downside price protection.

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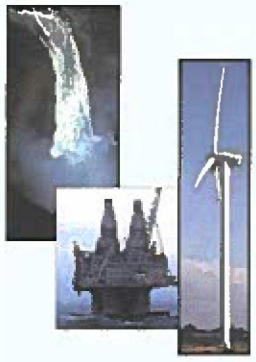
Electricity – Key Actions



Hydro

- Lower Churchill
  - Province, through the Energy Corporation, to lead development
  - Transmission link from Labrador to Island
  - Employment adjacency for qualified personnel
- Upper Churchill
  - Position province to take full advantage in 2041
  - Explore economic opportunities
- Small Hydro
  - Maintain moratorium, review in 2009
  - Energy Corporation to coordinate all new hydro developments

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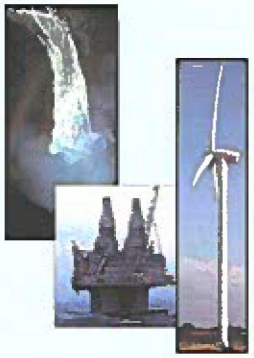

Electricity – Key Actions

Wind

- Energy Corporation to coordinate all new wind developments

- Pursue opportunities to locate manufacturing of wind components in the province

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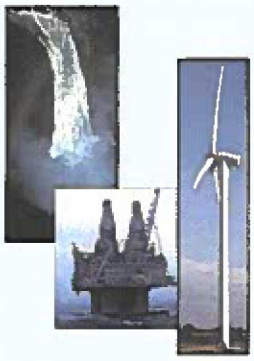
Electricity– Key Actions



Holyrood

- Deal with environmental problems at Holyrood by either:
  - Replacing Holyrood with power from Lower Churchill

  OR

  - Installing scrubbers and precipitators and maximize other sources (wind, small hydro, energy efficiency)

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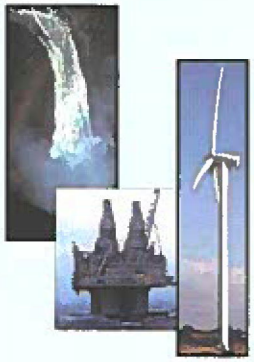

Electricity– Key Actions

Transmission

- Build Labrador-Island Transmission Link in conjunction with Lower Churchill
- Work with other governments to establish an effective national electricity grid
- Identify access to markets through either:
  - An overland route through the Province of Quebec
  - A subsea route from the Island into the Maritimes and Northeast United States (e.g. Maritime Route)

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Energy and the Environment
Key Actions

Air Emissions

- Target the elimination of 1.2 million tonnes of GHG emissions per year by 2015
- Work with industry and other stakeholders to develop a GHG strategy for the energy sector

Land, Water and Wildlife

- Ensure that renewable and non-renewable resources are developed to maximize benefits for the province, while protecting the natural environment.

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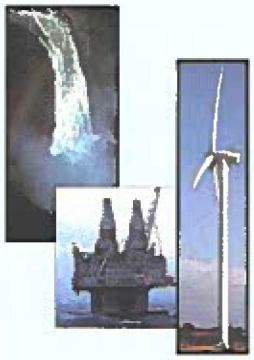

Energy and the Environment
Key Actions

Energy Efficiency and Conservation Partnership

- Invest $5 million in an Energy Conservation and Efficiency Partnership (ECEP) to develop a plan by March 2008 and coordinate and assist with energy conservation and efficiency initiatives

Energy Efficiency and Conservation Programs

- Consider implementation of a vehicle rebate program
- Continue to implement transportation conservation initiatives
- Develop a program to assist large industrial operations to perform efficiency/conservation audits
- Allocate $500,000 for energy efficiency audits
- Allocate $6.9 million for an efficiency/conservation program for low-income homeowners.
- 25% of all new Provincial Government vehicle purchases will be energy efficient vehicles (e.g. hybrids)

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Energy and the Economy
Key Actions

Professional and Skilled Workers

- Support and implement the recommendations of the Skills Task Force.
- Require large-scale energy project proponents to include employment plans for women that address employment equity

Innovation

- Invest $5 million in Energy Innovation Roadmap and key opportunity areas

Regional Economic Development

- Use electricity resources to pursue new industrial development

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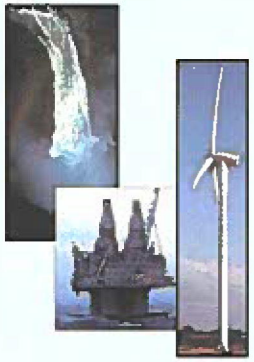

Energy Plan - Cost

- $12 million allocated for Energy Plan Implementation in 2007/08

- Total cost of Energy Plan for 2007-2010 is approximately $40 million (excludes NL Housing and existing programs)

- Total does not include investments in Lower Churchill, transmission link or oil and gas equity investments

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Release

- September 11, 2007
- Press Conference to be held at the Geocentre.
- Published copies of document will be available at release
- Website will be updated with Energy Plan, press releases and other materials

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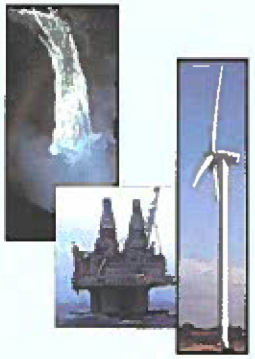

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Focusing Our Energy

Presentation to Cabinet

September 2007

Department of Natural Resources

Newfoundland Labrador

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2007/09/06

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Deputy Clerk
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A Presentation entitled, "Energy Plan: Focusing Our Energy," was received from the Minister of Natural Resources, accompanied by the Deputy Minister and the Assistant Deputy Minister (Energy Policy) in the Department of Natural Resources.

Concurrence was received from colleagues and approval was given to announce the Energy Plan.

Clerk of the Executive Council