

KEVIN O'REILLY—MLA FRAME LAKE
Resource Revenues
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MR. O'REILLY: Thanks, Madam Chair. I want to put some questions about the revenue somewhere because this is the only place revenues show up for this department. There are a couple of ducks here that need to be flushed out. The line on 204, licenses, rental, and other fees, the main estimates for last year showed \$2.4 million, but the revised estimates actually show \$47.7 million. Is this a typo? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Madam Chair, it is not a typo. It is a license forfeiture from Husky Oil that I would be happy to provide in some finer detail, Madam Chair. I'm just not getting back there fast enough. Perhaps I could suggest that Deputy Minister Strand can speak to it, or it may go over to our director of finance, please.

CHAIRPERSON (Ms. Semmler): Thank you. Deputy Minister Strand.

MS. STRAND: Thank you, Madam Chair. Yes, that is correct. That is the work bid deposit forfeiture from Husky Energy. They had a work commitment. It wasn't fully fulfilled, and so as a result, under our legislation, the balance of that deposit is forfeited. That's what the amount is for. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. This is good news, but there is no explanation whatsoever of what this amount is. I'm kind of surprised that it's just kind of dropped in here, no footnote, nothing, so any member of the public wouldn't know what this is. Is there not a better way to present this for future main estimates? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. Yes. It's obviously a significant bid deposit forfeiture. It's much higher than what we would often see in a particular year. I think I'm certainly happy to say that, though I don't know what threshold there might be or if there should be a threshold of at what point a footnote is offered, but the point is well-made. I accept that, yes, it certainly shows as being a number that seems unusual, and yet there is actually a very clear explanation available for it. The commitment would be that, if there is going to be another significant variance of that nature, we find a way to report that publicly so that it's more clear. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Minister. Member.

MR. O'REILLY: Thanks, Madam Chair. Yes. I appreciate that. I just want to get a little bit

more clarification of what this work bid forfeiture actually is. Does this mean that Husky has surrendered its exploration licence and that they are not going to be carrying out I think it was over \$300 million worth of work that they were required to carry out to keep their exploration licence in good standing? Is that what has happened here? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Member. Minister.

HON. CAROLINE WAWZONEK: Madam Chair, no. It's not like that, Madam Chair. I'm going to suggest, though, that this go to Deputy Minister Strand.

CHAIRPERSON (Ms. Semmler): Deputy Minister Strand.

MS. STRAND: Thank you, Madam Chair. Yes. Husky had about \$94 million in the deposit, and they worked it down to \$45.2 million. It's when the conversion from an exploration license to a significant discovery licence happens that that is forfeited. They have spent a lot of money on this EL, I think upwards of \$200 million, if not way more than that. That hopefully summarizes it. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. The company, though, has applied for a significant discovery licence. This means, though, that they don't have to carry out the other commitment of, I guess it would have been another \$50 million, total of \$94 million worth of exploration work? That's not going to take place now? Is that correct? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Madam Chair, I'll direct it to the deputy minister, please.

CHAIRPERSON (Ms. Semmler): Thank you. Deputy Minister.

MS. STRAND: Madam Chair, yes, that is correct.

CHAIRPERSON (Ms. Semmler): Member.

MR. O'REILLY: Thanks, Madam Chair. That's not good news. That's almost \$100 million worth of work that could and should have been done in the Sahtu. It's great that we get a \$45 million cash windfall, but in converting this to a significant discovery licence, is that being done under the old legislation or the new legislation? Is there any requirement for even one cent to be spent under a significant discovery licence? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. I think it is still falling under the old legislation, which, again, I don't have in front of me. Madam Chair, I'm going to see if I can drive that back over to the deputy minister.

CHAIRPERSON (Ms. Semmler): Deputy Minister Strand.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. We spent a fair bit of work on this with Justice, and it is that it does fall under the new legislation. That is in place for the new SDL that is being finalized right now with Husky. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member for Frame Lake.

MR. O'REILLY: Thanks, Madam Chair. That is good news because they can only tie up the land now for 15 years, but as I understand it, they don't have to do one cent of work, nothing, which is not good news. I'm going to leave this one for now, and I do hope that people are paying attention to this because that system is still broken. I have one other question here. The next item, minerals, oil, and gas, the main estimate here for the current year was \$30.7 million, and the figure here is just a dash. Is that really that we're predicting we're going to get zero dollars from mining and oil and gas royalties for the current year? Zero? Is that a typo, again? Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Minister.

HON. CAROLINE WAWZONEK: Thank you, Madam Chair. Sorry, I just want to make sure I'm looking at the right number. Non-renewable resource revenues, minerals, oil, and gas, I have \$1.511, Madam Chair. Sorry, for last year, yes. For last year, Madam Chair, the numbers have been updated, and I think we are now expecting some small amount of royalties for this fiscal, given that Ekati has come back online and given some of the rebounding in the diamond markets. I don't know if I have that number available. Let me see if Deputy Minister Strand or Director Salvador do.

CHAIRPERSON (Ms. Semmler): Thank you. Deputy Minister Strand.

MS. STRAND: Thank you, Madam Chair. When this estimate was done, this forecast was at the height of COVID. That's why it has a zero number in there. We do the next forecast in August, so we are anticipating that there will be a number in there. I just don't know exactly what that is. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you. Member.

MR. O'REILLY: Thanks, Madam Chair. We don't know how much it is, but it might be slightly greater than the dash or the zero that might appear there. It's estimated for 2021-2022 that we are only going to get \$1.5 million for royalties from diamond mining and oil and gas? Is that right? Just wondering if it's a typo again. Thanks, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Member. Minister.

HON. CAROLINE WAWZONEK: Madam Chair, typos are pretty rare in the main estimates. No, it's not a typo. Look, the mineral resources sector has had some pretty significant struggles over the last year and, we are expecting, likely will continue to have some pretty significant ups and downs in the year to come. The estimates in the forecast are perhaps a bit conservative, but I suspect the Minister of Finance would rather have a conservative estimate than have a wide variation in terms of the own-source revenues that we are expecting to have come in. If, in fact, the diamond markets continue to rebound, as they seem to be, though that's far from certain, given that there need to be significant shutdowns across Canada, I was going to say, but internationally, as

well, it's difficult to anticipate what, in fact, is going to happen. There have been new sales and new sites, which have gone very well, but, in fact, again, that alone isn't going to rebound this sector. We are going to have to see how much catchup there is going to be over last year, how far it is going to get.

As far as other areas, again, commodities are coming back, but a lot of our projects are at early stages. We may or may not be seeing royalties coming in this coming year. The biggest source of the royalties was the diamond mines, and we are not necessarily able to say with strong certainty that, yes, in fact, it's going to be a complete and full rebound in the course of this next fiscal. It would be nothing more than a pleasure for me to come back and have a large number change there in terms of our revised estimates for 2021-2022 showing, in fact, a high number, but that's not the number that we projected back in the height of COVID when the mains were prepared. Thank you, Madam Chair.

CHAIRPERSON (Ms. Semmler): Thank you, Minister. Member.

MR. O'REILLY: Thanks, Madam Chair. I appreciate those comments. Just very quickly, I am really concerned with these numbers. They are, as I understand, based on sales of diamonds. It's not a great time to be trying to sell diamonds. I understand that there is a global pandemic, but this is not what devolution promised us. The estimates of the day were \$60 million in revenues. Moving forward, all of this was going to benefit everybody. When I see these kinds of figures, this is a real warning sign that we need to look at what revenues we actually get from resource development and how we manage the resources. That's all I have to say for now. Thanks, Madam Chair. I do appreciate everybody having to put up with 10 minutes of me doing this stuff. Thank you.