# Canadian Energy Centre

Annual Report 2019/2020

## Contents

" The Canadian Energy Centre uses data, stories and narrative to demonstrate how the industry can and will drive economic recovery"

## Message from the CEO

The Canadian Energy Centre was established in October 2019 as an organization that would defend natural resources owned by Albertans, and of benefit to the entire country. Energy production, primarily oil and gas production, is an essential plank of the country's economic wellbeing.

Between 2000 and 2018, Canada's energy industry has contributed $359 billion to provincial and federal government coffers. The wealth it generates has built hospitals, schools, roads, pools, and communities across the province.

But even though this is an extremely important economic sector for the province and the country, the industry has opponents who are loud and organized. Campaigns starting in 2008, using foreign funding, have helped bring Canada to a situation where critical energy infrastructure is stalled.

A focus against the oil sands has grown to include Canada's natural gas industry, as activists have targeted Liquefied Natural Gas development in the western provinces.

When the pandemic hit, our opponents used it as a launch pad to advocate for quickly moving away from the oil and gas industry – at a time when Canadian families were struggling with mounting debt, unemployment, and unprecedented deficit growth at all levels of government. Such a move would cripple Canada's economy.

The Canadian Energy Centre uses data, stories and narrative to demonstrate how the industry can and will drive economic recovery.

While this annual report speaks to the final four months of the fiscal year as we built operations, it also provides some targets for the CEC to achieve as we move into the next fiscal year, and complete our first full year of operations.

We will continue to focus on energy literacy, research, and response; all three working together to ensure Canadians, and the world, know the truth about the Canadian Energy Industry.

**Tom Olsen**
**Chief Executive Officer**
June 30, 2020

# Energy Literacy

The Energy Literacy unit encompasses marketing and communications, two practices which are intrinsically linked.

Marketing comprises paid advertising campaigns (social media, digital, TV, radio, billboards, etc).

Communications creates stories and information for marketing campaigns as well as stand-alone content for use on the CEC website, earned media, and social media distribution. All communications content is built on a solid foundation of research.

We have created and executed successful campaigns around:

- Economic recovery;
- Natural gas and its ability to reduce global GHG emissions; and
- Market access with a focus on pipeline capacity as it pertains to specific projects e.g. Trans Mountain expansion, Keystone XL.

Despite the impact of the COVID-19 pandemic, we have been able to move forward with these initiatives with consideration to tone, timing and respectful, sensitive engagement, with the following objectives:

- Specific high-level key messaging;
- Driving traffic to the CEC website using this messaging; and
- Web content containing in-depth supporting information and analysis.

While no measurables have yet been developed during the startup phase of the organization, the main goal of Energy Literacy at the outset was to reach as many Canadians as possible before branching out globally. An example of this is the CEC's partnership with the publication EnergyNow.ca, which has used our content on its networks to our great appreciation.

***EnergyNow.ca*** published a multitude of Canadian Energy Centre stories following our launch. Each story includes links back to canadianenergycentre.ca as well as links to the CECs social media channels.

EnergyNow's marketing channels provide a combined reach of more than 1 million Canadian energy professionals. The site receives 135,000 monthly visitors along with some 377,000 pages views and has more than 40,000 followers on LinkedIn. This has been integral to begin building our network for advocacy growth.

National and local columns written by the CEC's executive director of research and our CEO have been picked up by various newspapers across Canada in print and online - 70 publications in total, reaching a potential audience of 13.5 million.

Finally, prior to the pandemic situation, the CEC began a national marketing campaign supporting Canadian natural gas development. This was done via all media platforms to reach as many Canadians as possible.

Oil Sands Projects a Path to Prosperity: Chief Vern Janvier, Chipewyan Prairie Dene First Nation – CEC

February 19, 2020 EnergyNow Media

Published by Grady Semmens on February 10, 2020

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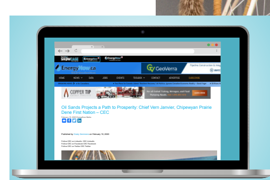


Vern Janvier, chief of the Chipewyan Prairie Dene First Nation, located 120 kilometres southeast of Fort McMurray. Photograph for Canadian Energy Centre

There's a story from Vern Janvier's childhood that has played a big part in who he is today.

"Back when there was not much here and we were living a traditional, subsistence lifestyle, my grandfather was hunting with his family in the bush, and one of his


# The world needs more Canadian energy

Replacing coal with natural gas for power plants in China, India and Southeast Asia over the next 20 years can eliminate 1,500 megatonnes of GHGs per year.*

Canada will be part of the solution.

*CAPP-Canadian Association of Petroleum Producers

**Canadian Energy Centre**

**Learn more: www.canadianenergycentre.ca/LNG**
**@CDNEnergyCentre**

# Indigenous Canadians support Coastal GasLink

All 20 elected First Nation bands along the route support the Coastal GasLink pipeline project.

More than 1,200 women and men are working on preliminary construction, including more than 300 Indigenous workers.

*"We've been talking for 40 years about breaking the cycle of Native poverty. Now we're actually trying to do it, and we can't back down."*

**– Ellis Ross, BC Liberal MLA for Skeena, former Chief Councillor of the Haisla First Nation.**

**Canadian Energy Centre**

**Learn more: www.canadianenergycentre.ca/LNG**
**@CDNEnergyCentre**

In early March, the CEC launched a national marketing campaign as a direct response to the organized opposition to the Coastal GasLink pipeline project, which spread from northern B.C. to blockades across the country. Two half-page advertisements (above) ran in the National Post, Ottawa Citizen, Edmonton Journal, St. John's Telegraph, Calgary Herald, Halifax Chronicle Herald, Toronto Star, and the Globe & Mail, along with digital versions on social media and news media websites. Total reach for print advertising was approximately 5.8 million, while digital advertising generated over 3 million impressions.

# Research

Research is the foundation of all CEC advocacy and content. CEC Research is meant to be as accessible as possible for an ever-growing audience. Each research report is released both online on the CEC website with text and graphs, and as a downloadable PDF.

Each is leveraged for multiple days on social media with graphs and images, released to the media, and provided to government.

As CEC's social media strategy took shape, the use of these pieces became integral to growing the public's awareness about our efforts to inform existing and potential readers about why Canadian energy matters not only to Alberta but all of Canada, including Indigenous and immigrant communities cross-country.

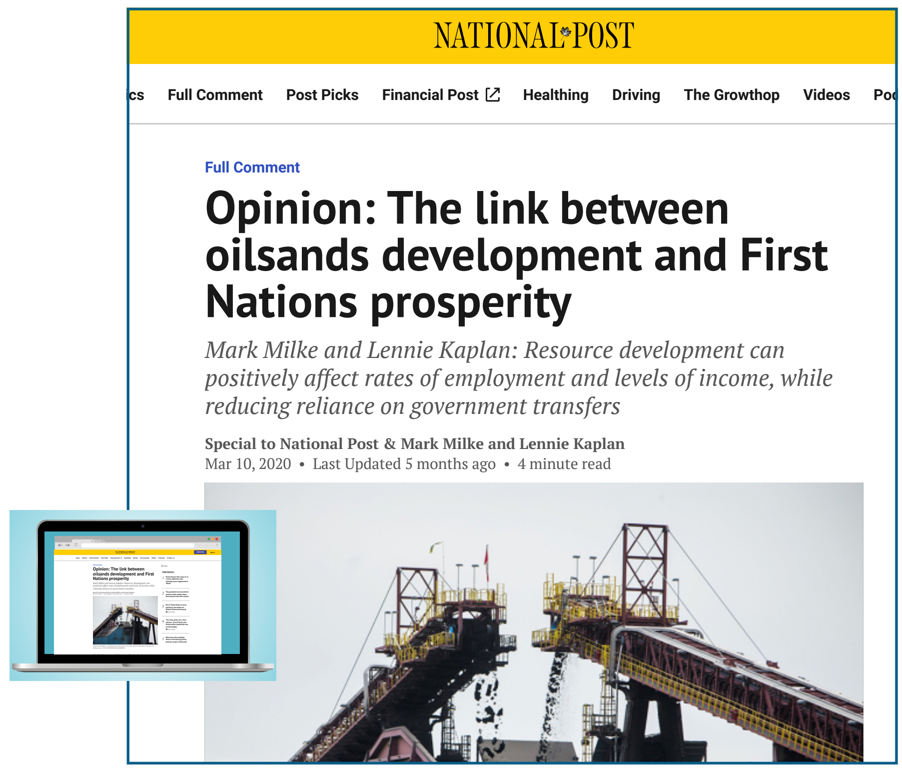
CEC Research, in conjunction with the other CEC units, is integral to building awareness about Canadian energy and why it matters to:

- Employment;
- Tax revenues;
- Living standards;
- Exports; and
- Competitiveness.

The first Research Brief was released on March 4, 2020, titled ***"Canada's Oil Sands and Local First Nations."*** The report outlined the significant and profound positive economic effects of First Nations involved in Canada's oil sands industry. The CEC was able to use the information to show the connection and prosperity of Canada's Indigenous people involved in oil and gas development.

The first CEC Research Fact Sheet was released on March 31, titled ***"$359 Billion: What Canada's Energy Sector Paid Governments From 2000 to 2018."*** The report detailed the direct contributions Canada's energy sector made to federal and provincial revenues between 2000 and 2018, conservatively estimated at $359 billion. It highlighted the significant contribution the energy sector has made to the Canadian economy, employment and revenues. Data from this fact sheet also appeared in a column by one newspaper columnist entitled "If Alberta's energy sector dies every Canadian will suffer — the numbers don't lie."

Research is an integral piece of the CEC's overall campaigns running throughout the year. In the first months of operations, the goal was to build the data necessary to create documents that were accessible and easy to understand. As with all our content, the push is to reach as many Canadians with this information so they can be informed about the benefits the energy industry provides their daily lives.


NATIONAL POST

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Full Comment

**Opinion: The link between oilsands development and First Nations prosperity**

*Mark Milke and Lennie Kaplan: Resource development can positively affect rates of employment and levels of income, while reducing reliance on government transfers*

**Special to National Post & Mark Milke and Lennie Kaplan**
Mar 10, 2020 • Last Updated 5 months ago • 4 minute read


# Canada's oil sands and local First Nations: A snapshot

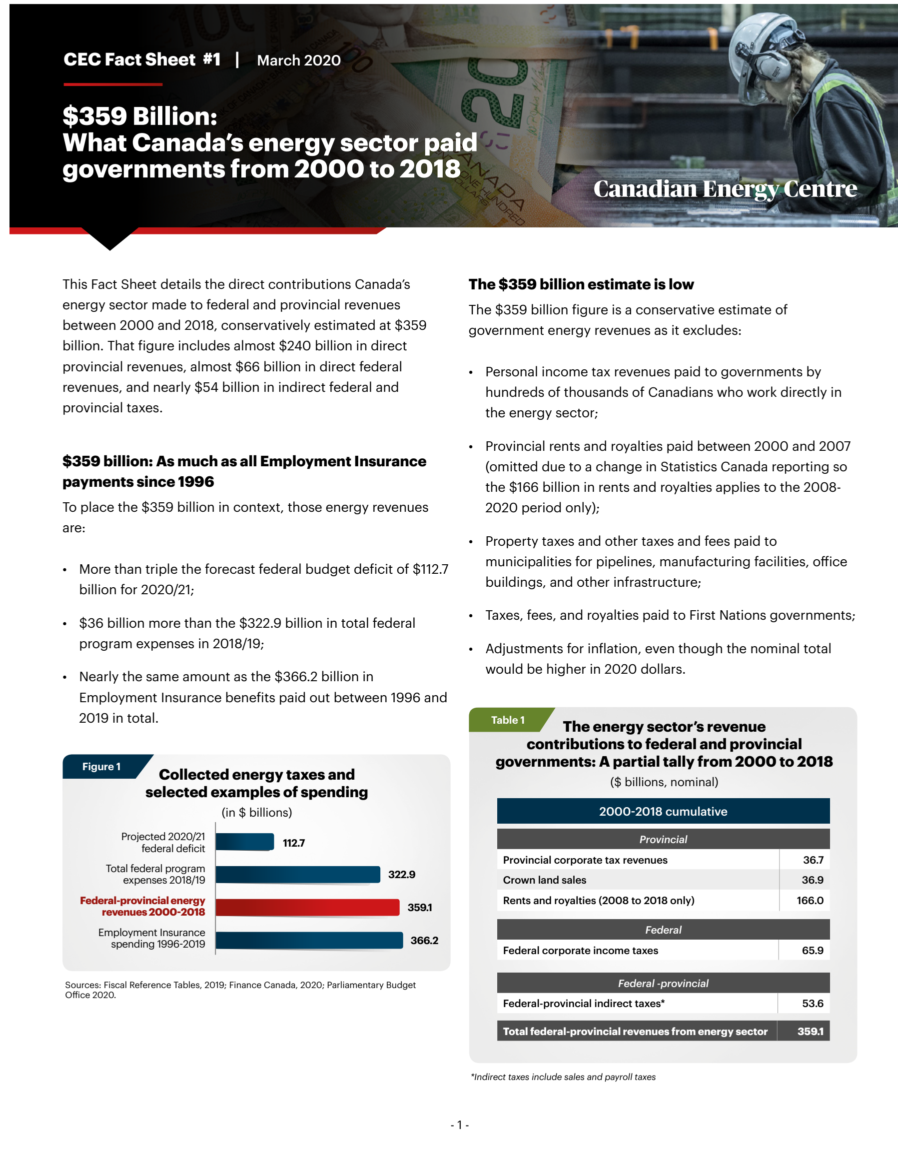
"Fort McKay is now a thriving modern community with all the amenities and infrastructure in place to run a modern community due to oil sands development."

*– Jim Boucher, Former Chief, Fort McKay First Nation*

Canadian Energy Centre

**A CEC Research Brief**

**Mark Milke and Lennie Kaplan** | March 2020



**CEC Fact Sheet #1** | March 2020

## $359 Billion: What Canada's energy sector paid governments from 2000 to 2018

Canadian Energy Centre

This Fact Sheet details the direct contributions Canada's energy sector made to federal and provincial revenues between 2000 and 2018, conservatively estimated at $359 billion. That figure includes almost $240 billion in direct provincial revenues, almost $66 billion in direct federal revenues, and nearly $54 billion in indirect federal and provincial taxes.

### $359 billion: As much as all Employment Insurance payments since 1996

To place the $359 billion in context, those energy revenues are:

- More than triple the forecast federal budget deficit of $112.7 billion for 2020/21;
- $36 billion more than the $322.9 billion in total federal program expenses in 2018/19;
- Nearly the same amount as the $366.2 billion in Employment Insurance benefits paid out between 1996 and 2019 in total.

Figure 1 **Collected energy taxes and selected examples of spending**

(in $ billions)

Projected 2020/21 federal deficit 112.7
Total federal program expenses 2018/19 322.9
Federal-provincial energy revenues 2000-2018 359.1
Employment Insurance spending 1996-2019 366.2

Sources: Fiscal Reference Tables, 2019; Finance Canada, 2020; Parliamentary Budget Office 2020.

### The $359 billion estimate is low

The $359 billion figure is a conservative estimate of government energy revenues as it excludes:

- Personal income tax revenues paid to governments by hundreds of thousands of Canadians who work directly in the energy sector;
- Provincial rents and royalties paid between 2000 and 2007 (omitted due to a change in Statistics Canada reporting so the $166 billion in rents and royalties applies to the 2008-2020 period only);
- Property taxes and other taxes and fees paid to municipalities for pipelines, manufacturing facilities, office buildings, and other infrastructure;
- Taxes, fees, and royalties paid to First Nations governments;
- Adjustments for inflation, even though the nominal total would be higher in 2020 dollars.

Table 1 **The energy sector's revenue contributions to federal and provincial governments: A partial tally from 2000 to 2018**

($ billions, nominal)

| 2000-2018 cumulative | |
|---|---|
| *Provincial* | |
| Provincial corporate tax revenues | 36.7 |
| Crown land sales | 36.9 |
| Rents and royalties (2008 to 2018 only) | 166.0 |
| *Federal* | |
| Federal corporate income taxes | 65.9 |
| *Federal -provincial* | |
| Federal-provincial indirect taxes* | 53.6 |
| **Total federal-provincial revenues from energy sector** | **359.1** |

*Indirect taxes include sales and payroll taxes*

- 1 -

Original CEC research briefs and fact sheets have been published in PDF and web formats, and released with targeted outreach to news media, industry stakeholders and supporters.

# Rapid Response

The CEC uses its website, social media and other tools to respond quickly to false commentary spread about the energy sector. In the first four months of operations, the CEC's social media properties were developed slowly, but as our website came together our other platforms began to grow.

Currently, the CEC is using analytics and other metrics to determine what benchmarks to set for rapid response moving forward. The key strategy of rapid response is to ensure the organization has a network of individuals who support Canadian energy help spread the message of benefits of the sector.

Our website is the first tool of this strategy, as the initial publishing point for a key element, our **"Matter of Fact"** articles. MOF articles have played a key role in correcting misinformation that is routinely seen in media or on social platforms.

The first MOF was published on December 10 and focused on a report by the Corporate Mapping Project — a research initiative led by the University of Victoria, the Canadian Centre for Policy Alternatives and the Parkland Institute – that criticized the Canada Pension Plan for investing in oil and gas producers, particularly Canadian oil sands companies. This first MOF set the tone and structure for how the CEC would respond to these types of inaccurate commentaries moving forward. The response article set out a variety of information that confidently pushed back against false claims made by opponents.

The MOF evolved in look and feel with as more were produced. One of the key articles late in the fiscal year was a MOF focused on the proposed Teck oil sands mine and the three main arguments leveled against the project. The document corrected the myths that were continually repeated by media outlets. After correcting the information, the CEC then leveraged the article across our platforms to ensure the message was viewed across



Canada, especially in Eastern Canada. Opposition to Frontier was primarily due to lack of knowledge on not only the proposed Teck project, but of the oil sands industry is general.

As our platforms continue to grow and the team becomes more diverse in thought and talent, our Matter of Fact and myth-busting articles will continue to be integral to our overall pushback strategy.

Canadian Energy Centre

Environment Economy Community Research Search/Menu

# A Matter of Fact: New York Times article on oil sands divestment misleading

By Deborah Jaremko on February 12, 2020, 6:53 pm MST

Oil sands pipeline at Suncor Energy's MacKay River in situ project north of Fort McMurray, Alta. Photo courtesy of Suncor Energy

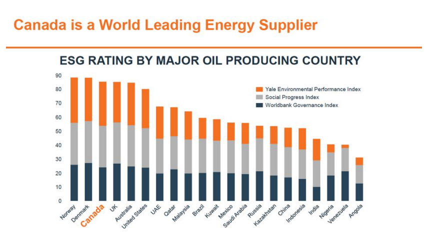
The New York Times published an article on Wednesday describing what it called "a flood of banks, pension funds and global investment houses starting to pull away from fossil-fuel investments," particularly in Alberta. While it is true that some banks and insurers have made the decision to divest from oil and gas projects, the article makes many statements that are misleading and need to be addressed.

**"Financial institutions worldwide are coming under growing pressure from shareholders to pull money from high-emitting industries."**

Misleading. The major trend in responsible investing is currently focused on emissions alone, but ESG is more than the environment. Investors should look holistically at overall environmental, social and governance (ESG) performance.

ESG includes environmental metrics like GHGs and water use, as well as indicators like worker safety, community investment, representation of women, Indigenous people and visible minorities, and board diversity. Canada's status as a global ESG leader continues while its oil producers continue work to improve environmental performance.

Consider the chart below, which was included in Alberta midstream company Keyera's 2019 investor day presentation. It compiles three performance indexes (Yale Environmental Performance, Social Progress Imperative, and World Bank Governance) to score Canada's overall ESG performance against other oil producing countries. Canada ranks third, after Norway and Denmark.

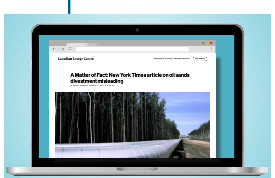



More on this Topic

01
A Matter of Fact

02
Norges Bank investments: Comparisons to Canada and 'Not Free' countries

03
Call to shutter Canada's oil and gas industry ignores opportunity to reduce world's carbon footprint



Canadian Energy Centre

Environment Economy Community Research Search/Menu

# A Matter of Fact

## Calls for the Canada Pension Plan to divest from oil and gas producers fails to acknowledge industry's evolution

By CEC Staff on December 10, 2019, 7:17 pm MST

**Issue:** Investing in Canadian oil and gas.

**What was said:** In a recent report, the Corporate Mapping Project – a research initiative that looks at the fossil fuel industry, led by the University of Victoria, the Canadian Centre for Policy Alternatives and the Parkland Institute - criticized the Canada Pension Plan for investing in oil and gas producers, particularly Canadian oil sands companies. As the world moves to different forms of energy, continuing to hold investments in Canadian oil and gas exposes Canadian pension beneficiaries to the risk of stranded assets (which are assets that no longer have value), the report said.

**The broader view**: Canada's oil and gas sector is a world leader in environmental, social responsibility and governance (ESG) - in the way it regulates industry, protects the environment and treats people impacted by operations. Here's why Canada should be the producer of choice:

**Fact:** The world will continue to rely on oil as all forms of energy will be needed to meet demand, fueled by leading developing economies, according to the latest forecast of the International Energy Agency.

**Consider:** If the Canadian oilsands were phased out, producers with lower ESG standards - such as Saudi Arabia, Iraq, Venezuela, Mexico - would take over Canada's share of the market, while making Canadians dependent on purchasing even more oil from foreign suppliers, transferring immense wealth and exposing Canadians to the risk of higher oil prices.

**Fact:** Canada's oilsands account for 0.15% of global emissions.

**Consider:** Phasing out the oilsands and replacing them with supplies from other countries would only reduce global GHG emissions by an estimated 0.03 per cent, according to a recent submission to the Canadian Senate from Mac Van Wielingen, founder and partner of ARC Financial Corp.

**Fact:** The oilsands industry has embraced innovation. Thanks to technological and operational efficiency improvements, per barrel, oil sands emissions have decreased 28 per cent from 2000 to 2017. Improvements are continuing. Oilsands companies like Cenovus Energy Inc. are generating emission levels that are close to or below emission levels of the average global barrel.

**Consider:** As well, Canadian Natural Resources Ltd. and MEG Energy Corp., are aiming for net zero emissions in their oilsands operations.

**Fact:** Canada is one of the highest-ranking countries for ESG practices, according to rankings including the World Bank Governance Index and the Yale Environmental Performance Index.

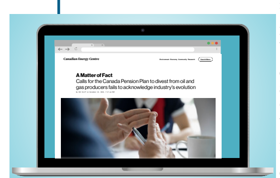
**Consider:** It's because of Canada's high ESG standards that countries like Japan are eager to import

More on this Topic

01
A Matter of Fact: Joe Biden is wrong about Keystone XL

02
A Matter of Fact: A 'Green New Deal' makes no sense for Canada

03
A Matter of Fact: New York Times article on oil sands divestment misleading



## Looking Ahead

The Canadian Energy Centre is working hard to ensure the organization is consistently operating at a level Albertans expect. There will be a significant number of policies and procedures developed and implemented in the next fiscal year. As well, the CEC will develop goals and targets to track outcomes so that the public and our Board can be confident in the organization's ability to be successful.

Below are the goals and targets the CEC will meet in the 2020-2021 fiscal year:


**1.** **Develop and implement a robust procurement policy and procedure including:**

- Delegation of Authority;
- Preferred Vendor Procedure;
- Confidential Contracting Procedure; and
- Expenditure guidelines.

**2.** **Develop and implement partnership and sponsorship policy, guidelines and procedures**

**3.** **Develop and implement policy and procedures related to:**

- Conflict of Interest;
- Whistle-blower;
- Code of Business Conduct and Ethics;
- Talent recruitment;
- Travel; and
- Respect in the work place.

**4.** **Using the procurement policy, hire an agency of record to provide marketing materials;**

**5.** **Develop a significant amount of research including:**

- Research Briefs
- Fact Sheets; and
- External partner research projects

**6.** **Grow our social network to 50,000 identifiable individuals and we commit to reaching 500,000 unique users each month.**

**7.** **Continue to tell Canadians about Canadian oil and gas and how it benefits them individually.**

- Build support for developments including the Trans Mountain pipeline expansion, Keystone XL, Atlantic offshore oil and gas, LNG, and oil sands operations.

# Canadian Energy Centre Ltd.

## Financial Statements

**Period October 9, 2019 to March 31, 2020**

### Table of Contents

# Management's Responsibility for Financial Reporting

The accompanying Canadian Energy Centre Ltd. (CEC) financial statements have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. The financial statements necessarily include certain amounts based on the informed judgments and best estimates of management.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the CEC has developed and maintained a system of internal control to produce reliable information for reporting requirements. The systems are designed to provide reasonable assurance that CEC transactions are properly authorized, assets are safeguarded from loss and the accounting records are a reliable basis for the preparation of the financial statements.

The Auditor General of Alberta, the CEC's external auditor appointed under the *Auditor General Act*, performed an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the accompanying Independent Auditor's Report.

CEC's board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. In both the presence and absence of management, the CEC's board meets with the external auditors to discuss the audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The external auditors have full and unrestricted access to the CEC's board.

**[Original signed by Tom Olsen]**
**Chief Executive Officer**
June 22, 2020

# Independent Auditor's Report

*To the Board of Directors of the Canadian Energy Centre Ltd.*

Auditor General OF ALBERTA

## Report on the Financial Statements

### Opinion

I have audited the financial statements of the Canadian Energy Centre Ltd. (the CEC), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, change in net financial assets, and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CEC as at March 31, 2020, and the results of its operations, its changes in net financial assets, and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the CEC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the CEC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CEC's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CEC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CEC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the CEC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]**
**Auditor General**

June 22, 2020
Edmonton, Alberta

**CANADIAN ENERGY CENTRE LTD.**

# Statement of Operations

*For the period October 9, 2019 to March 31, 2020*

| | 2020 | |
|---|---|---|
| | **Budget** | **Actual** |
| **Revenues** | | |
| Government transfers | | |
| Government of Alberta grants | $ 5,000,000 | $ 5,000,000 |
| | **5,000,000** | **5,000,000** |
| **Expenses (Schedule 1)** | | |
| Resource Development and Management | 4,882,625 | 1,971,073 |
| | **4,882,625** | **1,971,073** |
| **Current period operating surplus** | **117,375** | **3,028,927** |
| **Current surplus** | **117,375** | **3,028,927** |
| Share capital (Note 10) | _ | 6,800 |
| **Accumulated surplus at end of period** (Note 9) | **$ 117,375** | **$ 3,035,727** |

The accompanying notes and schedules are part of these financial statements

CANADIAN ENERGY CENTRE LTD.

# Statement of Financial Position

*As at March 31, 2020*

| | 2020 |
|---|---|
| **Financial Assets** | |
| Cash and cash equivalents (Note 5) | $ 2,707,258 |
| Accounts receivable (Note 6) | 1,068,576 |
| | **3,775,834** |
| **Liabilities** | |
| Accounts payable and accrued liabilities (Note 8) | 771,592 |
| | **771,592** |
| **Net Financial Assets** | **3,004,242** |
| **Non-Financial Assets** | |
| Prepaid expenses | 31,485 |
| | **31,485** |
| **Net Assets** | |
| Accumulated surplus (Note 9) | **3,035,727** |
| | **$ 3,035,727** |

Contingent liabilities (Note 11)
Contractual obligations (Note 12)

The accompanying notes and schedules are part of these financial statements

Approved by:

**[Original signed by Hon. Sonya Savage]**
**Member of Board of Directors**

Approved by:

**[Original signed by Tom Olsen]**
**Chief Executive Officer**

# Statement of Change in Net Financial Assets

*For the period October 9, 2019 to March 31, 2020*

| | 2020 Budget | 2020 Actual |
|---|---|---|
| **Current period surplus** | $ 117,375 | $ 3,028,927 |
| Increase in share capital | – | 6,800 |
| Increase in prepaid expenses | – | (31,485) |
| **Increase in net financial assets** | **117,375** | **3,004,242** |
| **Net financial assets at beginning of period** | – | – |
| **Net financial assets at end of period** | **$ 117,375** | **$ 3,004,242** |

The accompanying notes and schedules are part of these financial statements

CANADIAN ENERGY CENTRE LTD.

# Statement of Cash Flows

*For the period October 9, 2019 to March 31, 2020*

| | | 2020 |
|---|---|---|
| **Operating transactions** | | |
| Current surplus | $ | 3,028,927 |
| | | |
| Increase in accounts receivable | | (1,068,576) |
| Increase in prepaid expenses | | (31,485) |
| Increase in accounts payable and accrued liabilities | | 771,592 |
| Cash provided by operating transactions | | 2,700,458 |
| **Financing transactions** | | |
| Increase in share capital | | 6,800 |
| Cash provided by financing transactions | | 6,800 |
| | | |
| **Increase in cash and cash equivalents** | | **2,707,258** |
| **Cash and cash equivalents at beginning of period** | | – |
| **Cash and cash equivalents at end of period** | **$** | **2,707,258** |

The accompanying notes and schedules are part of these financial statements

# Notes to the Financial Statements

*Period October 9, 2019 to March 31, 2020*

## NOTE 1 AUTHORITY

The Canadian Energy Centre Ltd. (the "Corporation") is a provincial corporation incorporated under the Business Corporations Act (Alberta) on October 9, 2019.

The Corporation is wholly owned by Her Majesty the Queen in the Right of Alberta as represented by the Minister of Energy. It is governed by a Board of Directors appointed by the Province. The Board consists of three Cabinet Ministers appointed by Government of Alberta.

The mandate of the Corporation is to promote Canada as the supplier of choice for the world's growing demand for responsibly produced energy.

As a provincial corporation, the Corporation is exempt from income taxes under the Income Tax Act.

Comparative figures are not presented as this is the Corporation's first period of operations.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

### (a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is Canadian Energy Centre Ltd. The Corporation is controlled by and fully consolidated in the Ministry of Energy (the ministry), for which the Minister of Energy is accountable. Inter-entity accounts and transactions between the Corporation and any of the entities included in the ministry are eliminated upon consolidation within the ministry's financial information.

### (b) Basis of Financial Reporting

**Revenues**
All revenues are reported on the accrual basis of accounting.

**Government Transfers**
Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recognized as deferred capital contributions or deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recognized as revenue when the transfer is authorized, and the Corporation meets the eligibility criteria (if any).

### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the period are expensed.

### Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

| Financial Statement Component | Measurement |
|---|---|
| Cash and cash equivalents | Cost |
| Accounts receivable | Lower of cost or net recoverable value |
| Accounts payable and accrued liabilities | Cost |

The Corporation does not have any financial instruments classified in the fair value category and does not hold derivative contracts. Therefore, these statements do not present a statement of remeasurement gains and losses as the Corporation is not exposed to remeasurement gains and losses.

### Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external entities and individuals at the period end.

**Cash and cash equivalents**

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid, investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

**Accounts receivable**

Accounts receivable are recognized at the lower of cost or net allowance is recognized when recovery is uncertain.

### Liabilities

Liabilities are present obligations of the Corporation to external entities and individuals arising from past transactions orsettlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

### Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

a. are normally employed to deliver the Corporation services,
b. may be consumed in the normal course of operations; and
c. are not for sale in the normal course of operations

Non-financial assets are limited to prepaid expenses.

**Tangible Capital Assets**
Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives.

The capitalization threshold for all capital assets is $2,000. The Corporation, however, does not have any capital assets. Therefore, there is no tangible capital assets reported in the financial statements.

**Prepaid expenses**
Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

### Measurement Uncertainty

The World Health Organization declared on March 11, 2020 the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus and provide financial assistance, as necessary. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the effect these developments will have on the Corporation's financial statements.

## NOTE 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has approved the following accounting standards:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**
  Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2022)**
  This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the financial statements.

## NOTE 4 APPROVED BUDGET

A budgeted surplus of $117,375 was approved by the Board.

The budget reported in the Statement of Operations reflects the original Corporation surplus and additional reclassifications required for more consistent presentation with current period results.

| | March 2020 |
|---|---|
| **REVENUE** | |
| Grants | $ 5,000,000 |
| **TOTAL REVENUE** | **5,000,000** |
| | |
| **EXPENSES** | |
| Payroll and benefits | 799,345 |
| Sub-contractors | 3,882,583 |
| Office infrastructure | 86,238 |
| Office supplies | 500 |
| Communications and outreach | 4,958 |
| Marketing and branding | 96,000 |
| Other general and administrative | 13,000 |
| **TOTAL EXPENSES** | 4,882,625 |
| | |
| **OPERATING SURPLUS** | **$ 117,375** |

## NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | 2020 |
|---|---|
| Cash on deposit | $ 2,707,258 |
| | **$ 2 ,707,258** |

## NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable are unsecured and non-interest bearing.

| | 2020 |
|---|---|
| Accounts Receivable: | |
| Due from the Government of Alberta | $ 1,000,000 |
| GST Receivable | 68,576 |
| Balance at end of period | **$ 1,068,576** |

## NOTE 7 FINANCIAL RISK MANAGEMENT

The Corporation is exposed to some financial risks. These financial risks include credit risk and liquidity risk.

### (a) Credit Risk

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk on accounts receivable is considered low as significant amounts owing are due from a related party.

As at March 31, 2020, the balance of accounts receivable does not contain amounts that were uncollectible.

### (b) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Corporation are met through adequate grants from the Ministry. The Corporation manages liquidity risks by its budget processes and regularly monitoring cash flows to ensure the necessary funds are on hand to fulfill upcoming obligations, including operating expenses.

## NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | 2020 |
|---|---|---|
| Accounts Payable | $ | 512,754 |
| Accrued Accounts Payable | | 168,053 |
| ATB Alberta Rewards Business Card | | 10,263 |
| Accrued Salaries and Wages | | 53,719 |
| Vacation Payable | | 26,803 |
| **Balance at end of period** | **$** | **771,592** |

## NOTE 9 ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

| | | 2020 |
|---|---|---|
| **Surplus:** | | |
| Current period operating surplus | $ | 3,028,927 |
| | | **3,028,927** |
| **Share capital:** | | |
| 1 Common Share (Note 10) | | 6,800 |
| | | **6,800** |
| **Balance at end of period** | **$** | **3,035,727** |

## NOTE 10 SHARE CAPITAL

Share capital is comprised of the following:

| | | 2020 |
|---|---|---|
| **Issued:** | | |
| 1 Common Share | $ | 6,800 |
| **Balance at end of period** | **$** | **6,800** |

## NOTE 11 CONTINGENT LIABILITIES

As at March 31, 2020, the Corporation was not named as defendant in any specific legal actions.

## NOTE 12 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2020 |
|---|---|
| **Obligations Under Contracts:** | |
| Service Contracts | $ 260,304 |
| Balance at end of period | **$ 260,304** |

Estimated payment requirements for each of the next eight months are as follows:

| | Indigenous Service | Communications/Marketing Service | Total |
|---|---|---|---|
| April 30, 2020 | $ 7,500 | $ 28,788 | $ 36,288 |
| May 31, 2020 | 7,500 | 28,788 | 36,288 |
| June 30, 2020 | 7,500 | 28,788 | 36,288 |
| July 31, 2020 | 7,500 | 28,788 | 36,288 |
| August 31, 2020 | | 28,788 | 28,788 |
| September 30, 2020 | | 28,788 | 28,788 |
| October 31, 2020 | | 28,788 | 28,788 |
| November 30, 2020 | | 28,788 | 28,788 |
| | $ 30,000 | $ 230,304 | $ 260,304 |

## NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of the Corporation.

# Expenses – Detailed by Object

*Period October 9, 2019 to March 31, 2020*

| | 2020 | |
|---|---|---|
| | Budget | Actual |
| Salaries and Benefits | $ 799,345 | $ 495,849 |
| Sub-Contracting and Consulting | 3,887,542 | 1,340,853 |
| Advertising, Promotion and Branding | 96,000 | 78,919 |
| Office infrastructure | 86,238 | 30,498 |
| Office, General and Administrative Expenses | 13,500 | 24,954 |
| **Total Expenses** | **$ 4,882,625** | **$ 1,971,073** |

# Salary and Benefits Disclosure

*Period October 9, 2019 to March 31, 2020*

| | | | 2020 |
|---|---|---|---|
| | Base Salary (1) | Other Cash Benefits (2) | Total |
| Chief Executive Officer (CEO) (3) | $ 90,980 | $ 24,824 | $ 115,804 |
| Executive Director (4) | 56,736 | 14,465 | 71,201 |
| Executive Director (5) | 31,020 | 7,445 | 38,465 |
| **Total Expenses** | **$ 178,736** | **$ 46,734** | **$ 225,470** |

The Chair and Members of the Board of Directors receive no remuneration for participation on the Board.

(1) Base salary includes regular salary

(2) Other cash benefits include compensation in lieu of pension and health benefits. No bonuses were paid during the period.

(3) CEO was hired on October 9, 2019 with an annual base salary of $194,252 and additional 14% and 10% of the annual base salary in lieu of pension and health benefits respectively.

(4) Executive Director was hired on December 1, 2019 with an annual base salary of $171,600 and additional 14% and 10% of the annual base salary in lieu of pension and health benefits respectively.

(5) Executive Director was hired on January 27, 2020 with an annual base salary of $171,600 and additional 14% and 10% of the annual base salary in lieu of pension and health benefits respectively.

# Related Party Transactions

*Period October 9, 2019 to March 31, 2020*

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation.

The Corporation had the following transactions with related parties reported in the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

| | | **2020** |
|---|---|---|
| Revenues | | |
| Grants from Department of Energy | $ | 5,000,000 |
| | | 5,000,000 |
| Expenses | | |
| Rent–Department of Energy | | 30,498 |
| | | 30,498 |
| | | |
| Receivable from the Department of Energy | | 1,000,000 |
| Common Shares – Department of Energy | | 6,800 |
| Payable to the Department of Energy | $ | 25,222 |

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