



Legislative Assembly of Alberta

The 28th Legislature
First Session

Standing Committee
on
Alberta's Economic Future

Bitumen Royalty in Kind Program

Wednesday, April 24, 2013
10:02 a.m.

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The 28th Legislature
First Session**

Standing Committee on Alberta's Economic Future

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10:02 a.m. Wednesday, April 24, 2013

[Mr. Amery in the chair]

The Chair: I'd like to welcome everyone, all the members and the staff and all the guests in attendance today.

I would ask that members and those joining the committee at the table introduce themselves for the record, and members who are substituting for someone else, please indicate so.

I am Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: Rod Fox, MLA, Lacombe-Ponoka, vice-chair of this committee.

Mr. Rogers: George Rogers, Leduc-Beaumont.

Ms Olesen: Cathy Olesen, MLA, Sherwood Park.

Mrs. Sarich: Good morning. Janice Sarich, MLA, Edmonton-Decore.

Mr. Luan: Morning. Jason Luan, Calgary-Hawkwood.

Mr. Quadri: Sohail Quadri, Edmonton-Mill Woods.

Ms Robert: Good morning. Nancy Robert, research officer, Legislative Assembly Office.

Dr. Massolin: Good morning. Philip Massolin, manager of research services.

Mr. Strankman: Also good morning. It's Rick Strankman, MLA, Drumheller-Stettler.

Mr. Rowe: Bruce Rowe, Olds-Didsbury-Three Hills.

Mr. Xiao: David Xiao, Edmonton-McClung.

Mr. Donovan: Ian Donovan, Little Bow riding.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you, all. Thank you, all, for being here. Just a few housekeeping items to address before we turn to the business at hand. The microphone consoles are operated by the *Hansard* staff. Please keep your cellphones and BlackBerrys off the table as these may interfere with the audiofeed. Audio of committee proceedings is streamed live on the Internet and recorded by *Hansard*.

Now we will move to the agenda. The first order on the agenda is the approval of the agenda. Can I have a motion to approve the agenda?

Mr. Rogers: So moved.

The Chair: Mr. Rogers. Okay. All in favour? Opposed?

The second item on the agenda is the approval of the minutes for the meeting of February 26, 2013. Mr. Quadri?

Mr. Quadri: Yes.

The Chair: All in favour? Opposed? Okay.

Now we must have a motion to approve the March 11, 2013, minutes. Mr. Rowe. All in favour? Opposed? Carried.

Okay. Colleagues, this morning we have before us item 4, which is the committee review and approval of the draft report. That's what we have before us. I would like to thank Dr. Massolin

and his staff for their work putting together the information received by the committee in the form of written submissions, the information that came forward during the oral presentations as well as incorporating the feedback from the caucus representatives on the working group. The committee received a lot of information on the BRIK program through this process, and I believe the draft report encompasses that.

You have all had the chance to look over the document. I would ask Dr. Massolin, if he could, to provide a brief overview of the draft report, and then I will open the floor for discussion.

Dr. Massolin: Thank you, Mr. Chair. I'd be pleased to do so. I'll give the committee a high-level summary of the committee's draft report, which we prepared through direction by the working group. If committee members could just turn to the first page, the table of contents, I'll just go through this here, and of course I'll field questions afterward.

There are three basic components to the committee report. There's the introductory material, talking about the committee's process – its review process, its reporting process – then an executive summary of the committee recommendations, followed by the substantive portion of the report, which includes a starting point of definitions, a glossary. The committee report's substantive portion is divided into two components, the background and then the benefits and risks, culminating in the recommendations.

In the background section of the report, Mr. Chair, we have an overview of the BRIK program: its legal basis, the objectives, and some other information, including some basics of the economics and ending off on the CCS component, the carbon capture and storage program. Then there is a bit of background information on supply and demand for bitumen and derivative products for bitumen, including world demand and demand in Canada, the United States, China, and elsewhere and how you get that bitumen or the derivative products to market through pipelines and other means.

Then comes the section on the economics of bitumen upgrading and refining, of course, led by the basic component of that, which is the light/heavy oil price differential. Other components that are highlighted here are capital and labour costs, operating costs, including capacity utilization. There are also transportation costs which are involved here in the economics of bitumen upgrading.

The next section, as I mentioned, is the benefits and risks of additional BRIK, or bitumen royalty in kind, programs in Alberta. The key benefits are led by this concept of the diversification of the energy portfolio in Alberta, capturing more of the value chain, which includes value-added jobs and other spinoff jobs. There are environmental benefits – and that's related to the carbon capture and storage – and marketing benefits provided by sending products to market that have a relatively low carbon profile.

10:10

Then there are the key risks, led by a potential narrowing of the price spread between bitumen and value-added products; labour cost overruns, which you heard is a key risk; the regulatory environment. Basically, what is meant there is a regulatory approval process that's relatively long compared to other jurisdictions. There's the issue of opportunity costs. What is the financing of other projects versus BRIK projects? There are additional environmental risks because refineries and upgraders do involve possible deleterious effects to the environment.

Then we culminate with the recommendations, which I'm sure the committee members are all familiar with, and then there's an appendix. There are basically two in terms of submissions to the

committee, a summary of that, and a bibliography of the sources used.

There you have it, Mr. Chair.

The Chair: Thank you very much, Dr. Massolin. Doctor, I'd like to ask you to give us some information on the process for minority reports. Also, we'd like to see a deadline for that.

Dr. Massolin: Yeah. Absolutely. I can mention that. There's a standing order which provides for minority reports. It should be pointed out that minority reports are not part of the committee's report because they're not in accord with the committee's main recommendations; rather, they're appended to the report as an appendix.

Now, I would think, Mr. Chair, that since the intention, I believe, is for the committee and you as chair to table this in the Assembly on the 6th of May, about a week would be an appropriate time frame within which to prepare a minority report and to append it to the main report.

Thank you.

The Chair: Good. Thank you very much.

Any discussions, questions? Mr. Fox.

Mr. Fox: Thank you, Mr. Chair. In reading the report, it was identified that there are a number of risks and opportunities derived from the stakeholder presentations. Some of the opportunities include greater diversification of the energy portfolio. Alberta needs to upgrade products here so the provincial economy is not beholden to foreign market conditions and transportation issues.

Also, in capturing more of the value-added chain, it will generate jobs. Expanded refining will bring value-added jobs to the province, spur economic growth, and add dollars to provincial coffers.

In addition to that, there are some environmental and additional economic advantages. Because the North West upgrader is being built in the heartland, it will be able to be connected to the Alberta carbon trunk line, one of two of the carbon capture and storage projects subsidized by the government of Alberta. Taking advantage of the Alberta carbon trunk line decreases the carbon footprint of diesel, which has some associated marketing advantages.

Lastly, markets for Alberta bitumen: it provides another market for oil sands bitumen.

Some of the risks that were identified in it: narrowing the price spread between bitumen and value-added products. The economies of any refinery project depend on the differential of feedstock and the final product. If this spread is reduced, there are fewer profits available.

Labour cost overruns are another risk. Labour cost overruns are expensive in Alberta and have steadily been increasing. Budgeting, construction, and operational costs are dependent upon the labour market.

Also, there's regulatory environment and timeliness of the next BRIK project. Even with the provincial incentive the process to receive regulatory clearance is long, and it is expensive.

The last risk, the opportunity costs and financing of other projects. Refineries are large projects that require a lot of capital investment, and these investments are then tied up for long periods of time.

Some of the possible issues within the recommendations. The recommendation to move ahead with further projects almost seems a bit premature although I do understand the need to move forward with them. We have yet to analyze the success of the first

BRIK project with the North West upgrader. The report mentions that due to a number of risks associated with the processing of the final product, it is impossible to know the exact cost of service, and it is this cost of service that will determine Alberta's return.

Bitumen is also not a liquid asset. It is not easy to sell like conventional oil. Current CCS projects have shown that even with government support and guarantee certain projects do not proceed because they're not economically viable. By expanding the BRIK program, the province is in fact trying to expand the bitumen processing market. If the experiment to create such a market fails, Albertans are burdened with the risk of physically holding a product that is difficult to market as compared to conventional oil.

The reason why it is profitable for the North West upgrader to do CCS is because of the infrastructure. It's already built, and the Alberta carbon trunk line is in the heartland. If there was no trunk line, it is hard to imagine that there would be significant environmental benefits from refining. With that being said, where it is good that some organizations can take advantage of this billion-dollar exercise in corporate welfare, any future developments of refinery capacity would then have to be located in the heartland to take advantage of these environmental benefits, thereby localizing the benefits.

The second government recommendation suggests that the development of the BRIK project should be done in stages in order to avoid negative impacts of inflation. The building of a refinery is a megaproject that will have an impact on the economy in general no matter how staggered the projects are. The only thing the government can try to do is control the degree. If the government of Alberta is planning on aiding the construction of megaprojects through a guarantee of feedstocks, the projects should proceed when they make economic sense, not based on inflationary fiscal objectives.

Finally, the report does not speak to the difficulty that would still exist in getting full value for our product, whether it be value-added or not. If current transportation difficulties are not addressed and resolved before the government moves ahead with the BRIK programs, the transportation issue is still there. It must be resolved. There is no use in exchanging a glut in bitumen for a glut in diesel.

The Chair: Thank you. Should we consider that as your minority report?

Ms Olesen.

Ms Olesen: Thank you. Yeah. I was looking forward to saying that I was going to agree with my colleague, but then he took a shift at the end of his speech, so I will move forward on that.

I'm really quite excited and pleased with the report. We've had a really long process. We've had so many people present many positions. Having a long history both with the establishment of the Alberta Industrial Heartland and being on its board, I am very well aware of the importance of value-added and upgrading in Alberta. The jobs and the economic spinoff benefit all Albertans, so I think the conclusions that we've come to are very well founded.

We heard from many different people, and I was encouraged that we did see quite a strong theme supporting value-added and upgrading in Alberta. One of the very clear things that I heard again and again through the presentations was: don't wait too long. If we don't do it now, it's going to be too late. It's just important to move on it right now. It's important that we do not delay, and I'm pleased to see that as one of the recommendations.

I just want to say thank you to all involved. We've worked through this together, and there's basically a consensus from the group. There are going to be some variable ideas and variable

positions, but I think we've got a really good paper that represents the bulk of the positions of the people that have been on this committee. I'm very proud to be part of this process.

Thank you, Mr. Chairman, for all your work.

The Chair: Thank you, Ms Olesen.

Mr. Rogers.

Mr. Rogers: Thank you, Mr. Chairman. I, too, want to speak in favour of the recommendations. I think that regardless of what part of the political spectrum you're on, whether you're industry or the Federation of Labour, one thing that we all agree on in this province is that value-added is something that we all desire, more value-added, particularly in this sector in our province for all the benefits that it brings. Where we disagree is how we get there, recognizing, of course, that the market will dictate how much value-added can be, well, profitably done here in the province versus shipping raw product to other locations for processing.

I'm very pleased with the project that we have ongoing so far, the contract with North West Upgrading and certainly other partners that they've brought to the table such as CNRL.

The fact that we have this program, bitumen royalty in kind, means that we will be getting and having more access to bitumen as a government as part of the royalty stream that comes to the government. I think it's very important that we look for other opportunities, frankly, to maximize our return on the bitumen that we receive in kind and, through the process as well, add to the value-added opportunities. You know, if the economics dictate or can support another North West type of project, I would be very thrilled to see that moving forward.

10:20

I very much like the tone of the recommendations, and I believe it speaks well to something that's going to receive broad support across the spectrum in this province. Obviously, how we get there will continue to need more work, but I'm very much in favour of this report with these recommendations moving forward.

The Chair: Thank you, Mr. Rogers.

Mr. Dorward. It's also nice to see you safe and sound after your little accident at the other meeting.

Mr. Dorward: Thank you, Mr. Chair.

Mr. Donovan: It's on the Twitter world.

Mr. Dorward: Oh, really?

The Chair: It's well known now.

Mr. Dorward: Well, let's clarify the accident to make sure that everybody understands. As I was getting out of my chair, my chair decided to go in a different direction than I was. It was very much an okay accident if you know what I mean, Mr. Chair.

The Chair: Good. Glad to hear that.

Mr. Dorward: Back to business. Mr. Chair, just for the record I did want to note that Alberta's Industrial Heartland, who came and visited us during our process, released some information last week. Indeed, they did a study, and it just came out last week. I did want to just read into the record that their comments were:

Adding value to Alberta's energy resources could increase the province's gross domestic product (GDP) by \$6 billion a year, create 18,000 new jobs that pay \$1.8 billion a year in salaries and increase provincial revenue by \$600 million a year.

That study was done by an economist with the University of Calgary, Mr. Ron Schlenker. I just wanted to read that into the record. I've provided a copy of Mr. Schlenker's report to our researchers. I don't think it changes the report, but I think it's information that we could keep, you know, with our committee.

I'm very impressed by the draft report that was presented. I'm not used to this. I'm used to working in a little, small room and, quite frankly, being the resource and the researcher, so to have professional staff doing this is fabulous. I thought the report was just really well laid out and very good.

I do, Mr. Chair, have some recommendations regarding the recommendation on page 2, 2.0, the summary of committee recommendations, or page 23, I believe. I would seek some direction as to the process that we're in right now. If we do not have acceptance of the report, then I shouldn't make an amendment to those recommendations. Do we want to discuss potential changes to the recommendations prior to accepting the report?

The Chair: Dr. Massolin, I think we can have the discussion.

Dr. Massolin: Yes.

The Chair: We can have the discussion before we accept the report. I think that's the purpose of this meeting, to discuss the report.

Mr. Dorward: Okay. Thank you. Then we'll do those in the form of discussion and see how everybody feels. I have copies for everybody. I've tried to lay it out in a fashion that will take us through it step by step if we could have those distributed.

The Chair: Keep in mind that we have only until 11 o'clock, okay?

Mr. Dorward: Sure. I can hold it down to that, I do believe. I'll wait until everybody gets a chance to get those.

The overall recommendation, the flavour of the recommendation is not being changed by my suggestions here. I would say that there is some simplification, if you could, of the words. You know, I'll kind of go through that as we go. The paper you're getting now speaks in terms of moving, but let's just leave that part out and just have it as a discussion. You can either refer to page 2 or page 24 – either one is the same wording – but let's go to page 24, maybe, just so we're all on the same page.

So (a) is that the committee change the first paragraph on page 24 under section 6.0 of the review of the BRIK program to remove the wording "there is a case to be made for an increase in the quantity of bitumen to be upgraded or refined in Alberta" – that's the tail end of the first sentence – and replace it with these words:

even though the economics are unique to each business situation in the BRIK program and that this should be taken into consideration before moving forward with government action, there is a case to be made for an increase in the quantity of bitumen to be upgraded or refined in Alberta.

The concept here is to introduce the fact that every single business situation in the BRIK program is different. There's a lot of change. That could be location based. It could be the type of organization coming forward, the business model. They're numerous. It's just a recognition that all of those different business situations should be taken into consideration.

Maybe I should stop and then go on to my (b) and (c) and have any little discussion on each one as we go forward.

The Chair: Any discussion? Any questions on this?

I see a lot of nodding. Maybe you could continue.

Mr. Dorward: All right. The new sentence is just shown there: "Such that the first two sentences," but I don't need to read that.

Part (b) is that the committee remove on both pages 2 and 24 the second recommendation, beginning with the words "the Government of Alberta stage the implementation." That read: "the Government of Alberta stage the implementation of future BRIK programs in the interest of avoiding the negative impacts of labour cost inflation, among other construction cost increases." I just felt that that shouldn't be a part of what this committee is recommending. I just don't think that we need to tell the government to stage anything. I think that's a nebulous kind of wording. What does that mean? Stage it by week? By month? By 10 years? By decade? I'm not sure exactly what staging is there.

I have confidence that the mechanisms that were in place with the department relative to the North West project as it's going now will be in place now, you know, with this one if it proceeds and that the private sector is the more appropriate place to put the decision relative to the cost of inflation, labour costs, construction cost increases, and those kinds of things. I mean, that's going to be inherent in the business plan that anybody puts forward relative to a proposal. Far be it from us to sit here and say: well, we've got to stage it because we're concerned about labour cost inflation. It's in the report. It's available there, but I don't know that it needs to be part of the recommendation.

Did we want to have some discussion on that, Mr. Chair?

The Chair: Any discussion on that?

Okay. Good. Keep going.

Mr. Dorward: Thank you.

Part (c) is that the committee change the first recommendation on pages 2 and 24 of the BRIK review to read as follows – and this is now stepping back, just after the words "Accordingly, the Standing Committee . . . recommends that." I'm just going to slow down here. "The Government of Alberta implement additional appropriate BRIK programs." The change is that before, the wording was: "the Government of Alberta consider implementing." It's a bit semantical, but we've already said "recommends," and I don't know that we need to tell the government to consider. I think they will consider. We should be a little bit stronger. As a committee we should say to the government of Alberta that we recommend that they implement, not just think about implementing. They thought about implementing, and we decided as a committee that we were going to study it. As a committee we've decided that we should try to find a way to carry it on. It's a slightly different flavouring of the wording.

"The Government of Alberta implement additional appropriate . . ." I've added the word "appropriate" just to indicate that our committee feels that that level of study needs to be done so that only appropriate projects are chosen. Then we added the words "without delay" in order to give an indication that we're prepared to get at this now and carry on the good work of this committee and our researchers into trying to find another program. I think the rest of that paragraph is unchanged, Mr. Chair.

Any discussion on that, Mr. Chair?

10:30

The Chair: Any discussion? Any questions? No.

Keep going.

Mr. Dorward: Then, finally, that

the government of Alberta ensure that future BRIK initiatives are implemented and operational over the long term and that

future regulations are predictably streamlined under the Responsible Energy Development Act.

The wording before had: "And efficient regulatory process be put in place." That was put into place with the act; therefore, I just thought it would strengthen it to be able to refer straight to the act rather than just that the process be put in place. The process is in place, and I think it just refers to the act unless there's anything from the research side of things, that there was something intended that I'm missing.

Did I mention that we were recommending that we drop the very last paragraph because the last paragraph speaks to two things? The first half of it talks about not delaying. I think we've accomplished that by simply throwing in "without delay" in the first paragraph, as I had described.

Then it goes on here to talk about: "With the objective being to provide value-added petroleum products to the North American and world markets in advance." So it kind of says again what has already been said, and I don't think it strengthens the recommendation. By moving the word "delay" into the first paragraph, I felt we could remove that last paragraph in its entirety.

The Chair: Good. Thank you.

Any discussion? Any questions?

I would like to ask Philip to make a few comments about the proposed changes.

Dr. Massolin: Yeah. From our perspective, we wouldn't have any problems with any of that. I guess it's up to the committee to decide whether you're amenable to these changes, and we can make the changes for the final report.

The Chair: Okay. Ms Olesen.

Ms Olesen: Yeah. I'd like to ask Dr. Massolin about removing just that last paragraph. Sometimes with written reports you're sending a message home, because the consumer of this report will be the public, just driving home the message that this is kind of a summary that pulls it all together. Will we lose something by taking that last paragraph out? I'm just concerned about that.

Dr. Massolin: Well, I mean, it's a matter of emphasis. I think that if the committee wants to emphasize that there's a need to implement this without delay because you want to beat other nations who are doing this to the market – I think that's what the working group did discuss. You know, I don't think it's absolutely necessary, but if the committee wishes to emphasize that point, you might want to consider leaving it in.

The Chair: Mrs. Sarich.

Mrs. Sarich: Thank you very much, Mr. Chair. The only difficulty I see in that paragraph is in the last sentence.

The Chair: Which paragraph?

Mrs. Sarich: The paragraph on the topic that we're talking about, that the committee further recommends that the government not delay, that one about the removal and following the comments of Ms Olesen. The only difficulty I see, you know, in whether it stays in or if it should stay in is with the words "in advance of competitors from other jurisdictions" and the government being responsible through the BRIK programs, where appropriate that they be developed. Sometimes it's hard to gauge in that program – whatever those initiatives are under the BRIK, then you are holding that or tying down the response to be in advance of

competitors at all times. So there's an assumption that that will be cared for.

The recommendation of Mr. Dorward about perhaps considering that this paragraph be removed maybe provides a bit more clarity on the direction of the report and is not so binding in terms of its intent.

Thank you.

The Chair: Okay. I'm trying to find where . . .

Mrs. Sarich: Page 24.

The Chair: Page 24? Okay.

Mrs. Sarich: The last item that has been discussed.

The Chair: Oh. Okay.

Mr. Dorward: Well, on a scale of 1 to 10 this one is not a deal breaker. But I do think that if we want to provide the emphasis relative to the competition that's out there, we might be able to, now that the words "without delay" are up above, find a simpler way. Some of the concern I have is that the sentence just seems to kind of ramble on and on. It just seemed to be more that it was awkward than that I differed on the content. The content seems to be fine. We want to proceed without delay, and one of the reasons is because there are more and more people doing this, and if we don't get at it, we're going to miss the boat. So I understand that concept. Maybe a little bit of wordsmithing to bring in that concept would be fine, and maybe we could leave that with our research team to bring that in.

The Chair: Okay. Mr. Luan.

Mr. Luan: Thank you, Mr. Chair. I'll just tag along on that thought. I support the notion to keep that point there, but here's my recommendation to the research team. I would like the whole recommendation to be simplified with just the numbers. Recommendation 1: take it on a case-by-case consideration. Recommendation 2: include the environmental considerations for the carbon capture. Recommendation 3: give due consideration of the labour supply. The last recommendation: act timely in light of the global competition and all that stuff. So simplify it, and then just name it so that each recommendation is one short sentence. These big paragraphs, kind of like reading on and on and on, get me lost. That's my recommendation.

The Chair: Thank you.

Mrs. Sarich.

Mrs. Sarich: Thank you, Mr. Chair. Just building on the direction that Mr. Dorward is proposing and just coming back to my initial comment about the last words, "markets in advance of competitors from other jurisdictions," I don't see any problem mentioning a competitor. I think it might serve the better interest to take out the word "advance" because that is suggesting that the government through the BRIK initiatives or whatever is being supported in that direction is assuming and affirming, whatever activities are occurring, that we are guaranteeing that it would be in advance of the competition out there. In all fairness to competitive strategy in the private sector and when you look at the world globally and the activity in this particular area, I think it's fair to say that you can engage in North American markets, world markets – that's where

the competitors are, you know – and maybe just stop at that. I would just give some consideration to those thoughts.

Thank you.

The Chair: Any comment on this point in particular, Mr. Dorward?

Mr. Dorward: Well, I think everybody is agreed. From what I've heard, we're on the same page. It's just a matter of what it looks like. So in order to leave it in the recommendations but take it out of the bold, maybe we make it point 4, prior to "Accordingly, the Standing Committee," and just deal with it in point 4, something with respect to the fact that competition is entering into the marketplace all the time and that the faster we get going with something, then the better it is. That would still leave it in section 6.

10:40

The Chair: Dr. Massolin.

Dr. Massolin: Yeah. The only issue with doing that, Mr. Chair, in speaking to Mr. Dorward's point about creating a point 4, is that those three points are actually copied from BRIK's current objectives. So those are the three that they already have. To add the fourth would imply something different.

Mr. Dorward: Yeah. You're right.

Dr. Massolin: So I wouldn't do that necessarily because that would give the wrong idea. I mean, I have been trying to scribble down a simplified last paragraph there. I don't know how good it is, but do you want me to run it by you right now to see if the committee likes it?

The Chair: Sure. Please. Yeah.

Dr. Massolin: Okay.

The Committee recommends that the government of Alberta proceed immediately with additional BRIK programs so that proposed facilities be operational as soon as possible with the goal of providing value-added petroleum products to markets to compete with producers from other jurisdictions.

Is that okay?

The Chair: Is the committee in agreement on that? Okay.

Mr. Dorward: A hundred per cent in agreement.

The Chair: Great.

Ms Pastoor.

Ms Pastoor: Thanks, Mr. Chair. I'm new to this committee, and I've spent quite a bit of time reading *Hansard* on the back part. Yesterday I was involved in some of this conversation. Part of it was just to try to bring it down to something a little more simple. There are just a lot of words here. I'm totally in agreement with what Dr. Massolin has come up with because when I read something that says – particularly when all that the government side of it is doing is providing the input, meaning the bitumen, and the rest of it is going to be private industry. When you say that you're going to world markets in advance of competitors from other jurisdictions, to me it's like a "duh" statement. I mean, that's what private industry is about. So I really approve of the change that's been made.

The Chair: Mr. Cao.

Mr. Cao: Thank you, Mr. Chair. Again, just like the hon. member here, I'm new to the committee, so I wasn't here at the beginning of this study.

The Chair: Welcome aboard.

Mr. Cao: Okay. When I read the recommendations, there are a couple of points that I found I agreed with Mr. Jason Luan on, to somehow simplify it. I would challenge that. If we could put the page of recommendations on one slide, capture those points somehow, then people could understand it better, and the reader, private companies or government on implementation, can do that. That's just my one recommendation.

The other part is that when we talk about the BRIK, the government volume that we take, is there any idea about recommendations for a change of that volume or a higher volume? If you want to do more, that means you take more in kind. That's sort of my question, if you've heard that before.

The other one is that you have refined production upgrading and so on, getting to where the product can be used by the consumer and the volume that we consume locally and then how we can transport that volume to markets around the world. That's the portion that I don't know whether it has been heard during the presentations or not. If we produce a lot here but there's no place to ship to or no means to ship it, then it doesn't matter what we recommend. Does something have to touch base on that? I don't know.

Again, I'm late in the study, so I don't have further information, but I just wanted to say that on the record.

Thank you.

The Chair: Okay. Thank you.

Dr. Massolin: The only thing I maybe wouldn't comment on, Mr. Chair, is Mr. Cao's second point, about the volumes, but I would comment on just sort of the recommendation process. I think we have some suggested revisions, put on the floor by Mr. Dorward, that deal with the first. You know, I think we've taken care of that last paragraph. Then we've got those other recommendations, including the deletion of that second paragraph, the stage part. So I think maybe the committee should deal with that first. You know, you can't do both in terms of rewriting this to simplify and also dealing with Mr. Dorward's recommendation. We can certainly number them if that's what you want. I would suggest that the committee deal with Mr. Dorward's recommendations for suggested revisions and then the committee move on.

The Chair: Okay. Any further discussion on Mr. Dorward's suggestions and revisions? Are we in agreement, or are there any opposed? It's a motion by Mr. Dorward, right?

Mr. Dorward: If what you would like is to make a motion to change the draft report, we could absolutely do it that way.

The Chair: Okay.

Ms Pastoor: It's the recommendations we're changing, not the whole report?

The Chair: No, no. Just the recommendations.

Ms Pastoor: The wording of the recommendations.

The Chair: Okay. Would you like, Mr. Dorward, to formally move a motion?

Mr. Dorward: Yes. I'll move the motion as described in the two-page handout that I had.

Dr. Massolin: I would add: with the alteration to the last paragraph that was suggested.

Mr. Dorward: Yeah. You could do that as point (e).

The Chair: Okay. Would you like to read it into the record, Mr. Dorward?

Mr. Dorward: Sure. I'll move as follows:

(a) that the committee change the first paragraph on page 24 under section 6.0 of the review of the BRIK, bitumen royalty in kind, program to remove the wording "there is a case to be made for an increase in the quantity of bitumen to be upgraded or refined in Alberta" and replace those words with "even though the economics are unique to each business situation in the BRIK program and that this should be taken into consideration before moving forward with government action, there is a case to be made for an increase in the quantity of bitumen to be upgraded or refined in Alberta." The first two sentences of that paragraph will read as follows:

In evaluating all the factors that went into the Committee's study, the Standing Committee on Alberta's Economic Future concludes that even though the economics are unique to each business situation in the BRIK program and that this should be taken into consideration before moving forward with government action, there is a case to be made for an increase in the quantity of bitumen to be upgraded or refined in Alberta.

(b) that the committee remove on both pages 2 and 24 of the review of the BRIK, bitumen royalty in kind, program the second recommendation, beginning with the words "the Government of Alberta stage the implementation," and the last paragraph, beginning with the words "The Committee further recommends."

Dr. Massolin: I can read that part in because I don't think you have it. I don't know that I have it. The committee recommends that

the Government of Alberta immediately proceed with additional BRIK programs in order that the proposed facilities be operational as soon as feasible, with the objective being to provide value-added petroleum products to compete with competitors from other jurisdictions.

Mr. Dorward:

(c) that the committee change the first recommendation on both pages 2 and 24 of the review of the BRIK, bitumen royalty in kind, program to read as follows:

the Government of Alberta implement additional appropriate BRIK programs without delay, in an ongoing effort to sustain and enhance the diversification of Alberta's petroleum product portfolio; that the programs, where feasible, include a carbon capture and storage (CCS) component to take advantage of the environmental and economic benefits which CCS offers; and that such future projects be located, where possible, in close proximity to planned CCS infrastructure;

(d) that the committee change the third recommendation, second and final recommendation if amendment 2 passes, on both pages 2 and 24 of the review of the BRIK, bitumen royalty in kind, program to read as follows:

the Government of Alberta ensure that future BRIK initiatives are implemented and operational over the long term and that future regulations are predictably streamlined under the Responsible Energy Development Act and the current regulatory enhancement project in an effort to enable proponents to achieve as much certainty and reliability as possible, thereby enhancing opportunities for economic viability.

So moved, Mr. Chair.

10:50

The Chair: All in favour? Opposed? Carried. Thank you.
Dr. Massolin.

Dr. Massolin: Yeah. We can certainly implement those changes once we read *Hansard* and just check out what exactly they are, but I think we got most of it. Are there any further changes to this report? We need final direction. If not, we can proceed and just get it proofed by *Hansard* and prepared for tabling.

The Chair: Good question. Any other suggestions? Any other changes? Any other comments?

Ms Olesen: When are we looking at tabling it?

The Chair: Well, we were supposed to table it by the end of this month, but there's a constituency week. As Dr. Phil explained it to me the other day, if there is a pause by the Legislature – right? – we can delay it one week. It must be tabled on May 6.

Ms Olesen: Once it's tabled, is it public?

The Chair: Yes.

Ms Olesen: Good. Good. Okay. Thank you.

Dr. Massolin: Do you want me to explain the procedural issue just briefly?

The Chair: Yes, please.

Dr. Massolin: Under Standing Order 52.07(4) "All inquiries must be concluded and a substantive report presented to the Assembly no later than 6 months after the commencement of the inquiry." This committee commenced the inquiry on October 31, 2012; six months elapses on April 30. Because April 30 falls on a constituency week, the interpretation is that the committee must table its report the first sitting day following that, which would be May 6.

The Chair: Good. Any other business?

If not, well, I'd like to thank the committee members as well as the support staff for their hard work on the review of the BRIK program. The report will be finalized within the next week and ready for tabling in the Assembly on May 6. Thank you all. Thank you very much.

We need a motion to adjourn. Ms Olesen. All in favour? Great. Thank you.

The meeting is adjourned.

[The committee adjourned at 10:53 a.m.]

