May 18, 2018

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: FIN-56-2018]

On April 20, 2018, the Department of Finance received your access to information request for the following:

“The most recent NL Oil Royalties - Official 6 Year Forecast (Accrual); NL Oil Royalties - Long-Term Projection Scenario (Accrual); Forecast of Oil Prices and Exchange Rates. Please use same format as provided in this 2015 request: http://atipp-search.gov.nl.ca/public/atipp/requestdownload?id=759.”

I am pleased to inform you that your request for access to this information has been granted in full. The following is noted for your information:

- The 2018 Budget included a 5 year official oil royalty forecast. The attached information reflects this policy decision.
- As requested, the attached response is provided as follows:
  - Table 1: NL Oil Royalties - Official 5 Year Forecast
    This table provides Government’s official oil royalties forecast for the time period of 2018-19 to 2022-23 on a per-project basis.
  - Table 2: NL Oil Royalties - Long-Term Projections Scenario
    This table provides a long-term five-year projection scenario for the time period of 2023-24 to 2027-28 on a per-project basis.
    Note: All projections provided in tables 1 and 2 are done so on an accrual basis and were derived based on information available at the time of calculation (e.g., price and exchange rates, annual production rates/costs estimates; and reserves estimates). These oil royalty projections are subject to change as revised information becomes available, altering the original assumptions. As with any projection, the further out in time, the higher the degree of uncertainty of assumptions and resulting royalties forecast.
  - Table 3 – Forecast of Oil Prices and Exchange Rates
    This table provides a forecast of oil prices and exchange rates and is provided in both Canadian and US dollars.
Note: An oil revenue risk adjustment was included in Budget 2018. The amount of oil revenue risk adjustment increases each year over the forecast period to reflect the progressive increase in risk as the time horizon lengthens. The adjustment starts at $25 million in 2019-20 and increases to $85 million by 2022-23. These amounts are deducted from the forecasted revenue in each respective year. The amount of oil revenue risk adjustment is based on an estimate of the reduction in royalties from a one dollar reduction in the US price of oil for each year, multiplied by a progressively increasing oil price reduction over the forecast period (i.e. $1 in 2019-20; $2 in 2020-21; $3 in 2021-22; and $4 in 2022-23).

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that the response will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the response posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by telephone at 709-729-2082, or by email at bethbartlett@gov.nl.ca.

Sincerely,

Beth Bartlett
ATIPP Coordinator

Attachment
Table 1

NL Oil Royalties - Official 5 Year Forecast (Accrual)
Fiscal Years 2018-19 to 2022-23
Millions of $Cdn Nominal

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Hibernia</th>
<th>Terra Nova</th>
<th>White Rose</th>
<th>Hebron</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>821.60</td>
<td>109.10</td>
<td>53.90</td>
<td>15.20</td>
<td>999.80</td>
</tr>
<tr>
<td>2019-20</td>
<td>842.60</td>
<td>237.40</td>
<td>45.60</td>
<td>26.00</td>
<td>1,151.60</td>
</tr>
<tr>
<td>2020-21</td>
<td>800.10</td>
<td>61.40</td>
<td>42.90</td>
<td>36.60</td>
<td>941.00</td>
</tr>
<tr>
<td>2021-22</td>
<td>754.80</td>
<td>218.60</td>
<td>47.10</td>
<td>41.70</td>
<td>1,062.20</td>
</tr>
<tr>
<td>2022-23</td>
<td>741.00</td>
<td>276.50</td>
<td>83.00</td>
<td>43.30</td>
<td>1,143.80</td>
</tr>
<tr>
<td>Total</td>
<td>3,960.10</td>
<td>903.00</td>
<td>272.50</td>
<td>162.80</td>
<td>5,298.40</td>
</tr>
</tbody>
</table>

Finance officials prepared a 5-year official forecast of oil royalties for Government's 2018 Budget.

This royalty forecast was based on the latest price/exchange rate forecasts, reserve estimates, and annual production rates/costs estimates available at budget time.

These royalty estimates are subject to change as revised information becomes available, changing the original assumptions.

Department of Finance
May 3, 2018
### Table 2

**NL Oil Royalties - 5 Year Long-Term Projection Scenario (Accrual)**

Fiscal Years 2023-24 to 2027-28  
Millions of $Cdn Nominal

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Hibernia</th>
<th>Terra Nova</th>
<th>White Rose</th>
<th>Hebron</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023-24</td>
<td>798.90</td>
<td>264.50</td>
<td>212.70</td>
<td>206.70</td>
<td>1,482.80</td>
</tr>
<tr>
<td>2024-25</td>
<td>757.80</td>
<td>245.00</td>
<td>507.00</td>
<td>225.00</td>
<td>1,734.80</td>
</tr>
<tr>
<td>2025-26</td>
<td>705.00</td>
<td>222.70</td>
<td>446.20</td>
<td>224.30</td>
<td>1,598.20</td>
</tr>
<tr>
<td>2026-27</td>
<td>587.60</td>
<td>208.90</td>
<td>387.70</td>
<td>901.90</td>
<td>2,086.10</td>
</tr>
<tr>
<td>2027-28</td>
<td>558.80</td>
<td>154.00</td>
<td>375.20</td>
<td>862.50</td>
<td>1,950.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,408.10</td>
<td>1,095.10</td>
<td>1,928.80</td>
<td>2,420.40</td>
<td>8,852.40</td>
</tr>
</tbody>
</table>

In addition to the 5-year official forecast of oil royalties, as shown on Table 1, Finance officials prepared an internal long-term royalties projection scenario starting 2023-24. The royalties projection for this scenario is shown above, to 2027-28. This scenario was prepared based on sanctioned projects.

This royalties projection scenario was based on: an extrapolation of price and exchange rates beyond the forecast period, as noted in Table 3; reserves estimates; and annual production rates/costs estimates available.

As with any projection, the further out in time, the higher the degree of uncertainty of assumptions and resulting royalties. This royalties is subject to change as revised information becomes available.

Department of Finance  
May 3, 2018
### Table 3

Forecast of Oil Prices and Exchange Rates

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Price $US</td>
<td>63.00</td>
<td>63.00</td>
<td>67.00</td>
<td>71.00</td>
<td>74.00</td>
</tr>
<tr>
<td>USD/CAD Exchange Rate</td>
<td>0.790</td>
<td>0.796</td>
<td>0.804</td>
<td>0.808</td>
<td>0.813</td>
</tr>
<tr>
<td>Oil Price $Cdn</td>
<td>79.75</td>
<td>79.15</td>
<td>83.33</td>
<td>87.87</td>
<td>91.02</td>
</tr>
</tbody>
</table>

Finance officials relied on a group of forecasters to decide on a forecast of oil prices and exchange rates to use in determining its official 5-year royalties forecast, as shown on Table 1, as well as its long-term forecast shown on Table 2.

Note: An oil revenue risk adjustment was included in Budget 2018. The amount of oil revenue risk adjustment increases each year over the forecast period to reflect the progressive increase in risk as the time horizon lengthens. The adjustment starts at $25 million in 2019-20 and increases to $85 million by 2022-23. These amounts are deducted from the forecasted revenue in each respective year. The amount of oil revenue risk adjustment is based on an estimate of the reduction in royalties from a one dollar reduction in the US price of oil for each year, multiplied by a progressively increasing oil price reduction over the forecast period (i.e. $1 in 2019-20; $2 in 2020-21; $3 in 2021-22; and $4 in 2022-23).

Department of Finance
May 3, 2018