April 1, 2019

Dear [Blank]

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-22-2019)

On March 4, 2019, the Department of Natural Resources received your request for access to the following records/information:

January 2019 Decision/Direction Note titled Advance 2030 Implementation.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The records are attached.

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 this letter will be published following a 72 hour period after it 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 letter posted to the Office of Public Engagement’s website within one business day following the applicable period of time.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

Rod Hynes

Rod Hynes
ATIPP Coordinator
Decision/Direction Note
Department of Natural Resources

Title: Advance 2030 Implementation – Issue Two Scopes of Work for Consultant Studies on Exploration Incentives and Natural Gas Development Jurisdictional Scans

Decision/Direction Required:
- A decision is requested whether the Department of Natural Resources (NR) should proceed with issuance of the following scopes of work, on a limited call basis, including:
  - A review of potential fiscal exploration incentives for offshore Newfoundland and Labrador (see Annex A); and,
  - An international jurisdictional scan of offshore natural gas development opportunities (see Annex B).
- In order to inform implementation of Advance 2030 as relates to driving exploration and natural gas development action items, it is recommended that NR lead this work and issue the scopes of work on a limited call basis.

Background and Current Status:
- On February 19, 2018, the Provincial Government of Newfoundland and Labrador launched Advance 2030. This is a plan for growth in the oil and gas industry and the outcome of the collaborative work of the Council and the Government. The strategy includes 17 focus areas which include immediate, mid-term and long-term actions.
- Two items under immediate actions, for which the scopes of work outlined in this note are intended to inform, include:
  - Drive Exploration – Evaluate options to incentivize exploration through fiscal, land tenure options and other global practices; and
  - Accelerate Development – Initiate a framework for natural gas exploration and development.

Analysis:
- Under section 5(1)(b) of the Public Procurement Regulations, an open call for bids is required on services of an estimated value of $50,000 or greater. Under section 6(a)(i) of these Regulations, a public body is not required to issue an open call for bids where the head of the public body determines that the estimated value of the commodity being acquired is less than the thresholds established in section 5.
- Both of these scopes of works are budgeted for under $50,000 each and will be administered out of the current fiscal year 2018/2019 budget of the Economics and Benefits Division. Both studies are intended to be completed this fiscal year. Given the budget for this work, an open call for bids process is not required and a limited call would be undertaken.
- Under the Public Procurement Policy Guidelines (Section 6.1), procuring a commodity through a limited call for bids requires the public body to either:
  - Obtain quotations from at least three suppliers. These can be obtained through various methods such as telephone, fax, electronic, ITT and RFP. It is important to rotate the procurement opportunities among several suppliers, if possible, and not continuously invite quotations or bids from the same or select group of suppliers;
  - Determine a fair and reasonable price for the commodity based on recent market conditions.
• The method chosen to obtain quotations will usually be determined based on the value and complexity of the commodity being procured. Under section 6.1.1 of the Public Procurement Policy Guidelines, for services valued at $10,000.00 and greater but less than $50,000, with the exception of engineering services and architectural services, the preferred approach is for public bodies to obtain quotations from at least three suppliers. If this is not feasible, at least one quotation should be obtained and the price shall be fair and reasonable. Where three quotations are not obtained, the file documentation shall include rationale as to why obtaining three quotations was not feasible.

• For these two scopes of work, the intent is to solicit three quotes for the work from separate consultancy firms that NR officials have determined are qualified to compete the work. A list of potential consultancy firms is in Annex C. If three quotes are unavailable, then an alternative approach would be to establish a determination of a fair and reasonable price for the work based on section 6.1.3 of the Public Procurement Policy Guidelines.

Alternatives:

1. Direct NR officials to issue the scopes of work on a limited call for bids basis. (RECOMMENDED)

   Pros:
   • Inform implementation actions and future work planning for Advance 2030.
   • Funds are budgeted and available this fiscal year.

   Cons:
   • None identified.

2. Direct NR officials not to proceed with this work at this time. (NOT RECOMMENDED)

   Pros:
   • Reduced budget expenditures for this fiscal year.

   Cons:
   • Work outcomes will not be available to support Advance 2030 implementation timelines.
   • Oil and Gas Industry Council members may lose confidence in Government commitment to implement the identified actions.

Prepared/Approved by: P. Parsons / D. Trask

January 16, 2019
Annex A

Review of Potential Fiscal Exploration Incentives for Offshore NL
Scope of Work

Background
On February 19, 2018, Government released Advance 2030 – A Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry which included a number of immediate, short-term and long-term priorities for action. Drive Exploration was identified as an immediate priority (by 2020) and included a commitment to “Evaluate options to incentivize exploration through fiscal, land tenure options, and other global practices.”

Context
With the successful exploration strategy executed by Nalcor Energy Oil and Gas and ongoing marketing and promotion efforts of the Province, the backdrop for exploration offshore NL currently comprises:

- Over 650 leads and prospects, more than 20 basins mapped and a combined resource potential of 49.2 Billion barrels of oil and 193.8 trillion cubic feet of natural gas;
- 8 offshore exploration projects registered with the Canadian Environmental Assessment Agency;
- 25 exploration licenses (EL) issued by the Canada-Newfoundland and Labrador Offshore Petroleum Board;
- $4.3 billion in outstanding exploration work commitments including a record cumulative total of $1.38 billion in bids and a record single bid of $621 million in the recent 2018 Call for Bids; and
- 8 new corporate entrants to the offshore area with various exploration interests in multiple EL’s.

There has been significant work undertaken by Government to date to evaluate the Province’s global competitiveness and explore options to drive exploration. In April 2018, Government released Newfoundland and Labrador Competitiveness in Oil & Gas Investment, a jurisdictional review by Wood Mackenzie to assess the international competitiveness of the province’s offshore oil and gas industry; and in September 2018, Government engaged McKinsey & Company to support development of economic growth initiatives, including initiatives for the oil and gas sector to support implementation of Advance 2030.

Objective
Building on historical work to date, and immediate priorities identified in Advance 2030, the Department of Natural Resources is seeking to investigate a range of fiscal incentives that could accelerate exploration drilling offshore NL.

Proposed Scope of Work
Given NL’s current exploration landscape and opportunities, the scope of work will include:

- Identification of trends and key drivers impacting global exploration drilling in other competing jurisdictions;
- Working with NR to develop a matrix of key considerations in designing a exploration incentive with the view to strengthen the competitiveness of NL’s overall fiscal and regulatory framework (e.g., aligns with NL’s fiscal capacity, considers the structure of NL’s existing fiscal terms including GORR);
• Review and support modelling work undertaken by NR and provide expert advice as required in the design of an exploration incentive.

Project Management
This work will be led and contracted by the Economics and Benefits Division of the Department of Natural Resources (NR). A Steering Committee will be established comprised of NR officials and representation from the Department of Finance. The timeline for completion of the work is March 31, 2019.
Annex B

International Jurisdictional Scan of Offshore Natural Gas Development Opportunities
Scope of Work

Background
Development of a commercial gas industry for Newfoundland and Labrador is a priority identified in The Way Forward on Oil and Gas – Advance 2030. Specific actions include:

1. Near Term Priority: Initiate a framework for natural gas exploration and development.
2. Mid-Term Priority: Develop a natural gas development plan. With the discovery of additional resources, market opportunities for natural gas are anticipated.
   - Advance initiatives to ensure provincial readiness for gas commercialization, including regulation, development models, local supply opportunities, and labour requirements.
   - Focus activity on attracting global investment for commercial gas production.
   - Examine domestic utilization strategies for natural gas as a low-carbon fuel.
3. Long Term Priority: Achieve commercial natural gas production that will create both local and global market opportunities.
   - Promote investment in new infrastructure, technology and leverage expertise in order to pursue market opportunities for commercial gas production.
   - Focus on expanding natural gas resource exploration and development.

Newfoundland and Labrador Natural Gas Resources
There are various Newfoundland and Labrador offshore regions that hold discovered and undiscovered natural gas resource opportunities and could be considered for further analysis of development scenarios including:

1. The Jeanne d'Arc basin that holds an estimated 8.34 trillion cubic feet of discovered natural gas resource (associated and non-associated) where development could be incremental to existing oil projects and potentially utilize existing production infrastructure, where available.

2. The Labrador offshore region that holds an estimated 4.24 trillion cubic feet of discovered natural gas resource where development would be expected to be greenfield as no development and production infrastructure are in place or planned at this time.

3. The Eastern Newfoundland deepwater offshore region including the Orphan Basin and Flemish Pass Basin. The scale of development may be considered significant in the context of the undiscovered resource potential identified in the 2015, 2016 and 2018 studies conducted by BeicipFranlab, on behalf of Nalcor Energy and the Government of NL. These studies collectively identified an aggregate undiscovered resource potential of 193.8 trillion cubic feet of natural gas in offshore regions corresponding to call for bids parcels in the Orphan Basin, Flemish Pass Basin and East Jeanne d'Arc Basin.

Depending on scale of project and market opportunities, development options may include compressed natural gas tankers (CNG), floating liquefied natural gas (FLNG), pipeline to shore with onshore LNG or gas-to-wire (GTW).

Objective and Scope of Work
In order to inform the Newfoundland and Labrador Department of Natural Resources on opportunities for a natural gas industry, the Department is seeking an international jurisdictional
scan of offshore natural gas developments that have occurred or are occurring globally.

The Consultant will conduct an overview of global offshore natural gas projects (including projects recently sanctioned/approved, nearing final investment decisions, in development or recently began production) and outline the parameters and conditions that support successful investment and development decisions including:
- resource size and thresholds;
- mode of development;
- location;
- project costs/economics;
- market opportunities and access/proximity;
- royalty/fiscal terms;
- state incentives/supports;
- other relevant enablers, drivers, trends and conditions for natural gas project developments.

Some key questions for Consultant input in the study:
- What are the parameters, conditions and resource/economic thresholds that contribute to natural gas development success from a global perspective?
- What are costs of exploration, development and production of non-associated and associated gas prospects?
- In order to support determination of the netback value of natural gas at the production facility, what would be the expected costs and opportunities for midstream and downstream components of the natural gas value chain?
- What are the likely market opportunities for offshore natural gas? Provide a global perspective on market opportunities including market studies, outlooks and price forecasts.

**Deliverables:**
The Consultant will conduct the research and analysis outlined above and provide the assessments and findings in a study report along with any accompanying electronic data files. As well, the Consultant will present the study findings via video or tele conference upon completion. The work scope and report completion date is March 31, 2019.
Annex C

List of consultant companies under consideration with competencies and expertise to complete one or both scopes of work

Both Scopes of Work:
1. Wood Mackenzie
2. IHS Markit

Exploration Incentives Scope of Work Only:
1. Ernst and Young
2. PWC
3. Grant Thornton

Natural Gas Scope of Work Only:
1. Rystad Energy
2. Westwood Global Energy