



Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Energy
Consideration of Main Estimates

Tuesday, November 19, 2019
3:30 p.m.

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The 30th Legislature
First Session**

Standing Committee on Resource Stewardship

Hanson, David B., Bonnyville-Cold Lake-St. Paul (UCP), Chair
Ceci, Joe, Calgary-Buffalo (NDP), Deputy Chair

Bilous, Deron, Edmonton-Beverly-Clareview (NDP)*
Dach, Lorne, Edmonton-McClung (NDP)
Feehan, Richard, Edmonton-Rutherford (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UCP)
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Loewen, Todd, Central Peace-Notley (UCP)
Rehn, Pat, Lesser Slave Lake (UCP)
Rosin, Miranda D., Banff-Kananaskis (UCP)
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Sabir, Irfan, Calgary-McCall (NDP)
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Smith, Mark W., Drayton Valley-Devon (UCP)
Turton, Searle, Spruce Grove-Stony Plain (UCP)
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* substitution for Lorne Dach

** substitution for Shane Getson

*** substitution for Mark Smith

Also in Attendance

Horner, Nate S., Drumheller-Stettler (UCP)

Support Staff

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Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
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Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

Standing Committee on Resource Stewardship

Participant

Ministry of Energy
Hon. Sonya Savage, Minister

3:30 p.m.

Tuesday, November 19, 2019

[Mr. Hanson in the chair]

**Ministry of Energy
Consideration of Main Estimates**

The Chair: I would like to call the meeting to order and welcome everyone. The committee has under consideration the estimates of the Ministry of Energy for the fiscal year ending March 31, 2020.

I'd ask that we go around the table and have all MLAs introduce themselves for the record. Minister, please introduce the officials that are joining you at the table. I am David Hanson, MLA for Bonnyville-Cold Lake-St. Paul and chair of the committee. We will continue, starting to my right.

Member Ceci: Thank you. I'm Joe Ceci, deputy chair and the Member for Calgary-Buffalo.

Mr. Rowswell: Garth Rowswell, Vermilion-Lloydminster-Wainwright.

Mr. Loewen: Todd Loewen, Central Peace-Notley.

Mr. Getson: Shane Getson, MLA, Lac Ste. Anne-Parkland.

Mr. Sigurdson: R.J. Sigurdson, Highwood.

Mr. Yaseen: Muhammad Yaseen, MLA for Calgary-North.

Mr. Turton: Searle Turton, MLA for Spruce Grove-Stony Plain.

Mr. Singh: Good afternoon. Peter Singh, MLA for Calgary-East.

Mr. Rehn: Pat Rehn, MLA for Lesser Slave Lake.

Ms Rosin: Miranda Rosin, MLA for Banff-Kananaskis.

Mrs. Savage: Sonya Savage, MLA for Calgary-North West, Minister of Energy. I'll introduce my team when I get started.

The Chair: Okay. Thank you, Minister.

Mr. Sabir: Irfan Sabir, MLA for Calgary-McCall.

Mr. Schmidt: Marlin Schmidt, Edmonton-Gold Bar.

The Chair: Thank you very much.

I'd like to note the following substitutions for the record: Mr. Bilous for Mr. Dach, then also Mr. Rowswell for Mr. Smith, and Mr. Jones for Mr. Getson for the latter part of the meeting.

Please note that the microphones are operated by *Hansard*, and the committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates. Standing Order 59.01(6) establishes the speaking rotation while the speaking time limits are set out in Standing Order 59.02(1). In brief, the minister or member of Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of her comments we begin a 60-minute speaking block for the Official Opposition, followed by a 20-minute speaking block for the government caucus.

The rotation of speaking time will then alternate between the Official Opposition and the government caucus, with individual speaking times set to five minutes, which if combined with the

minister's time, makes it a total 10-minute block. Discussion should flow through the chair at all times regardless of whether or not the speaking time is combined. Members are asked to advise the chair at the beginning of their rotation if they wish to combine their time with the minister's time. If members have any questions regarding speaking times or the rotation, please feel free to send a note or e-mail to either the chair or committee clerk.

A total of three hours has been scheduled to consider the estimates of the Ministry of Energy. The scheduled end time of this meeting is 6:30 p.m. With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Are there any committee members opposed to taking a break? Thank you. We will schedule that in.

Ministry officials may be present and at the direction of the minister may address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area. Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery may not approach the table. Space permitting, opposition caucus staff may sit at the table to assist their members; however, members have priority to sit at the table at all times.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule and the committee will adjourn. Points of order will be dealt with as they arise, and the meeting clock will continue to run. However, the timer for that speaking block will be paused.

Any written material provided in response to questions raised during the main estimates should be tabled by the minister in the Assembly for the benefit of all members.

The vote on the estimates and any amendments will occur in Committee of Supply later this evening. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. The original amendment is to be deposited with the committee clerk, and 20 copies of the amendment must be provided at the meeting for committee members and staff.

I now invite the Minister of Energy to begin with her opening remarks. You have 10 minutes.

Mrs. Savage: Well, thank you, and good afternoon. I'm here today to present highlights from the Ministry of Energy's 2019-2020 budget, and with any remaining time I'll outline some of the ministry's key priorities as included in our current business plan. Joining me today and at the table, starting at that end, is Martin Chamberlain, senior ADM; Grant Sprague, deputy minister; Douglas Borland, assistant deputy minister – he's the guy who knows all the numbers, and this is sort of like Christmas for him to go over these numbers – Doug Lammie, assistant deputy minister. Seated in the gallery are members of the ministry's executive team plus Mike Ekelund, ADM, and Adrian Begley, who is the CEO of the APMC, Alberta Petroleum Marketing Commission.

We're here to talk about Budget 2019. The Ministry of Energy represents the interests of Albertans as the owners of oil and gas resources in the province. Through responsible resource development and the stewardship of energy and mineral resource systems the ministry contributes to sustained prosperity at both the federal and the provincial levels. Energy's 2019-2020 operating expense budget is set for \$601 million, excluding expenses for the crude-by-rail program, which I'll provide additional details about later, as well as amortization and carbon capture and storage grants. Of this funding, \$289 million is allocated towards the Department of Energy, which is largely used to cover staffing costs. The

department's budget represents 48 per cent of the ministry's operating budget.

In addition, \$312 million is distributed to regulatory agencies, which include the Alberta Energy Regulator and the Alberta Utilities Commission. The government does not provide any funding to these organizations. These funds are collected from industry through levies and funds, and those levies fund the activities of the regulator. The Alberta Energy Regulator and the Orphan Well Association are fully funded by industry levies. The total operating budget, excluding amortization, for these two groups is \$281 million, or 47 per cent of the ministry's budget. The Orphan Wells Association is a delegated administrative organization with their own board of directors. The AER assists with the collection and remittance of the orphan well levy. The Alberta Utilities Commission's budget is \$31 million, also fully funded by industry. This represents 5 per cent of the ministry's budget. This funding ensures that staff in these agencies can continue to fill their duties on behalf of Albertans.

To achieve its mandate through funding included in Budget 2019, the department is focusing on initiatives to stand up for Alberta's energy industry, attract investment, create jobs, and generate revenue for the province. I'll start with an initiative aimed squarely at fighting on behalf of our energy sector. Budget 2019 includes \$30 million in annual funding for our government's fight-back strategy, which includes the Canadian Energy Centre. However, as the Canadian Energy Centre is still in the process of becoming operational, this full funding allotment will not be required for 2019-2020. The Department of Energy is providing an initial grant of \$5 million to the centre to support its first year of operations. The centre will confidently and unapologetically defend our energy industry, our workers, and our high environmental labour and human rights standards.

Of the go-forward \$30 million in annual funding \$20 million will be supported by revenues collected from the TIER system, the technology innovation and emissions reduction system. The remaining \$10 million is being reprofiled from the government's current advertising budget. Misinformation campaigns have contributed to a massive loss of investment in Alberta, loss of jobs, royalties, and revenues. The success of this strategy and the Canadian Energy Centre will bolster the energy sector, get Albertans back to work, and increase provincial revenues. Through this work our government is proudly standing up for the 533,000 Canadians supported by the energy sector and demands a new deal, a fair deal for Alberta and for Canada. The Canadian Energy Centre is expected to be fully operational by the end of this year, by the end of 2019.

Along the same lines, the department's budget also includes \$1.1 million to support the establishment of an Associate Ministry of Natural Gas. This is a key component of our government's plan to revitalize the natural gas industry. Alberta is blessed to have an abundance of natural gas, but our producers are being forced to sell our gas at fire sale prices because they can't get our resources to market. This office, led by Associate Minister Dale Nally, is already making a difference to the natural gas sector and will continue to work hand in hand with regulators and industry to streamline project approvals, improve pipeline access, and to help Albertans get full value for their natural gas.

3:40

Our government is also increasing the efficiency of the Alberta Energy Regulator. Doing so will help ensure that our province remains a predictable place to invest and a world leader in responsible resource development. Budget 2019 includes up to \$500,000 for our review of the AER. This review will identify

changes and enhancements to the AER's mandate, governance, and systems operation. This action is long overdue. Since the regulator was established six years ago, there have been significant shifts in the economic, environmental, and social landscape, but the AER has not kept pace. Over the past few years Albertans have seen the performance of the AER decline despite hiring more staff.

We aren't looking to overhaul our regulatory system, but through this review it will help us enhance the system that we have today. Also, through Budget 2019 Energy is taking several steps to reduce the financial risk placed on government and therefore taxpayers. As we've said repeatedly: our government should not be in the business of shipping oil. That should be left in the capable hands of industry, and as such we have allocated up to \$1.5 billion for the divestment of the crude-by-rail program. This figure is an estimate based on the potential outcome of negotiations, which are still ongoing. By divesting the crude-by-rail program instead of operating it, government will achieve at least \$300 million in savings.

If the crude-by-rail program remained in place, it would have cost the government a minimum of \$1.8 billion. Instead, our government put careful consideration in review of all of the crude-by-rail contracts. The business case carried a number of risks and assumptions never adequately disclosed to Albertans. By divesting the program and putting the contracts into the hands of the private sector, we will save at least \$300 million for the taxpayers of Alberta. In addition, this decision puts the business of moving oil back into the hands of the private sector, where it belongs. It covers the estimated costs of transferring contracts from government to industry, for loading facilities, railcars and power, and management of logistics by the APMC.

The fact is that the \$3.7 billion in the former government's planned crude-by-rail contract represents one of the largest expenditures in Alberta history for something that the private sector was proven to be capable of doing and was already doing. Our government is working every day to enhance our market access without making Albertans shoulder the significant risks of the crude-by-rail program.

To further alleviate the burden on taxpayers, our government is maintaining the energy-only market for electricity and eliminating the need for costly subsidies. The regulated rate option price cap was introduced to hide the volatility of transitioning to a capacity market. That transition has been cancelled, meaning the cap is no longer required.

The RRO program already has cost taxpayers more than \$90 million. If continued to its legislated completion date, the price cap would have cost taxpayers an estimated total of \$388 million.

The Chair: I'm sorry to interrupt, Minister. Your 10 minutes are up. Thank you, Minister.

For the hour that follows, members of the Official Opposition and the minister may speak. The timer will be set for 20-minute intervals so members are aware of the time.

Go ahead, Official Opposition caucus.

Mr. Sabir: Thank you, Chair.

The Chair: Would you like to combine your time?

Mr. Sabir: Yes. If it's okay with the minister.

Mrs. Savage: Yes.

Mr. Sabir: It's my privilege to be here to discuss the Ministry of Energy and natural gas estimates. Thank you, Minister, for being here today. Also, thank you to your staff for being here and for all

the work you do to further the interests of Albertans as the owners of the oil and gas resources and for responsible resource development in our province.

Energy and natural gas is an important department as it oversees the natural resource wealth of this province on behalf of all Albertans. Our natural resource sector has long been a source of progress and prosperity for all Albertans and many Canadians, and all Albertans certainly have a vested interest that such resources are managed in a way that is sustainable and continues to attract investment, generate economic activity, and create jobs and prosperity for generations to come.

I understand we have different views on how resources should be managed, but we have one thing in common. We can both agree that these resources need to be managed with the utmost diligence and in the interests of all Albertans. Since you are in government, you are entrusted by Albertans with this responsibility, and through this exchange today my hope is to have an upfront and respectful conversation that will help us understand your vision as reflected in the business plan and your estimates and, more importantly, to make sure our resources are managed effectively and efficiently.

I have a fair bit of questions relating to your business plan, estimates, about entities that you oversee, and about some of the recent developments relating to your ministry. If at any point I cut you off, it's not that I don't respect you. It's just that I may have gotten the answer, and I just want to move to a different topic. I understand that you may or may not have all the information that I may ask for, so if you undertake to provide information later, I would expect any such undertaking will be dealt with prior to the vote on the budget in the Legislature.

The Chair: Sorry. It will be impossible for the minister to respond in that time frame. We're voting on it tonight.

Mr. Sabir: Let's say, then, within a week.

The Chair: I would suggest that the minister will endeavour to do her best.

Mrs. Savage: We won't get it to you before the vote, but we will get it to you.

Mr. Sabir: Okay. Let's get into questions. It's stated in your business plan that

the Ministry of Energy represents the interests of Albertans as the owners of oil and gas resources in the province, and contributes to sustained prosperity through responsible resource development and the stewardship of energy and mineral resource systems.

It's certainly a very important ministry, and the mandate it has impacts pretty much every Albertan in some way, shape, or manner. A question I have is: how many full-time employees are there in your ministry to carry out this important mandate?

Mrs. Savage: There are 540 full-time employees in the Department of Energy.

Mr. Sabir: How many full-time employees are there in the Alberta Energy Regulator?

Mrs. Savage: I believe it's 1,160.

Mr. Sabir: For the Utilities Commission?

Mrs. Savage: It's 130 people in the AUC.

Mr. Sabir: The Alberta Petroleum Marketing Commission?

Mrs. Savage: It's 34.

Mr. Sabir: What about the Balancing Pool?

Mrs. Savage: There are five.

Mr. Sabir: What about the Canadian Energy Centre? How many employees do we have there?

Mrs. Savage: The Canadian Energy Centre is in the process of being set up. We have hired an executive director, Tom Olsen, who is in the process of hiring staff at this time.

Mr. Sabir: So at this point there is no other staff?

Mrs. Savage: There's one staff there right now. He's in the process of hiring and signing contracts.

Mr. Sabir: The government recently announced its plan to reduce the size of the public service. How would that plan impact your ministry, and how many fewer staff are we looking at?

Mrs. Savage: There are several areas where we would be looking at FTE, full-time equivalent, reductions, mostly by attrition and retirement. Within the Department of Energy there would be 22 fewer people. We're moving from 562 to 540. Within the Alberta Energy Regulator, when they're fully staffed up, they have 1,240 people. As I said, there are fewer people there right now, but we're looking to get down to 970 people. That's a reduction of 270. And in the AUC we're looking for a reduction of seven people.

Mr. Sabir: It's a fair bit of reductions. How will it impact the mandate of your ministry, the work you're charged with doing?

3:50

Mrs. Savage: Well, we will operate more nimbly. Our department, who are here today, are very hard working, and I do have to say that I'm very thankful for the overtime they've put in. We've had a number of initiatives that we've moved forward at a very rapid pace, and these individuals here have worked extremely hard. They have teams underneath them working who are also dedicated. Our public service are dedicated, hard-working people and will get the job done.

Mr. Sabir: The ministry consists of the Department of Energy, the AER, the AUC, the Alberta Petroleum Marketing Commission, and the Canadian Energy Centre Ltd. There used to be the postclosure stewardship fund, that was in the structure previously. It no longer appears in the structure of your ministry. Does it still exist?

Mrs. Savage: The postclosure stewardship fund is a regulated fund, and it is still administered by the department.

Mr. Sabir: I understand that this fund is a liability fund and helps provide for maintenance of carbon capture and storage sites by the government of Alberta after carbon capture and storage operations cease and that the government assumes liability for any stored carbon dioxide. The question I have is: how much money do we have in this fund, and do we have an estimate of what the liability looks like?

Mrs. Savage: Yeah. We believe that the number is around \$700,000, but we will undertake to get back to you with that number.

Mr. Sabir: That \$700,000 number is in the fund, right?

Mrs. Savage: In the fund.

Mr. Sabir: And what about the liability?

Mrs. Savage: We don't anticipate any liability. We'll only take over ownership of Quest in the event that it's shut down, and we don't anticipate that at this time.

Mr. Sabir: Moving on to the next question, Minister, the federal approval of the Trans Mountain expansion project in the fall of 2016 was a significant step forward in gaining tidal access to new markets in Asia. Similarly, the United States permit for the Keystone XL pipeline in 2017 and the Enbridge line 67 expansion in the fall of 2017 were also positive steps forward in addressing issues with takeaway capacity, market access, and supporting investment in the province. All this progress was made under the previous government. Since taking office seven months ago, has there been any progress in the status of these projects?

Mrs. Savage: Well, let me go back to your first statement, that all of this progress was under the previous government, because I don't believe there was any progress at all. I've worked in the pipeline sector for 13 years . . .

Mr. Sabir: That's why I asked about the progress you have made.

Mrs. Savage: I'm answering your question. I worked in the pipeline sector for 13 years, from 2005 to 2018, and in the last four years you want to know the progress on the pipelines? Northern Gateway was killed. It was vetoed by the federal government.

Mr. Sabir: I'm talking about these three projects. Have you made any progress on these?

Mrs. Savage: The Energy East pipeline was also cancelled by the federal government while your government was in power. Line 3 was delayed. The federal government added on regulatory processes and added on a set of interim rules in 2016 that added to the time frame. Line 3 was significantly delayed, both in Canada and the United States. Trans Mountain also suffered that same fate of having interim rules added on in 2016.

Mr. Sabir: Okay. Let's talk about the progress you have made on these projects.

Mrs. Savage: If you're going to understand the progress made on pipeline projects, you have to go back to the beginning of them. You have to go back to when they were filed with the regulatory process, each step that was taken, when they were delayed, when the court cancellations happened, and what their process was. I can tell you that in the four years between 2015 and 2019 there was very insignificant progress made on any pipeline projects. We saw most of them either cancelled or delayed here or in the United States. We saw Energy East pulled, line 3 delayed. The Trans Mountain pipeline should have been in service by now. It's gone through numerous court battles. It had to go and redo a regulatory process, had to do interim processes.

Mr. Sabir: I think we don't want to go too far back. We know that there were 44 years . . .

Mrs. Savage: Well, you don't want to go back.

Mr. Sabir: . . . of Conservative government here and 10 years federally . . .

Mrs. Savage: Well, let me go back. Let me go back . . .

The Chair: Folks, please.

Mr. Sabir: . . . and nothing happened. So the question is . . .

The Chair: Sir, through the chair, please.

Mr. Sabir: The question is about the progress that the minister has made under her watch in the last seven months. That's the simple question.

The Chair: She was simply giving you a history lesson. Please, Minister, go on.

Mrs. Savage: Yes. Pipelines are under the prerogative of – they're privately owned. They're a private-sector business. Let's talk about what's happened in the last six months. We've had line 3 completed in both Canada and in Wisconsin. Right now, as we sit here and speak, it's having a line fill. It's being filled to start service. When that does come into place, we're going to find some significant relief from curtailment, and we're going to have much-needed market access added on. So line 3 is being filled to date.

Trans Mountain started construction in October. They started construction spreads here in Alberta. We've intervened in the court applications as an intervenor. We are seeing significant progress on Trans Mountain. Line 3 in the States: we're seeing some movement in Minnesota. That project is moving forward. KXL in the United States is delayed by the courts in Montana. We've had some movement at the state-level court in Montana. So we're seeing some significant movement on these pipeline projects right now.

Mr. Sabir: In 2018 the government announced a \$2 billion financial backstop in support of the federal government's purchase of the Trans Mountain expansion project. Are you still committed to providing that backstop if needed?

Mrs. Savage: Well, that backstop only kicks in if the construction costs exceed a certain amount. The federal government has committed to pay up to a certain amount as the owner of the project, and the government of the day signed a nonbinding letter of intent to cover a backstop of over \$2 billion. We have not been asked to commit to that backstop. We have not seen an overage in construction costs yet. We'll make that decision when and if it comes to us.

Mr. Sabir: If needed, are you committed to providing that?

Mrs. Savage: We'll make that decision when and if it comes. And if it does, if we are asked by the federal government to fulfill any of that backstop, we're going to want significant concessions from the federal government because they've brought in measures that will ensure that no future pipelines will be built. If they want us to look at that backstop, we want them to rescind Bill C-48, the tanker moratorium. We'll want them to either repeal or make significant amendments to Bill C-69, the Impact Assessment Act, that will ensure no more pipelines are built. We're going to want significant, significant concessions from the federal government if they want us to act on a nonbinding letter of intent signed by a previous government.

Mr. Sabir: I note that this business plan only has two outcomes. There used to be a third outcome, which stated, "Albertans benefit from a stable, reliable electricity system that protects consumers, attracts investment, and has improved environmental performance." Does this still remain a priority for your government, for your department?

The Chair: Excuse me. Member, are we talking about something that's in the current documents, or are we talking about something that was in a previous document?

Mr. Sabir: I'm just talking about the electricity file, essentially.

The Chair: Is this something that's in the current business plan, or is it something in a previous business plan?

Mr. Sabir: It used to be in the business plan. I don't find reference to it, so I'm just asking whether . . .

The Chair: Oh. Okay. Thank you. Proceed.

Mr. Sabir: Line 1.8, key objectives.

Mrs. Savage: Well, line 1.8 does have an objective on electricity: to "increase certainty in the wholesale electricity market, creating the conditions for future investment in generation and the welcoming of market driven investment in renewable energy generation."

Mr. Sabir: We brought forward a plan to phase out coal-fired electricity generation by 2030, to deliver on our commitment of 30 per cent electricity production from renewables by 2030. The question I have is: how many coal-fired plants will exist beyond 2030, and will we be missing the 30 per cent renewable energy target by 2030?

Mrs. Savage: Well, we know very clearly that you had brought in a plan to phase out the coal-fired electricity generation plants because there's a number, \$97 million, that runs across the expenditures for this government for several years to come. That's a total cost of \$1.4 billion that Alberta taxpayers are paying to phase this out. So that \$97 million per year, every single year, plus interest on top of that is being paid. By 2030 we don't expect that there will be any coal-fired generators in place. They've been paid \$1.4 billion.

4:00

Mr. Sabir: What about the 30 per cent renewable energy by 2030 target?

Mrs. Savage: The interesting thing about renewable energy – well, first off, we have cancelled the REP 3, and we have market-driven investment in renewables coming in since we've stuck with the energy-only market. We've been told by wind and solar that they are able to compete without subsidies. They don't need the subsidy. That's why we haven't carried on with the subsidies.

In recent months we have attracted several electricity projects, including the Perimeter Solar project, which in partnership with TC Energy committed to investing \$200 million in a new solar project south of Calgary. That's in the last four months. Greengate Power is investing \$500 million in a solar project near Vulcan. BHE Canada announced \$2 million for the Rattlesnake Ridge wind project, which will supply electricity to 79,000 homes. All of those projects were cancelled without a single penny of subsidies from the taxpayer. What that proves is that renewable electricity is coming to Alberta. We're attracting that investment, and we want that investment.

Mr. Sabir: So what's the percentage of electricity produced in Alberta from renewable sources? With all these projects, what do you think we'll be producing from renewables by 2030?

Mrs. Savage: That will be determined by the market.

Mr. Sabir: So you don't have any target for it?

Mrs. Savage: We're letting the market forces attract investment, and that's working. That's working.

Mr. Sabir: Okay. Let's move on to the next question. You have allocated \$43 million to energy policy, line 2.2, which is an increase from the previous year. Why that increase, and what policy work do you intend to undertake this year?

Mrs. Savage: Line 2.2, energy policy, the 2019-2020 estimate of just over \$43 million: there is an increase there of approximately – there's a small increase. The breakdown of that, what that expense is for: \$2 million of that is going towards the carbon tax litigation, the constitutional challenge; \$1.9 million of that is going towards the public inquiry; half a million dollars, \$500,000, of that is going to the natural gas road map for recovery framework, the policies around that; \$500,000 of that is going for the Alberta Energy Regulator review. And on top of that, the differences, we found some other reductions due to savings strategy. So there's a total increase of \$4.4 million.

Mr. Sabir: You said that \$2 million is going for carbon tax litigation. Two provinces tried that, and I think that legislation still stands. What will you do differently such that we will have a different outcome than those provinces, who lost this case? Is it not a waste of public money?

Mrs. Savage: Well, this is a matter of utmost concern to Albertans. It was a campaign promise. It was what I heard most at the doors: eliminating the carbon tax. And it's a question of jurisdiction, whether it is federal jurisdiction or Alberta jurisdiction. So we're fighting for that in the Supreme Court.

The Chair: That's 20 minutes.

Mr. Sabir: Well, the question I had: what would you do differently to get a different result? What did those provinces fail to do that you are doing now such that we will get a different result?

Mrs. Savage: Well, it hasn't gone to the Supreme Court of Canada yet. In going to the Supreme Court of Canada, that's where you get the final result. One thing I will note on that is that the province of Quebec has joined the litigation, the constitutional challenge, to the carbon tax. What is interesting in that is that three of the nine judges in the Supreme Court of Canada come from Quebec. We have several provinces joining – there's Alberta, Saskatchewan, Manitoba, Ontario – and all of the various litigation is being consolidated to go to the Supreme Court. So the Supreme Court will make the final determination on it.

Mr. Sabir: Line 3 of the estimates, the cost of selling oil, is \$83 million. Is this the cost incurred by APMC in selling what we receive in royalties?

Mrs. Savage: Yes. It's the cost incurred by APMC in selling crude oil royalties on behalf of the department. It includes agency fees, the cost of purchasing condensate, pipeline tolls, and trucking costs. It's their cost.

Mr. Sabir: With respect to the risks that are facing our industry, climate change certainly poses risks to businesses and economies, and there is enough evidence that we cannot deny or ignore climate change, both from an environmental and a business standpoint. In fact, the Nobel prize in economic sciences in 2018 was divided equally between William D. Nordhaus for integrating climate

change into long-run macroeconomic analysis and Paul Romer for integrating technological innovation into long-run macroeconomic analysis. I know that for reliable resource development, companies are an important partner in our resource extraction and development, and I think it's incumbent on the government to work collaboratively with all concerned in addressing issues facing our industry partners and assert leadership where necessary in paving the market conditions and incorporating innovations. Do you agree that such risks exist for the oil industry and that we need to address that and innovate?

Mrs. Savage: Yes. I do agree. A couple of things that we're working on are on ESG, environmental, social, and governance, because we know that's important to investors and lenders around the world in international markets. We've been putting a lot of effort into helping to define ESG so that it also includes social and governance issues. We believe that Alberta produces its energy with the highest environmental, social, and governance standards, the highest labour standards. We've been working with the industry, with the companies. We've set up a task force to help us on ESG, and we're putting a lot of effort into ensuring that the world understands.

Mr. Sabir: How come you don't have any money allocated in estimates line 4.1, climate change initiatives? It doesn't have any money. Are you planning on pursuing no climate change initiatives?

Mrs. Savage: Line 4.1, climate change initiatives, includes for 2018-2019 . . .

Mr. Sabir: It includes zero dollars.

Mrs. Savage: This included a number of programs that aren't there anymore. There was the energy efficiency program, which in 2018 . . .

Mr. Sabir: So you won't be pursuing any of those programs?

Mrs. Savage: Well, let me just tell you what the programs are: the energy efficiency program, the output-based allocation, the methane reduction program, coal-generation transition, microgeneration, strategic co-ordination. A number of them are finished – obviously, the energy efficiency program – and others have been allocated somewhere else, to other departments or in other places.

Mr. Sabir: So you're not planning on pursuing any of them?

Mrs. Savage: We're not.

Mr. Sabir: Since your government has eliminated the made-in-Alberta climate leadership plan brought forward by the previous government, what are you doing differently to support the energy sector to adapt and lead in risk management and innovation?

Mrs. Savage: Well, we're approaching this differently than the previous government. I think we saw that what happened over the past four years was a failed social licence, an effort to get pipeline approvals from the federal government by enacting a carbon tax in Alberta, by putting a hard cap on the oil sands. You know what? In the end, we got a carbon tax, but we didn't get a pipeline. We didn't get anything out of Ottawa. We're taking a more assertive approach to defending our oil and gas sector because the previous approach did not work.

4:10

Mr. Sabir: You talked about methane emissions. The climate leadership plan had a target of a 45 per cent reduction in methane emissions by 2025 from 2014 targets. There's still a lot of anxiety in many parts of the province where the production facilities are methane intensive. I fully understand that climate leadership is gone. You have eliminated it. Is there anything you are doing to reduce methane emissions, and do you have any targets of your own?

Mrs. Savage: Well, we haven't eliminated climate leadership. We've eliminated the former government's climate leadership plan. The methane emissions regulations: we're still proceeding with those.

Mr. Sabir: So that target is still there?

Mrs. Savage: That target is still there.

Mr. Sabir: A related question: have you considered the implications for industry and the energy sector in the event the federal backstop environmental legislation kicks in and Ottawa imposes their plan on us?

Mrs. Savage: In terms of the methane emissions regulations our goal is to have the federal rules stand down in favour of Alberta's approach as soon as possible as both sets of rules are set to take effect on January 1, 2020. We're asking that those rules stand down for the Alberta methane emission rules that are coming into place at the same time. We may need to ask for an extension because we have a new government coming into place. They're going to have to review it, and we've already asked for that.

Mr. Sabir: Another question. I think it's broadly about your business plan. Have you considered any risk factors that you may be aware of or that you have considered in setting these outcomes in your business plan? What are those factors?

Mrs. Savage: Well, obviously, our most important thing that we're working towards is making sure we have market access, that we have investment and that we have market access, because right now we have more production than we have ability to move it. That has to change. That's why we are working so hard to ensure that the remaining pipeline projects, that haven't been cancelled or vetoed or pulled, do go ahead. That's why we're bringing in the Canadian Energy Centre, to take a stronger approach to fight for our oil and gas sector, and that's why we're taking in a number of factors in a whole approach to market access and to bringing back jobs, which includes creating the best tax environment. The best fiscal environment for investment includes lowering the corporate tax rate, and it includes bringing in a Royalty Guarantee Act. We're not stopping there, though. We also want to make sure that we achieve the most attractive regulatory environment. That's why we're eliminating red tape. That's why we're reviewing the Alberta Energy Regulator, to make sure that it's efficient.

We also know that even if we create the most competitive fiscal environment and the most competitive regulatory environment, we have to make sure that we have the best political environment, which means fighting and standing up for those jobs and fighting for the energy sector.

Mr. Sabir: Moving on to 1.4 in the business plan, one strategy you identified is to "create an investment climate that supports the development of energy resources in the province." Minister, you clearly have changed the investment climate and have brought

forward policies that were unable to help Albertans with jobs, the economy, or pipelines. You provided \$4.7 billion in a corporate bailout and cut services and increased taxes on everyone in the name of opening Alberta for businesses. All we have seen so far is 27,000 job losses, 14,000 from the resource sector. Instead of investment and jobs coming to Alberta . . .

Mr. Loewen: Point of order.

The Chair: Point of order noted. Go ahead, Member.

Mr. Loewen: Under 23(b). The member is, you know, on questions other than what's under discussion here. The member, I guess, maybe wants to go on a little rant or something, but I don't see how it's relevant. The numbers he's talking about, the things he's talking about aren't in the Energy budget or estimates here today. I mean, if he wants to do his little rant, he can jump on Facebook after, I guess, and do that. This is estimates. This has to do with the estimates of Energy, and I think he should stay on topic.

The Chair: I would encourage all members to stick to the fiscal plan and the business plan and address their questions to that. I'm not going to sit here and tolerate insulting conversation. The minister is here on her time, her staff is here on their time providing a service to Albertans, opportunity for you to ask questions. If you want to waste your time and your caucus's time on irrelevant questions, so be it, but I would encourage you to stick to questions that have a line item or something from the fiscal plan.

Mr. Bilous: Chair, how are his questions insulting to the minister?

The Chair: I particularly found them – we've been through this in the House numerous times, the \$4.7 billion number that has nothing . . .

Mr. Bilous: Page 144.

The Chair: It has nothing to do with the Energy budgets, so please stick to the fiscal plan and business plan for the Department of Energy.

Mr. Sabir: I was on the business plan. I stated the strategy: "Create an investment climate that supports the development . . ."

The Chair: Okay. I hope you get to a relevant question soon.

Mr. Sabir: That policy was brought forward to create that investment climate, and I'm talking about that investment climate.

The Chair: Okay. Well, continue with your question, and hopefully you get to a question that's relevant. Carry on, please.

Mr. Sabir: I'm just talking about that investment and jobs are not coming to Alberta, and we have seen energy companies who are benefiting from your policies still laying off Albertans. They are moving investment to elsewhere in Canada and to the United States. We saw EnCana move out of Alberta.

Mr. Loewen: Point of order. Point to a line item. You're talking about EnCana now. Point to a line item.

Mr. Sabir: I was talking about investment climate under 1.4. That's the strategy.

Mr. Bilous: It's not a point of order. This has to do with her ministry and government policy.

Mr. Sabir: It's not a point of order.

The Chair: We will carry on with the line of questions, please. Continue on to a line of questioning that has relevance to the business plan or the fiscal plan, please.

Mr. Sabir: You said that you will create an investment climate that supports the development of energy resources in the province. Clearly, your policies so far have failed to create that investment climate. We are seeing investment fleeing from the province. We are seeing job loss in the energy sector. Has your government conducted, has your department conducted any cost-benefit analysis of how the changes that your government made have impacted the energy sector? What are the consequences for the prosperity of all Albertans? Have you done any analysis, and are you willing to table any such analysis?

Mrs. Savage: I would defer that to the Department of Finance and Treasury Board. The Department of Energy wouldn't do analysis for the total impact on the government of Alberta. So that question I would defer to Treasury Board.

Mr. Sabir: So you have not done any analysis of how government policies have impacted the energy sector?

Mrs. Savage: We are seeing a positive resurgence in the energy sector. We are doing a number of initiatives to attract back investment. Let's look at the climate over the last four years . . .

Mr. Sabir: It's about your estimates; it's not about . . .

Mrs. Savage: Exactly. So what was your question, and what line item are you referring to?

Mr. Sabir: I was referring to 1.4 of your business plan, which identified that your goal is to "create an investment climate that supports the development of energy resources in the province." I cited that EnCana moved out. Husky is planning investment elsewhere.

Mrs. Savage: Well, why don't we start, and I'll tell you some of the things that we are doing. I think I mentioned the job-creation tax cut, the Red Tape Reduction Act. We're reducing red tape. We repealed the carbon tax. We've brought in some adjustments to the municipal government property tax incentive to give much-needed relief to our shallow gas drillers. We're creating a stable and predictable investment climate with the Royalty Guarantee Act. We're reviewing the AER to make sure that with our time frames we have a regulator that can get to decisions as fast as places like Oklahoma and Texas. We are focusing on ESG, environmental, social, and governance, to ensure that we have investment continue to come here. We are ensuring that our investment sector is given both the regulatory certainty, the investment certainty and that they know that they have a government that will stand up for them and fight for those jobs. That's what we're doing, and it's going to attract and bring back investment and show to the world that Alberta is open for business.

Mr. Sabir: Again, I think we can disagree about that, but you will agree with me that engagement with Albertans in business is critical to helping us understand issues facing our industry. What kind of engagement do you have so far with Albertans in industry, and what would you say are the biggest issues facing our energy sector?

Mrs. Savage: We've done a number of things, of course, over the last six months. Both myself and Associate Minister Nally have met with stakeholders. Minister Nally, in the natural gas sector, met with over 100 producers to ask them what needs to be done to bring

back a competitive natural gas sector. In my area, in conducting the Alberta Energy Regulator review, we've had targeted round-tables and public consultations over the fall. We've met with hundreds of stakeholders on how to improve the Alberta Energy Regulator. We did the same with the electricity review when we reviewed the capacity market versus the energy-only market.

4:20

Mr. Sabir: I will have some questions about that later on.

Let me ask you another question. Your ministry also oversees and grants industry rights to explore and develop Alberta's Crown-owned energy and mineral resources. What can you tell us about the activity in this regard so far?

Mrs. Savage: Sorry. Can you explain that question?

Mr. Sabir: Like, your ministry oversees the grant of exploration and development rights for mineral resources. I'm just asking about: what activity? What can you tell us about the activity so far this year?

Mrs. Savage: Yeah. Are you talking about land sales and leases?

Mr. Sabir: Leases, yeah. Mineral leases.

Mrs. Savage: That is line item – there is a revenue item for that. This is the bonus, sales, and Crown leases item of the revenue, which is on page 91. For 2019-2020 we're estimating \$164 million coming from that. There are a couple of things there for coal . . .

Mr. Sabir: It's lower than previous years.

Mrs. Savage: It's lower than previous years. That's with conventional producers reducing investment due to inadequate market access, failure of pipelines. The price per hectare and the number of hectares sold are expected to be lower in 2019 and 2020.

Mr. Sabir: On page 17 of the annual report there was mention that the OPEC and non-OPEC production cut agreement was extended in December of 2018 until June 2019. Will you be able to comment on the status of that agreement and how it impacts the demand for our energy products?

Mrs. Savage: Is this in the budget document, or what document are you referring to?

Mr. Sabir: It was in the annual report.

Mrs. Savage: Yeah. The price forecasting is done by Treasury Board, so I would defer that to Treasury Board.

Mr. Sabir: Page 62, outcome 1:

It advocates for increased pipeline access to global markets to strengthen both provincial and national economies, while proactively communicating how energy is produced with the highest environmental, labour, and human rights standards on earth.

That's quoting from your outcome 1.

As part of your advocacy efforts you created the Canadian Energy Centre and have launched an inquiry into un-Albertan activities and foreign-funded campaigns. Many critics, including Amnesty International Canada, have raised concerns that your strategy, energy war room, and public inquiry into foreign funding of un-Albertan activity and environmental campaigns pose a threat to freedom of speech and association, undermine the urgent work of reconciliation with indigenous people. You and I can both agree that these are important concerns and must be addressed to clear the

confusion. What steps have you taken to clear any such perception, whether real or perceived, and to ensure that that doesn't happen?

Mrs. Savage: To ensure that the . . .

Mr. Sabir: That we continue to produce with higher environmental, labour, and human rights standards.

Mrs. Savage: Well, Alberta already does produce our oil and gas – our industry produces our oil and gas with the highest environmental, social, and labour standards anywhere in the world. The fact of the matter is that we just haven't told that story. That story hasn't been told properly, and we haven't told it assertively enough. That's what the Canadian Energy Centre is intended to do, to tell that story. The Canadian Energy Centre will have three primary units. It will have a rapid-response unit, which will be responsible for issuing swift responses to misinformation. That hasn't been done before. This is a new activity. There'll also be an energy literacy unit, which will create original content to tell that story and make sure that the world hears that story. We will also have a data and research unit, which will be best – it will be the highest standard to compile and centralize and analyze data to reinforce that story.

Mr. Sabir: Have you talked to indigenous communities about the Energy Centre and its business as to how it impacts them and whether they can play any role in it?

Mrs. Savage: I'm sure that Minister Wilson has. You'd have to defer to the minister of indigenous affairs on that. We've had consultation with various stakeholders from the IRC, indigenous resource centre.

Mr. Sabir: No. Specifically with respect to that Energy Centre, have you talked to indigenous communities?

Mrs. Savage: Well, indigenous communities are part of the message that we have on how Alberta produces oil with the highest environmental, social, and governance standards. Indigenous communities want to share in the wealth and want to share in the success of our oil and gas sector, and they're part of the story that's being told. They themselves are telling these stories. You look at some of the work from the indigenous resource centre. They're telling their stories themselves. They challenged Bill C-48. They're challenging C-48 and C-69. These groups are an integral part of telling our energy story, and they're doing it themselves already.

Mr. Sabir: That's what I'm asking. They're willing to tell the story, but have you talked to them?

Mrs. Savage: We talk to them regularly on Bill C-69. I just spoke recently at the conference in Calgary a week ago Monday and spoke about the Canadian energy sector and what Alberta is doing to promote our oil and gas, and they share the same objectives. They want to get our oil and gas to market.

Mr. Sabir: But have you talked specifically about the Energy Centre with them?

Mrs. Savage: They've been involved in the conversations about setting it up. Those questions are best directed to Minister Wilson, who, over the course of the last six months, has gone and met with almost every single indigenous group in the province.

Mr. Sabir: Minister, Albertans are concerned that you have put a failed UCP candidate and a former payday lender lobbyist in charge

of this Energy Centre. This entity is described by you as a very important one, and it has \$30 million at its discretions. Were there any criteria that you used to hire Tom Olsen and exclude others?

Mrs. Savage: Well, look, Tom Olsen has many, many years' experience as a journalist. He has many years' experience. He's worked in government. He understands the industry. He understands how to craft a message. He will be one person in the Canadian Energy Centre that's pulling it together. As I said, we'll have three primary units running it. One will be the research and data unit, one will be the rapid response, and one will be data creation. He'll be overseeing all of that, and I have utmost confidence in his abilities to pull that together, to hire the best people to fulfill those roles, and to ensure that the Canadian Energy Centre is successful.

Mr. Sabir: Are you providing any specific training to him? If so, what will be the cost of that?

Mrs. Savage: The Canadian Energy Centre will have an operating budget of \$30 million a year. They're being provided with an initial \$5 million grant. Training and that initiative will be conducted within that centre if they so choose.

Mr. Sabir: I understand that you earlier mentioned that you're in the process of setting that centre up, but do you have any idea how many full-time employees will be there, what their job titles and functions will be? Can you provide any of that in writing?

4:30

Mrs. Savage: Once it's set up, the budget will be transparent. You'll see that, the positions. As I say, there'll be people employed in the three various areas: data and analytics, social media, and rapid response. There'll be a unit in each one of those segments. This isn't a big operation. This isn't a big operation that's going to employ a hundred people.

Mr. Sabir: At this point, basically, you're asking us to sign a \$30 million cheque without knowing how many employees will be hired, what their job titles will be, what their functions and roles will be.

Mrs. Savage: No. To get any money from the government, they have to give a budget, so that budget will come to the board of directors to be reviewed. We're not just handing over money without seeing what their budget and their business plan are.

Mr. Sabir: So at this point you have not received a budget?

Mrs. Savage: We have not received their final budget or their business plan. They were just set up very shortly ago, and just like with any business, as anybody here who's run a small business and understands business knows, it takes a while to set it up. You have to get business cards, you have to get space, you have to get IT, and you have to get a website. It's a big activity to set this thing up, so one of the things that they're doing is getting a budget to us and getting a business plan.

Mr. Sabir: Basically, it will follow the vision, your vision, of standing up for Alberta, so can you provide us a breakdown of the outcomes, tasks, responsibilities for this? Who oversees those outcomes, and how will we know if it meets your measures of success?

Mrs. Savage: That will come in the business plan for the Canadian Energy Centre.

Mr. Sabir: You will be involved in creating that business plan?

Mrs. Savage: They will be giving the business plan to the board of directors, and things that come to the board of directors and to the government will be transparent.

Mr. Sabir: And you have not created that business plan yet?

Mrs. Savage: They are working on it. They've only been set up for weeks.

Mr. Sabir: Will it be made public?

Mrs. Savage: The business plan will be made public.

Mr. Sabir: When should we expect to see that?

Mrs. Savage: When they have it prepared. We expect it to be fully operational by the end of the year.

Mr. Sabir: I asked about the hiring criteria, and you didn't tell me what criteria was used to exclude others. Was it just a political appointment, then?

Mrs. Savage: We hired the most capable person to run the Canadian Energy Centre. We literally had hundreds of people applying for it. They were literally sending their resumés to my Twitter account, to Facebook, any e-mail account there is. Our MLAs were receiving applications and resumés. There was a tremendous amount of interest from people to work in the war room, the Canadian Energy Centre.

Mr. Sabir: The thing is that you have described that it will have rapid response, energy literacy, data and research: all very important tasks. But the concern I have is that this is a person who ran for the UCP in the recent election, so why should Albertans trust this person, that he will keep Albertans' interests before the UCP's interests? What do you have to tell Albertans?

Mrs. Savage: Would you have us hire Tzeborah Berman to run the Canadian Energy Centre?

Mr. Sabir: No. It's your appointment. You hired a failed UCP candidate. All I'm asking is: why should Albertans trust that this person will work for the best interests of Albertans as mandated?

Mr. Loewen: Point of order.

The Chair: Point of order noted.

Mr. Loewen: I don't even know where to start. We could do Standing Order 23(b), 23(c), 23(h), 23(i), any one that you want to pick, I guess. He's asking the same questions over and over again, so that's needless repetition. He's making allegations of people here and the process to have somebody in the Canadian Energy Centre. You know, I think he needs to get with the program, stick with what we're doing here, which is the Energy estimates, not conjure up things in his own mind that he feels are relevant to this, and move on.

Mr. Bilous: Mr. Chair, it's not a point of order. I find the language that he's using insulting. The member is asking about the hiring criteria of a person who's paid with tax dollars. This is a legitimate question. It's in the budget. It's a \$30 million war room. The member should know, having been in the Legislature for a number of years, that if members don't get adequate answers, it is their

prerogative to continue to ask and to drill down on that until they get the answers. I would appreciate . . .

The Chair: Thank you very much, Member. The questioning was, I believe, answered by the minister, where she said that they received numerous applications for the job and they picked the best person for the job. I would also like to remind you – and you should know very well, sir, being a former minister – that the minister is not obligated to answer any question that you put forward to her. You know that very well.

Mr. Bilous: We can continue to ask.

The Chair: You can continue to ask, but the minister . . .

Mr. Bilous: Chair, she hasn't answered on the criteria that was used to select that candidate over other candidates. What she has said is that there were numerous resumé's that came to her.

The Chair: She also said that she hired the best person qualified for the job.

Mr. Bilous: And we are asking for those metrics. That is within the prerogative of this department.

The Chair: And the minister is not obligated to answer your question. If you want . . .

Mr. Bilous: She was starting to answer if members would allow . . .

Mr. Loewen: The metrics aren't in this document. The metrics are not in estimates. Estimates has to do with figures, so . . .

Mr. Bilous: It's also about how the money is being spent.

The Chair: Gentlemen, please. I believe that the minister answered the question adequately.

Please move on to your next line of questioning.

Mr. Sabir: Okay. Related to the Energy Centre, is there any role that David Knight Legg will play in the centre, whether it's trips to London or tied to any business that the Energy Centre will undertake?

Mrs. Savage: That will depend on the business plan. We'll be looking in the Canadian Energy Centre. One of the factors in standing up for our oil and gas sector and creating a narrative and talking about how oil and gas is produced with the highest environmental, social, and governance standards is an ESG component. We know that to defend our energy sector, we have investors and lenders around the world looking at Alberta, looking at our record. We want to make sure that they understand that how we do things in Alberta is the best in the world. There's an environmental, social, and governance component to some of the things that we'll be doing in the energy sector to tell that story. Because David Knight Legg is an expert in that area, we will obviously be looking for his input and his suggestions on how we pursue and best pursue environmental, social, governance and defending our energy sector to investors and lenders to make sure they continue to invest.

What we've seen over the last number of years is divestment in the energy sector not only in Alberta but around North America, but particularly in Canada we've had HSBC talk about divesting. What we need to do there – and one of the roles of the energy sector and one of the roles of this government in defending our oil and gas sector – is to ensure that those investors and those lenders understand that Alberta produces oil and gas at the highest

environmental standard. That's one of the key roles of the Canadian Energy Centre. That's why we're setting it up. That's a story that hasn't been told well enough or loud enough or long enough, and that's exactly what we're doing in the Canadian Energy Centre.

Mr. Sabir: I think there are so many questions about this centre because, I think, the director of issues management and your government said that the entire government is involved in the centre's work. What's the accountability around that? Are you willing to disclose more details about the work Knight Legg was doing in London? Do you believe the secrecy around this work is appropriate?

Mr. Loewen: Point of order.

Mrs. Savage: That has nothing to do with the Energy estimates and budget.

The Chair: Point of order noted. Go ahead, Member.

Mr. Loewen: He's bringing up somebody that's not employed by the Energy department. I believe he's employed by the Premier's office, so I'm trying to think of the relevance between – maybe the member is in the wrong room. Maybe he should be asking the questions to the Premier in a different room or something, but obviously this person has nothing to do with the Energy department.

Mr. Bilous: He claimed that his trip was being funded . . .

The Chair: Please . . .

Mr. Loewen: Obviously, that's under 23(b), discussing something other than the question at hand.

The Chair: Thank you, Member.

Mr. Bilous: It is in hand as the person in question . . .

Mr. Loewen: What line item? Where's his line item?

Mr. Bilous: Can I finish, please?

The Chair: Todd . . .

Mr. Loewen: You didn't let me finish.

The Chair: Gentlemen, please. One at a time.

Mr. Loewen: Which line item is this gentleman's expense in?

Mr. Sabir: The Canadian Energy Centre.

Mr. Bilous: The Energy Centre.

Mr. Sabir: An explanation provided for Knight Legg in London initially was that he was on war room business. That raised questions. Then there was another explanation provided later on: no; he was in the Premier's office. I'm just confirming from the minister if he was on Energy Centre business, and if so, what was that business? Would she share some details? It's that simple.

Mr. Bilous: It's not a point of order.

4:40

The Chair: All right. Continue with the questioning. Minister, feel free to answer or not.

Mrs. Savage: Those trips were not funded by the Department of Energy or by the Canadian Energy Centre.

Mr. Sabir: Good. Your government recently appointed an inquiry commissioner who was also in the news a lot for awarding a \$900 K contract to his son's law firm. I understand that you want us to believe that this inquiry has a huge bearing on the future of our resource sector, and you will agree that it is relevant to ask some questions about it. How many full-time employees work for the commission, and how were they hired?

Mrs. Savage: Well, let me tell you about the public inquiry. You're probably going to regret having asked this question, but I'm going to answer why we're doing a public inquiry. I spent 13 years in the pipeline sector watching things unfold. I worked in the pipeline sector from 2005 to 2018, and I watched that campaign unfold, starting in 2008, on every single pipeline project that was proposed in Canada. I saw that foreign-funded campaign target each project. I saw it play out, a 48-page PowerPoint that was tabled in New York City at a meeting of environmentalists hosted by the Rockefeller funds, and it had a playbook on how they would land-lock the oil sands. I watched that unfold over many years in the pipeline sector, project by project. I saw it unfold on Northern Gateway pipeline; you could see it come in with the opposition building in municipalities. I saw it unfold on the line 9 application.

Mr. Sabir: I totally understand that it's important work. The question I asked is: how many people are employed by the commissioner, and how were they hired?

Mrs. Savage: The commission is an independent inquiry, and it hires its own people, and . . .

Mr. Sabir: It's funded by you.

Mrs. Savage: . . . there are three people.

Mr. Sabir: Three people?

Mrs. Savage: It employs three people.

Mr. Sabir: Was there any criteria followed to hire them?

Mrs. Savage: The commissioner is entitled to select the resources and hire the people and enter into contracts as he sees fit.

Mr. Sabir: A related question: were you involved in any way in the awarding of this \$900 K contract, and was there a criterion that was followed?

Mrs. Savage: As I just said and just answered, the commissioner is entitled to select resources at his sole discretion.

Mr. Sabir: As you mentioned earlier, the Energy budget is paying for this inquiry, and the person that was appointed openly fund raised for the Minister of Justice in 2018 and also in the 2019 campaign. Were you aware of that, and do you think this appointment is appropriate given all this?

Mrs. Savage: I wasn't aware of that, and please tell me what part of the budget this relates to.

Mr. Sabir: The part of the budget that you're providing . . .

Mrs. Savage: No. No. You're talking about . . .

The Chair: Member, could you please direct your questions through the chair?

Mr. Sabir: It's 2.2.

The Chair: I know, but you're starting to go personal and face to face. I would ask you to direct your questions through the chair.

Mr. Sabir: Line 2.2, that you had already mentioned, that will provide funds for an inquiry, and public funds are going to a person who fund raised for the Minister of Justice in 2018, who endorsed the minister in 2019. So I'm asking the minister if she was aware of that before appointing this person. She answered that she was not, so does she still have trust in that person?

Mrs. Savage: I have absolute confidence in the commissioner. I have absolute confidence. Steve Allan is a Calgary forensic and restructuring accountant with 40 years of experience, and he was appointed to lead the inquiry. He has 40 years of experience at the highest level, and the inquiry will inquire into anti Alberta energy campaigns that are supported by foreign organizations. The intent of the inquiry is to determine if they provide financial assistance to a Canadian organization which has disseminated incomplete, misleading, or false information.

The Chair: Thank you, Minister.

I hate to interrupt, but we will now move on to 20 minutes of questioning from the government caucus, followed by a short five-minute break.

Mr. Singh: Thank you, Mr. Chair. With the permission of the chair I would like to go back and forth with the minister. Is this okay, Minister?

Mrs. Savage: Absolutely.

Mr. Singh: Thank you, Minister, for coming here today. I would like to commend you and your team for making sure that the interests of Albertans are given significance through the ministry's stewardship and responsible development of energy and mineral resources in Alberta. My question is in reference to objective 1.3, found on page 62 of the business plan, that the government launch a public inquiry on foreign-funded campaigns of misinformation against Alberta's energy industry. How will this work together with the Canadian Energy Centre to protect Alberta's interests?

Mrs. Savage: Well, thank you for that question. While both of these initiatives are part of our commitment to stand up for Alberta's energy sector and our energy industry, they're actually independent from each other. They're two separate entities. The Canadian Energy Centre, formerly known as the war room, is a corporation that's incorporated under the Business Corporations Act, which is situated outside of the typical government structure, which, by necessity, is more rigid and will help the Canadian Energy Centre reach its objectives. The Canadian Energy Centre is there to fight for Alberta's energy sector, and it's a communications tool designed to tell the world about our energy sector and how it produces oil in the most environmentally responsible way.

The public inquiry is separate. It's being conducted independently from the government. The commissioner's mandate is governed by the terms of reference under the Public Inquiries Act, and that public inquiry is designed to expose the people in organizations behind a foreign-funded campaign to land-lock our energy sector. It's meant to find out: who, what, when, where, why, and how did this happen to Alberta? What was the source of funding, what was it used for, and how did it impact the ability to obtain market access and to build pipelines? That inquiry is under way now with Commissioner Steve Allan, and we're expecting a final report to be given to the government by July 2, 2020.

Mr. Singh: Thank you, Minister.

My next question is with reference to the ministry outcomes found on page 62. The government has committed to improving market access for Alberta's energy resources through advocacy and other supports. Alberta needs proper access to oil markets, so what additional actions will the government take to get these pipelines built?

Mrs. Savage: There are a number of pipelines that have already been approved. They're somewhere in the process between being approved and being built, but a lot of them are still in peril. We've got Enbridge's line 3. While it's being filled here in Canada and the construction is complete in Canada, we've got some delays down in Minnesota. We're expecting and we're counting on Enbridge's line 3 being in service by the end of 2020; however, this depends on obtaining several state and federal permits in the United States. We're working to ensure that that happens, and we're supporting that to ensure that we get that pipeline built. We're fighting to get every single pipeline project built.

The Trans Mountain pipeline project: we're participating in that. We're expecting construction to be under way, and we're expecting that to be in service by mid-2022, provided that we don't have any further delays. The construction is under way already, and while construction schedules are subject to change, we are expecting it to be in service by mid-2022. Some of the things that we've been doing on Trans Mountain: we've been participating in the court cases on that.

Keystone XL: there are currently three legal challenges in the United States. Rulings are anticipated on those challenges in late 2019 or early 2020.

4:50

The line 5 project, which is another Enbridge project that's been in service and been in place for a number of years, is experiencing some difficulties in the United States under the Straits of Mackinac, with the governor of Minnesota objecting to that pipeline.

We're taking a lot of steps to ensure that we're working with states in the U.S., with the federal government in the U.S., with governments in Canada to ensure that we don't have any further delays to those pipelines.

Mr. Singh: Thank you, Minister, for answering.

I will let MLA Getson, my fellow member, take the next question.

Mr. Getson: Perfect. Thank you.

Minister, again, I can't thank you enough for coming here and coming to the area. Between the agriculture ministers and the Energy ministers of days gone by, I can't tell you who's competing so far to give us compliments in the industry and, of stakeholders, who's doing the better job right now in changing out their last folks from the way it was managed before.

Like yourself, I was in the pipeline industry for a number of years, both on the contractor side and had the pleasure to work over at Enbridge from about 2007 to 2013 as a senior manager, planning and execution. So this is very near and dear to my heart, everything you're doing to try to get our capacity back.

If I can jump to the rail, when we were at Enbridge, we used to truck oil across the line from Minot, North Dakota, up to Estevan to get on a system until we could build up the transshipment facility, both in Minot and down at Eddystone. The \$1.5 billion: you've kind of answered my question out of the gate, but can you give us a breakdown of the assets that are tied into that? I think it was between the cars, the off-loading facilities, and the contracts. Is

there a rough breakdown of where those costs are allocated? If you could also just elaborate a little bit more on why it's a good thing to get rid of those railcar commitments.

Mrs. Savage: Well, to start with, continuing with the previous government's, the NDP's, crude-by-rail deal would have cost taxpayers \$1.8 billion. Every single barrel would have been moving at a loss. Instead, we have reviewed all the crude-by-rail contracts and decided to divest and save taxpayers money. We're anticipating to save at least \$300 million by putting these contracts properly and rightfully into the hands of the private sector. This will save Albertans money in the long term, but it also puts moving oil by rail back into the hands of the private sector, where it belongs.

I think you were asking some questions about the breakdown of the numbers.

Mr. Getson: Yeah, that's correct, between the cars, the off-loading and loading facilities, and then the contracts, which I think you kind of mentioned in your opening statements.

Mrs. Savage: Yeah. Various things. The \$3.7 billion cost that you hear associated with crude by rail: what that is is the cost in all the contracts. There are something like 19 contracts in the crude-by-rail deal. These are contracts with rail companies for capacity, contracts with loading facilities to load, and contracts with logistics and management. The terms of those contracts would have cost \$3.7 billion to fill. That's just the logistics of the crude-by-rail contract: \$3.7 billion for railcars, for lease and purchase of railcars, for the capacity on the rail line, for loading facilities, and for logistics.

What the previous government was planning to do was to use all of those contracts, actually go out and buy oil, move it on all of those contracts, and sell it at the other end. Our calculations from that is that over the terms of it the cost of buying the oil would be approximately \$6.8 billion. They could then sell it at the other end for \$8.8 billion. But the cost of moving it would be \$3.7 billion. That's how we've come to a loss of \$1.8 billion. As I've said before, it's the same thing as running a lemonade stand. It would be like running a lemonade stand, where it costs you \$10 to make your lemonade, and you can only sell it for 8 bucks. So everything was moving at a loss.

That's why we've taken the steps to divest those contracts, put them back into the hands of the private sector. In doing all of that, we're actually going to save taxpayers money from actually having run the contract. And that \$1.8 billion loss to run the contract: that doesn't even factor into the account the additional risks that the government of Alberta would be taking on. That is such a bad deal for Alberta taxpayers. It was signed by the previous government in the dying days of their government, at the very end, and it was a bad deal. Unfortunately, to get out of a bad deal and save taxpayers money, it's going to cost us some.

Mr. Getson: Well, it sounds very similar to the energy side of it as well. Again, back to my transshipment facility, we only ran it for a year, and then we ended up mothballing it as well, as a private company, so there are some inherent risks when you play in that pond.

Another question, if I could, is on page 62 of the key objectives, item 1.5: "Implement a robust natural gas strategy, including the optimization of the Western Canadian pipeline network and pursuit of opportunities for increased pipeline capacity and markets within Alberta." With that item, what's the government doing to help the small gas producers and bring natural gas to market?

Mrs. Savage: Well, to start with, Premier Kenney appointed an Associate Minister of Natural Gas and an Associate Deputy Minister of Natural Gas. Associate Minister Dale Nally is charged

specifically with overseeing natural gas, and that was an important appointment to ensure that there is a laser-sharp focus on the natural gas sector. Associate Minister Nally, since taking office, I understand, has met with more than a hundred industry stakeholders to understand the issues and help identify solutions to natural gas and the struggles that our producers are going through.

He has already implemented a lot of successful activities. He's looking at the 2018 Roadmap to Recovery report, that was prepared by panelists Hal Kvisle, Brenda Kenney, and Terrence Kutryk. There are a number of recommendations in that report that he's implementing. He's already worked with the producers and the Canadian Energy Regulator to approve a temporary change that would provide more access to storage and delivery during summer maintenance. That's provided much-needed relief to our natural gas producers. He's worked towards an announcement of urgent property tax relief for shallow gas producers. That has given tax relief to those producers of approximately a \$20 million saving. This is an industry that's barely hanging on right now. It's struggling. It is barely hanging on. So he's taken a number of steps to support that industry and ensure that they can stay vibrant and keep active.

Mr. Getson: Perfect. Thank you, Minister.

One last question from me, if I may, on 1.8 of the business plan. Again, in our area there are a few of us MLAs that share the power industry with the coal-fired generation plants. We've heard about that. The business plan states that the government will create "conditions for future investment in generation." How does the return to the energy-only market support investment in Alberta's energy sector within the province more broadly? Again, we're trying to facilitate that environment. What are these changes doing to allow that future investment and make it appealing again for that energy industry?

Mrs. Savage: Well, returning to the energy-only market, we did that after consultation with stakeholders. Over the summer we had consultation progress, where we spoke with generators, the transmission sector, the investors, and the consumers, and we overwhelmingly heard from them that they wanted to stay with the energy-only market. We asked three targeted questions: which market, energy-only or capacity, was best for attracting investment; which was best for affordability, for keeping low prices; and which was best for reliability, producing reliable electricity? Overwhelmingly they came back and said: stick with the energy-only market. So we have done that.

Since then we've had a number of announcements, \$2.3 billion worth of announcements, of new investment in the electricity sector, and that includes Suncor's cogeneration unit at its oil sands base facility. It includes Perimeter Solar and TC Energy's new solar project just south of Calgary, Greengate Power's solar project in Vulcan, and BHE Canada's Rattlesnake wind project in southeastern Alberta. We've had a number of new investments come in because we have stayed with the energy-only market.

5:00

Mr. Getson: I appreciate it, Minister. Thank you for your answers. I'll turn it over to MLA Rosin for the remaining.

Ms Rosin: Thank you. Well, thank you so much, Minister, for being here today. I have two questions relating to our natural gas industry. On page 62 of your business plan it states that the government is going to implement initiatives that support natural gas. I'm just wondering what our government is doing to increase the diversification of hydrocarbon value chains and new products to diversify the economy in Alberta.

Mrs. Savage: Well, thank you for the question. Our government is exploring ways to diversify Alberta's petrochemical sector. Doing so will expand the hydrocarbon value chains and provide new products to diversify our energy markets, creating jobs and financial benefits for Albertans in the process. This is being done by respecting the agreements made under the petrochemicals diversification program, PDP, and by remaining open to extending the royalty tax credit model to incentivize future projects.

We're working closely with industry and other stakeholders to build a diverse natural gas sector that attracts new investment, creates more jobs, and ensures that Albertans get value for our resources. Natural gas, as we know, plays a critical role in cleaner electricity generation, provides Alberta's growing petrochemical sector with valuable feedstock, and is key for transporting oil sands bitumen to market. We are incenting and we are working and looking towards more petrochemical activities in the province, and we are seeing much, much interest from investors from around the world.

Ms Rosin: Wonderful. Thank you.

Just to follow up, with reference to key objective 1.7 from the business plan on page 62, I'm just wondering if you can tell us: what steps are being taken by your ministry to ensure our province gets a chance to participate in global liquefied natural gas opportunities?

Mrs. Savage: Well, Alberta is always ready to play a key role in advancing Canadian LNG projects. Our natural sector can compete with the best on the international stage. In fact, right now Minister Nally is over in Japan talking about natural gas because we know that developing and exporting LNG from Canada is going to help meet growing global demand and will provide significant benefits to the Canadian economy. With Canada's massive natural gas reserves, a high-skilled workforce, and access to capital, we have the opportunity to capture the growing demand for natural gas in global supply.

Ms Rosin: Great. Thank you.

With that, I will cede my time. I believe Mr. Rehn is next.

Mr. Rehn: Thank you. Thank you, Minister, for coming today to answer our questions. I was looking at key objective 1.4 in the business plan. It states that the government will create an investment climate that supports the development of energy resources in the province. What work has been done to date in support of this objective?

Mrs. Savage: Well, thank you for the question. We've been approaching this full on. As you know, our government ran on a platform of jobs, economy, and pipelines. Supporting our energy sector, bringing back investment, bringing back jobs, attracting investment, and ensuring we're competitive is job number one for me. We've done a number of things to support this. I think we could look at it in three different buckets. One is creating the right investment climate from a tax incentive and a fiscal incentive, two is the right regulatory climate – we know we have to be competitive – and the third is to stand up for our energy sector. We know that across the world we compete with other jurisdictions for investment, so we have to be competitive.

On some of these fronts, in terms of creating the best and the right fiscal environment, we've brought in the job-creation tax cut to reduce the corporate tax rate by a third. By the time we're down to 8 per cent, we will be more competitive than 44 of the states in the United States and the most competitive environment in Canada. We have repealed the carbon tax, we have brought much-needed relief

to municipal government property tax, and we've allowed municipalities to offer businesses 15-year tax breaks in order to attract businesses to their areas.

The Chair: Thank you very much, Minister.

We will now take a quick five-minute break, followed by 10 minutes from the opposition caucus.

[The committee adjourned from 5:05 p.m. to 5:11 p.m.]

The Chair: If I could have everyone take their seats, we will continue with this evening's proceedings.

I would just like to remind all members: please, let's keep it under control and address your questions through the chair. We will start with 10 minutes with the opposition caucus. Please proceed.

Mr. Sabir: Thank you, Chair. The question I have is with respect to line item 4.2, page 87, the regulated rate option price ceiling. It has a budget of \$67 million. Is that the cost of the cap that was in place?

Mrs. Savage: Yes.

Mr. Sabir: And you said that you will be removing that cap?

Mrs. Savage: It's in the budget bill to remove that cap.

Mr. Sabir: Okay. The cap was available to all consumers on the regulated rate option, including residential, farm, irrigation, and small commercial consumers using less than 250,000 kilowatt hours of electricity per year. Because of this removal of the cap, Albertans will pay at least \$67 million more in bills because of this decision. Is that correct?

Mrs. Savage: Yes. That number, \$67 million, is what is from April to November for the payments made on the rate cap from April to November.

Mr. Sabir: That means that Albertans will pay way more than \$67 million.

The question I have now is with respect to the same line item and generally about electricity. Economic withholding was a huge concern under the energy-only system previously in place, that you are reverting to. Can you confirm whether or not economic withholding will continue to exist as it relates to your outcome of effective stewardship and regulation of energy resources?

Mrs. Savage: Those are rules that are administered by the AESO. As part of our review when we stayed with the energy-only market, we asked them to take a look at the energy-only market and recommend some improvements or what they would recommend to make it function differently.

Mr. Sabir: When we decided to transition to a capacity market, approximately 385 stakeholders, representing 182 organizations, participated in the ministry's policy development process for that capacity market. You already have decided to go back to an energy market. Will you share who you have consulted with, how many organizations, and will you provide those details?

Mrs. Savage: During the consultations we had numerous round-tables. We had round-tables with the distributors. We had round-tables with the generators. We had round-tables with consumer organizations. We had round-tables with retail providers, regulated utilities. On top of that, we had online consultations for people to submit their views, and we had over 600 stakeholders provide written feedback. Over that review we had targeted round-tables

with pretty much everyone in the electricity sector, open consultation, and I can tell you that for the majority, the vast, vast majority, it was overwhelming that we stay with the energy-only market. It was a very, very easy decision to make. We didn't need the full 90 days because it was so obvious that we needed to stay with the energy-only market.

Mr. Sabir: In 2016 Alberta's Auditor General recommended that "the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives." I understand that some work was done by the department on this, but I don't see any metrics on the royalty reduction program in Energy's business plan. Can you tell us what work has been done so far, and is there any report that is available that you can point to or share with us?

Mrs. Savage: That information will come in the annual report, which is due in June. Last year's came out in June, so previous numbers would be in June. We published one in June for the previous year's, and there'll be another one published next year.

Mr. Sabir: A related question: do you have an estimated total for all the royalty reduction credit programs that we have in place?

Mrs. Savage: This is a Treasury Board question, and it's in their revenue forecast.

Mr. Sabir: All these royalty reduction programs are operated by the Department of Energy. All I am asking is if you have information. What's the estimated total of these programs?

Mrs. Savage: Are you referring to page 91 in the revenue forecast? Are those the numbers you're referring to?

Mr. Sabir: There was a question with respect to an outstanding recommendation from the Auditor General that recommended that the department report on these royalty reduction programs. I just asked a related question.

Mrs. Savage: Sure. Well, it's not an outstanding recommendation. It's been completed. It's done.

Mr. Sabir: So is there a report that you can point to?

Mrs. Savage: The annual report.

Mr. Sabir: And it's publicly available?

Mrs. Savage: Yes.

Mr. Sabir: Okay. The next question. I know that abandoned and orphan wells are a huge concern for industry and Albertans. We took some steps, and definitely there is a lot more work that needs to be done. A quick question: how many abandoned and orphan wells are there in the province?

Mrs. Savage: The current orphan well inventory as of August 2019 consists of 3,370 orphan wells requiring abandonment, 2,518 sites that require reclamation as well as a number of pipeline segments for abandonment and additional sites for decommissioning and suspension.

Mr. Sabir: What's the total liability to the Crown, all of them together, like, decommissioned, abandoned, and orphan wells?

Mrs. Savage: We can't provide that because those numbers are variable. Each well has a different cost for reclamation and abandonment, so we don't have those numbers.

Mr. Sabir: So we don't have any estimated total for the liability to the Crown?

Mrs. Savage: No, we don't.

Mr. Sabir: Are you willing to look into it?

Mrs. Savage: Well, we're not willing to commission a study to study 3,000 and some wells to see what the individual cost for each one to be reclaimed is.

Mr. Sabir: I'm not asking about individual costs. I'm just asking for the total liability to the Crown.

5:20

Mrs. Savage: Well, again, you can't figure that number out. Each well is different. Each has a different cost associated. Each has a different time associated with it. You could throw an average number out and say that X is the average and that X is the number of wells, but that's not going to get you an accurate number.

Mr. Sabir: I think we used to have that when we were in government.

Moving on to the next question, line item 5.1, the cancellation of crude by rail will cost \$1.5 billion, which was supposed to create 120 K barrels per day capacity and bring revenues to the province. The question I have, Minister: when did you actually cancel these contracts?

Mrs. Savage: We're actually not cancelling them. We're divesting them. We retained CIBC markets to do a divestment, and part of that divestment will be assigning those contracts to bidders, those in the private sector who are prepared to take . . .

Mr. Sabir: When was that decision made?

Mrs. Savage: Well, that decision was made very early on with a public announcement that we would be retaining CIBC markets to do a divestment of the crude-by-rail deal, and that's under way now.

Mr. Sabir: And how much capacity . . .

The Chair: Thank you very much, members.

We'll now move over to the government caucus for a 10-minute block. Please let me know whether you are going to go back and forth with the minister.

Mr. Rehn: I would like to just finish my question. I would like to go back and forth with the minister.

Mrs. Savage: Absolutely.

The Chair: Thank you very much.

Mr. Rehn: The government announced that they would extend the petrochemicals diversification program, PDP, royalty credit, but I do not see PDP in the business plan. Why has the government decided to extend this program?

Mrs. Savage: Why have we decided to extend it?

Mr. Rehn: Yes.

Mrs. Savage: Well, we've decided to extend it because we know that to attract investment, we need to be competitive with other jurisdictions. This is a program and this is a method to be competitive. It's one of the key ways that we were able to diversify. The reason we're extending it is, obviously, to be competitive with other jurisdictions. Round 2 of the petrochemicals diversification program, which was under way, will provide \$1.1 billion in royalty credits. To date \$150 million of those credits have been approved. The remaining balance of the program from an existing program is still there, and that's what we're working on in petrochemical diversification. It's not in the budget because it's an existing program that we're just continuing.

Mr. Rehn: Okay. Thank you, Minister.

I'd like to pass it over to the MLA for Spruce Grove-Stony Plain.

Mr. Turton: Yes. Thank you. I guess I would actually pass it on to another member first for a couple of questions that we missed if that's okay.

Mr. Smith: Mr. Chair, if I could?

The Chair: Absolutely, Mr. Smith.

Mr. Smith: Thank you. On page 62 of the business plan it states that the government commits to improving the investment climate, but you decided to cancel the partial upgrading program and the petrochemical feedstock program. I guess the question, then, is this. These seem like programs that would improve the business climate. Can the government inform us as to why these programs were eliminated?

Mrs. Savage: Sure. Well, we did announce that we would be cancelling the partial upgrading program, PUP, and the petrochemical feedstock infrastructure program. At the same time, we announced that we'd be continuing with PDP, petrochemicals diversification. The reason why the two programs were cancelled and we kept the one: PUP and PFIP rely upon grants and loan guarantees. The petrochemicals diversification program relies upon royalty tax credit. Grants and loan guarantees carry a higher financial risk to the government and ultimately to Albertans, and that's why we cancelled those programs. We, of course, welcome market-driven investment and technologies. We welcome the petrochemicals diversification, and with royalty tax credits that carries much fewer risks to the province and Albertans. That's why we continued with that and we cancelled the other programs.

Mr. Smith: Okay. That makes sense. Thank you very much for clarifying that.

In your business plan reducing red tape is a contributor to improving investor certainty. What actions have been taken by this government to cut red tape impacting the energy sector's ability to attract investment?

Mrs. Savage: Well, there are a number of things under way. Of course, we have an Associate Minister of Red Tape Reduction, who we're working very carefully, closely with to find red tape, which will reduce costs and encourage investment in Alberta. In the first 100 days of my ministry the Department of Energy already undertook a number of actions on this front, including repealing the innovation energy technology regulation and the independent power and small producer regulation, two regulations that weren't required. We simplified the code of conduct requirements for electricity retailers' disclosure statements, and we announced a review of the Alberta Energy Regulator to review the mandate,

governance, and operations of the AER. We're working with the AER to identify opportunities for modernization and to ensure that resource development regulations are effective, efficient, and necessary. That work is under way in the Alberta Energy Regulator.

The Alberta Utilities Commission is also undertaking short-term efficiency initiatives identified in its own red tape reduction plan. They are initiating stakeholder reviews of the existing regulatory requirements for facility applications. That's for power plants, transmission lines, et cetera. They want to streamline and update the regulatory review process. They're making changes to their application process for gas utility pipeline applications, and they're reissuing performance standards for records development and decision-writing time frames. So we have a number of initiatives under way in both regulators that work with our departments, plus eliminating red tape in other areas where we can find it.

Mr. Smith: All with the idea of trying to find savings and make it easier for investing in this province?

Mrs. Savage: Exactly, and I think it's part of our key commitment and key platform commitment to attract investment. As we know, we're competing with other jurisdictions around the world. When investors are looking at where to set up their business and where to invest their money, they want to know that it's going to give as good a return on investment and get timelines and get their projects in service as fast as other jurisdictions. That's why we're reducing red tape. That's why we're doing things like the Alberta Energy Regulator review to find efficiencies. That's important because a lot of investment has left Alberta over the past number of years, and we need to bring it back. Part of bringing it back is to create a competitive regulatory environment.

Mr. Smith: Thank you very much, Madam Minister.

Mr. Chair, through you, I would pass it on to my next colleague.

The Chair: Go ahead.

Mr. Horner: Yeah. Thank you, Mr. Chair, and thank you to the minister and the department for being with us today. I'd like to ask some more questions about the Canadian Energy Centre. I'd reference back to page 62 of the business plan, key objective 1.2. I kind of came in a little late to the party, but I did hear the opposition asking you some questions in that regard. I don't think that's surprising. You know, they appointed Karen Mahon and Tzeborah Berman. Half of them used to moonlight as pipeline protesters themselves, so they're probably wondering when the thing will be operational to expose them. That's kind of where I was going. I'm wondering when it will be operational.

Mrs. Savage: We set up a corporation to establish the Canadian Energy Centre under the Business Corporations Act. That was approximately six weeks ago. The executive director, Tom Olsen, is in the process of getting a business plan written, getting the appropriate set-up of the office. They're still working on getting a website up; it takes longer than six weeks to get a website designed and up. We're expecting to have this fully operational by the end of 2019.

Mr. Horner: Well, thank you, Minister.

Shifting a little bit, I'd go to key objective 2.1 on page 64 of the business plan, about the review of the liability management framework. I know we talked a little bit about the number and the cost, but what is the government going to do to address the growing number of existing orphan wells in the province, and how will it

ensure that the accumulation won't become a bigger issue long term?

5:30

Mrs. Savage: Well, thank you. We're working with the Alberta Energy Regulator and industry to review and improve the entire liability management framework for Alberta to ensure that liabilities are addressed by producers and, at the same time, to encourage new investment. We want to ensure that the economic environment exists where private industry can be successful, enabling them to bear the costs of well abandonment and to build on the province's strong record of responsible environmental reclamation. As you pointed to, we know that the number of inactive wells is growing in Alberta. This is because producers are struggling to access markets where they can receive a fair price for our resources. We're working with the regulator to ensure that we have the right liability management framework to be able to continue to abandon and reclaim existing inventory and at the same time ensure that we can continue to attract investment.

Mr. Horner: In the same kind of theme, any thoughts towards – I know you know that my riding has wind farms. I have many more proposed. A big concern I hear is just about the end game on the wind farms, and I hear about orphan windmill programs or potential bonds. Just any comment you could give about the direction.

The Chair: Sorry. We might have to get back to that question at a later time.

We'll now move on to 10 minutes with the Official Opposition.

Mr. Sabir: I think my colleague will start, and we'll go from there.

Mr. Bilous: Great. Thanks, Chair. I will say to the minister and her staff: thank you for the work that you do. I've had the opportunity over the last four years to work with many of the people, officials in the Department of Energy and know that you have some fine folks that do work over there.

I'll just jump right into it. Minister, earlier you talked about tax relief for small gas producers. I'm curious if you can expand on that to share with the committee some of the criteria or what the bar was that was set to decide on what kind of tax relief went to which company, if there was, you know, a definition of companies with a certain number of employees below or above a certain threshold, if you have any details you can share.

Mrs. Savage: This was something that was announced earlier in the year by the Associate Minister of Natural Gas and the Minister of Municipal Affairs. They announced urgent property tax relief for shallow gas producers for the 2019 year. What I do know is that it results in more than \$23 million in tax savings for the shallow gas producers, who are barely hanging on.

Mr. Bilous: Like, were the criteria worked out in Municipal Affairs as far as which producers would get that relief? Who's administering that program? I know that it's up to you, Minister, but I'm happy to hear from the officials as well.

Mrs. Savage: Sure. I understand that it's Municipal Affairs. It's primarily their program, and we work with them. It's primarily run by Municipal Affairs.

Mr. Bilous: So the dollar amounts, then, would come out of the municipalities. It's not out of the Department of Energy. Correct?

Mrs. Savage: It's not out of the Department of Energy.

Mr. Bilous: Okay. All right. I have follow-up questions, but I know that you will say: ask Municipal Affairs.

Okay. Regarding the AER – and I appreciate the fact that you are, you know, cleaning up the mess that occurred recently in the AER, understandably – I know that we had tried doing some work with them, but I also know that industry did complain sometimes about the time that it took to get regulatory approvals for new projects and how that was a deterrent, especially to the energy sector. I know that you're in the process of I believe it's conducting a review within the AER. Can you tell us if that report or your findings will be made public or which pieces of information from that will be made public?

Mrs. Savage: Yes. Well, I'll back up. We've launched the review of the AER, a couple of months ago, to review its mandate, its governance structure, how the board operates, and its operations. That review has been ongoing. We've had, you know, a public component for online submissions, and we had targeted roundtables. We're compiling that information now, and we'll have a report out shortly.

Mr. Bilous: A public report, Minister, or a version of the report?

Mrs. Savage: We'll have a what-we-heard report out. That will inform our decision going forward on whether there need to be any changes to the board governance, whether there need to be any changes to the mandate. The review is to find improvements in the AER. It wasn't to overhaul any of the regulatory processes. It's to find improvements, to find what was going on inside there that was causing timelines to be slower. If . . .

Mr. Bilous: Sorry to interrupt, Minister. Just a couple of quick questions to follow up. Are there any plans or intentions to look at whether you need, in amending, you know, how they're governed – it's not even how they're governed. Is there any thought or idea to looking at putting into place timelines or imposing on the AER or recommending to the AER that they have to respond to companies within an X timeline so that – I mean, we've heard examples, especially from Imperial, that they were waiting for five years to get an answer on a project. Are there timelines or parameters around working with companies so that we can expedite that process?

Mrs. Savage: We will be looking at that in the red tape initiative. That's under way as well. The AER review was, you know, operations, their mandate, and governance. We also have a red tape initiative looking for things on red tape like what their processes and red tape are. That's ongoing, and it will be looked at.

Mr. Bilous: Is it your department that's doing that, or did you bring in an outside firm to be able to look at that specifically, or is that through the ministry of red tape?

Mrs. Savage: It's through both Environment and Parks and through Energy because we have joint oversight of the AER. The AER itself is also doing some red tape initiatives inside, looking for that red tape. So we're all looking for it.

Mr. Bilous: Are you committed to keeping the best practices of the AER?

Mrs. Savage: Absolutely.

Mr. Bilous: Okay. Because I do know that many jurisdictions invite the AER to other countries to talk about, you know, the fact that you have a regulatory body that takes both sides, environment

and the economy, and filters it through as opposed to having multiple entities.

Mrs. Savage: Absolutely. It's part of our story on how we have the best environmental oversight in the world.

Mr. Bilous: I'm just going to jump topics now. I'm not sure how much time I have left, Mr. Chair.

The Chair: Just under four minutes.

Mr. Bilous: Four minutes. Excellent. Okay. Two other topics I'd like to talk about. One is LNG, but before we get to that, just going back to the electricity market now, I know that you'd made a comment that you didn't need the full 90 days to consult, that everybody in the market said: no, it's obvious; go back to energy-only. I'm curious to know if you and the department looked at other jurisdictions. I mean, you're well aware that Alberta and Texas are the only two with energy-only markets, without a capacity market. In your consultation with stakeholders, did you look at, you know, benefits of a capacity market and how it works in other jurisdictions, or was it just talking to our own internal companies?

Mrs. Savage: We heard in the submissions, both in the roundtables and the online submissions – a number of them brought forward, you know, comparables with other jurisdictions across North America and the types of markets. So we did look at that.

Mr. Bilous: Okay. Can any of that be shared publicly as far as any of your findings?

Mrs. Savage: Well, anything that's submitted to the government would be subject to access to information.

Mr. Bilous: FOIP.

Mrs. Savage: You know, to some extent – when we take online submissions, I know there isn't a box to check for them to say: by submitting, you are allowing and authorizing it to be made public.

Mr. Bilous: But even an internal, obviously vetted conversation that would have been given to yourself as far as looking at the pros and cons of capacity versus energy?

Mrs. Savage: Well, there was, obviously – it would be some confidential advice to the minister and some things that would be covered by cabinet confidentiality for those types of things.

Mr. Bilous: Right.

Okay. Moving on to LNG, I mean, in addition to LNG Canada, I'm curious to know if your ministry is offering or working with companies, has put forward any proposals or offers of support or potential dollars or – you know, maybe I should back up and say: what is your ministry doing to help move LNG projects forward? If you can, I mean, talk about LNG Canada but other projects in addition to that. What concrete steps is your government doing to move these projects?

5:40

Mrs. Savage: Well, Associate Minister Nally is over in Japan right now talking to investors and talking about LNG. We've met with, obviously, a number of the proponents. We haven't offered provincial funds for specific projects, but we are in active conversations with various proponents on where they are in FID and where they are in project design.

Mr. Bilous: Have you been working with the government of British Columbia, I mean, considering that any LNG project has to go through B.C.?

Mrs. Savage: Well, they're very supportive of LNG. Yes, we've had active and ongoing dialogue with them. It's the one area where we are very, very much aligned, the need to get natural gas to markets. Those conversations are very fruitful.

Mr. Bilous: Okay. Thanks.

With the remaining time I have – 20 seconds?

The Chair: Twenty-five.

Mr. Bilous: To MLA Schmidt.

Mr. Schmidt: You know what? The government caucus has just been asking riveting questions. I cede my time to them to just hear what insightful things they want to ask about.

The Chair: Well, thank you very much for the very respectful line of questions in the last 10 minutes.

Now we will turn over to the government caucus for a 10-minute block.

Mr. Turton: Yes. Thank you, Mr. Chair. I'd like to thank the members opposite for allowing us to ask our questions. I mean, thank you so much for giving us those extra now 15 seconds.

Now, Minister, is it okay if we go back and forth?

Mrs. Savage: Yes, of course.

Mr. Turton: Okay. Excellent. I guess my first question is really pertaining to a couple of points that you said at the start of the evening, specifically about renewable energy generation. On page 62 of the business plan it states that the government welcomes "market driven investment in renewable energy generation." What is the government doing to welcome investment in market-based renewable electricity, and how does your approach differ from the approach of the previous government?

Mrs. Savage: Well, on market-based renewable electricity the province has actually attracted a number of projects since staying with the energy-only market, where the renewable sector feels that they can compete and that they have, in some senses, advantages. During our consultation on the energy-only market – it was interesting – we had CanWEA, the wind association, come out wholeheartedly in support of the energy-only market. We had wind producers come out in support and, interestingly, we even had the Pembina Institute come out in support of an energy-only market. That's for its impact and its ability to attract renewable investment.

The interesting thing is that we're attracting it without subsidies. The previous government had REP programs to subsidize renewables to bring it online. We found that we don't have to. They can compete naturally. They don't need the subsidies. They just need the right type of market to be able to compete. We gave them that, and we're continuing to work with them.

I'm excited about the renewable sector. In my previous role I actually worked a lot on a number of wind projects and am a big supporter of the renewable sector, but it has to be market based. Like, we can't be providing subsidies, and we don't have to. As I said earlier, we've attracted a number of projects, including a couple of solar projects in southern Alberta and the Rattlesnake Ridge wind project. We expect to continue to attract them because they're profitable.

Mr. Turton: Okay. Other than the changeover to the energy-only market, have there been any other changes that your ministry or the new government has done to help foster an environment where those renewable energy projects want to come to the province?

Mrs. Savage: Well, you know, a number of initiatives that would apply to attracting investment in all the sectors will apply and are especially attractive to the renewable sector: bringing in a broad-based tax cut with the job-creation tax cut, lower corporate tax cut; cutting red tape, some of the initiatives at the AUC, the Alberta Utilities Commission, to cut red tape and to make streamlined project approvals. All of those things are impactful and helpful for the renewable sector to decide that they want to invest in Alberta.

Mr. Turton: Minister, do you have a combined value of the renewable energy projects that have come to the province since making some of these changes?

Mrs. Savage: Well, what we do have is that in the last four months we've attracted \$2.3 billion of newly announced projects in the electricity generation sector. That includes the Suncor cogen unit at its oil sands facility, Perimeter Solar project with TC Energy for a new solar PPA project, Greengate Power solar project in Vulcan, and BHE Canada's Rattlesnake wind project. Combined, those projects total up to \$2.3 billion of new investment in Alberta. That's exactly what we need and what we want to do, attract that investment, and we can. We just have to give them the right market and the right incentives and the right investment climate to succeed, and they will come.

Mr. Turton: Just regarding the one project that you mentioned there, the new cogen up north, would you say that the primary reason that that project went ahead is because of the changeover to the energy-only market?

Mrs. Savage: Yes. In fact, in their announcement they were very explicit that staying with the energy-only market enabled their investment. So yes. That's a definite yes.

Mr. Turton: Okay. The second question I have is about outcome 1 on page 62 of the business plan. It speaks of providing affordable electricity for consumers in the preamble for that business plan. How can Albertans take control of their own power costs?

Mrs. Savage: There are two main charges on individual power bills, energy bills. The first is the cost of energy consumed, and then the second is the cost of delivery. The energy consumption, of course, is something individual consumers can somewhat control. It's based on how much energy is used. Customers have options when buying electricity for the consumption rate. They can choose the RRO, or they can choose a rate contract, a contract with regulated competitive retailers. The customers who don't sign a contract are served by the regulated retailers, the RRO. So there are some options for consumers for choice in how they want to obtain contracts that will deal with the cost of energy consumed.

The cost of delivery of the energy is largely fixed. That's for distribution and retail. Consumers can look at energy efficiency measures that will help to reduce their energy charge on their power bill. Of course, as we're moving and we eliminated the RRO rate cap over 6.8 cents, consumers can choose to go to a regulated competitive retailer. There are over 30 retailers who will provide a fixed-rate contract, most of which are under that 6.8-cent threshold.

Mr. Turton: I guess just a quick supplementary question. Regarding the transmission costs on the bills, I know many seniors

in my riding are, obviously, affected by those fixed, you know, costs on their bills. They say that they'd cut back on power costs. Are there any plans by your ministry to either review that system, or is there anything that the average consumer can do to help mitigate those costs at all?

Mrs. Savage: The AUC has a review under way already on the distribution costs. There have been a number of circumstances that have changed and evolved over time. That review is under way by the regulator.

Mr. Turton: When is the expected timeline for that review to be complete?

Mrs. Savage: We don't know, but it's under way right now.

Mr. Turton: Okay. Good to know. I know many seniors right across the province will be happy to know that that review is taking place as well.

Mrs. Savage: Yes. We hear that a lot, a lot of concerns from your constituents, from everybody's constituents on the distribution and transmission costs on their electricity bills. We see that and we understand that it's a concern, especially to rural residents, so we're paying very close attention to that. I think some of the review being undertaken by the AUC is going to look at that. Hopefully, we can find some relief.

Mr. Turton: Excellent. Well, thank you very much.

I cede the rest of my time to Member Sigurdson.

5:50

Mr. Sigurdson: Well, thank you. Through the chair to the minister: permission to go back and forth? Excellent. Thank you.

I just want to start out by saying that I want to thank you for all the hard work you've been doing since April. I think it's really being noticed internationally as well as at home here. It's one thing to say that you support our energy sector, and it's another thing to put actions behind that. I think that people are recognizing the hard work and the actions that you and your team are putting behind our energy sector.

I want to start by just asking a question on your key objective 1.1 on page 62 of the business plan. Can the ministry explain its plan to improve market access for Alberta's energy resources and products and how, other than the CEC, or Canadian Energy Centre, you have taken steps to do so?

Mrs. Savage: Well, thank you for the question. I mean, we're doing a number of things, both on the natural gas front and on the oil, conventional and oil sands, project front to support our pipeline projects. As I mentioned earlier, there are a number of oil pipelines that are approved, but they're not built. We need those to be built. We're desperate to get more market access and to have the capacity. That includes line 3, KXL, and Trans Mountain. We have active engagement strategies to talk with other jurisdictions and stakeholders to support those projects to make sure that they come on stream when we need. We're participating in regulatory processes.

The Chair: Thank you very much. I hate to interrupt, but we will now move on to the opposition caucus for a 10-minute block.

Mr. Sabir: Thank you, Chair. I think I still have some questions relating to budget lines 2.3, the energy centre, and 2.1. Earlier you mentioned that it will pay for the inquiry. With respect to the inquiry initially we were concerned about that contract going to the

commissioner's son's law firm, so we asked the Ethics Commissioner, who directed us to your deputy minister. The question I have is – the deputy minister has declined to do so. Were you involved in that decision or direction to decline that request?

Mrs. Savage: I think you're probably referring to the November 18 letter from the deputy minister to Ms Sweet. To not misinterpret anything that was said there and what the intentions are, I'm going to read it into the record.

Mr. Sabir: I have that letter.

Mrs. Savage: Well, you asked a question. I'm going to read it into the record because that's the only way to answer this question to make sure that it's clear and it's not misunderstood.

In reference to your November 15, 2019 letter, I am satisfied that Mr. Steve Allan is not in violation of the Code of Conduct and Ethics and there is no conflict between his private interests and his role as Commissioner.

I have made this decision based on several facts. Firstly, as per section 10.3 of the engagement agreement between the Government of Alberta and the Commissioner, the Commissioner is entitled to select resources at his sole discretion – in accordance with the independence of the Commissioner's role. Further, I understand the Commissioner chose a competent and well-respected international law firm, Dentons, to assist him to fulfil his mandate.

Secondly, I am aware that Mr. Toby Allan is not providing advice to the Inquiry nor does he have any involvement in the file. I understand he also does not have access to the electronic files within Dentons related to the Inquiry. As one of roughly 250 partners in Canada, he will not receive any significant financial benefit from the file.

Thirdly, Mr. Allan is not a designated office holder under the Public Service Act, and, therefore, section 25.21 of the Act does not apply as you suggest in your letter. Mr. Allan is subject to the Code of Conduct and Ethics for the Public Service.

Sincerely,

That's the letter, and that speaks for itself.

Mr. Sabir: Okay. You're suggesting that it's okay that the only person able to investigate the inquiry is under your direction?

Mrs. Savage: I read the letter, and that speaks for itself.

Mr. Sabir: May I ask, then: why is this centre not subject to Ethics Commissioner investigations?

Mrs. Savage: I read the letter, and that speaks for itself.

Mr. Sabir: And do you think that Albertans should have trust in this process?

Mrs. Savage: Pardon me?

Mr. Sabir: Do you think Albertans should have trust in this process, in this person's judgment?

Mrs. Savage: Yes. It's an independent inquiry under the Public Inquiries Act, so yes. They should have trust in the process.

Mr. Sabir: The next question I have is with respect to the royalty reduction programs. It was reported in the annual report that in fiscal 2018-19, 11 royalty programs provided more than \$953 million in royalty adjustments to oil and gas producers. Do you have any estimate of how much we will provide in royalty adjustments in 2019-20?

Mrs. Savage: I understand Treasury Board and Finance does the revenue forecasts.

Mr. Sabir: Okay. A related question, again: can you provide the estimated worth of all the royalty credit, royalty reduction programs?

Mrs. Savage: That goes back to Treasury Board.

Mr. Sabir: So you don't have that information?

Mrs. Savage: Treasury Board would have that information.

Mr. Sabir: These are all programs delivered through your ministry. Every single program I'm asking about is delivered through your ministry, and all I'm asking is: what's the total worth of these programs?

Mrs. Savage: This is based on forecast, future forecasts, so you're talking about something in the future, which is forecast by Treasury Board. You're not talking about something that is in the budget or has been delivered. You're talking about future forecasting, and that question is for Treasury Board.

Mr. Sabir: Okay. Let me try one more time.

The Chair: Through the chair, please.

Mr. Sabir: If I ask how many royalty reductions, royalty credit programs are in your ministry, will it be a fair question?

Mrs. Savage: Yes. We could provide you with a list of what the programs are.

Mr. Sabir: And you can also provide what each program is worth? For instance, we brought forward three programs. One was \$1 billion; one was \$500 million; the other one was \$500 million.

Mrs. Savage: We could tell you the existing ones, but we can't tell you the future ones because that's future forecasting. We could give you a list.

Mr. Sabir: No. I'm asking about existing.

Mrs. Savage: We could give you a list of the existing.

Mr. Sabir: And what each program is worth?

Mrs. Savage: We can describe the program and report on it. These things are in the annual report every year, so you'll see those numbers in the annual report in June.

Mr. Sabir: The annual report 2018-19: I was looking at that. I understand that government

explored the role of refineries in energy diversification and economic activity in the province.

In response to industry encouragement, the province issued a Request for Expressions of Interest on December 11, 2018 to determine the business case for investing in a new refinery or related infrastructure in Alberta.

Submissions were closed on February 8, and I understand that a number of expressions of interest were received. Have you looked at any of these proposals, and is that a priority for your department?

Mrs. Savage: We cancelled that program.

Mr. Sabir: So no more refineries in Alberta?

Mrs. Savage: Well, we would absolutely welcome market-based refineries by the private sector. That's a private business decision, and we would absolutely welcome private-based solutions.

Mr. Sabir: Page 102 of the fiscal plan. You mentioned that you view the partial upgrading program and petrochemical feedstock infrastructure program as too risky. I just want to understand that a bit better. Based on the projects that the government had seen, how many of these projects would the government expect to fail?

6:00

Mrs. Savage: For background, two projects were approved already to receive royalty credits under the first round of the petrochemicals diversification program; they're still going ahead. Inter Pipeline was approved to receive up to \$200 million in royalty credits for its propane dehydrogenation project, and Canada Kuwait Petrochemical Corporation in a joint venture with Pembina Pipeline was approved to receive up to \$300 million in royalty credits for its integrated petrochemical . . .

Mr. Sabir: These were our programs, so I know what they were.

Mrs. Savage: Then why did you ask?

Mr. Sabir: You were projecting that there was some risk to it, so I'm asking what those . . .

Mrs. Savage: Those are royalty tax credits. As I said before, those are based on royalty tax credits. You get a credit if the project is built. If it comes to fruition, if it succeeds, you get a credit on royalties. That is completely different from risk analysis based on government giving a loan guarantee or a grant. We have continued with the programs based on royalty tax credits, but we have discontinued the ones based on loans and grants.

Mr. Sabir: I was asking more about the PUP, partial upgrading program, you mentioned earlier.

Mrs. Savage: We cancelled those because they were based on loan guarantees and grants; they weren't based on royalty tax credits. We continued the program, which we considered a very good program, based on royalty tax credits.

The Chair: Thank you very much.

We will now move on to a 10-minute block for the government caucus.

Mr. Sigurdson: Thank you once again, Chair. Permission to go back and forth with the minister?

Mrs. Savage: Absolutely.

Mr. Sigurdson: I just wanted to give you a chance, maybe, to wrap up the previous question on what actions and steps you've been taking on getting Alberta energy resource products other than CEC. If you want to just wrap up that answer.

Mrs. Savage: Sure. I think I spoke a little bit about the stuff we're doing to support the existing pipeline projects that are approved but not built. We also know that we have legislation passed by the federal government that will ensure that no other pipeline projects are ever built, Bill C-69. We have launched a constitutional challenge to challenge Bill C-69. It's an environmental assessment review process that is basically impossible to expect any company to ever get through and ever make an investment decision. We're challenging that constitutionally. Bill C-48, which is the tanker moratorium, which would prevent crude oil from moving off the

northwest coast of B.C.: we consider that very discriminatory to Alberta, and we are working with indigenous groups and others to launch a constitutional challenge of that. Those are a couple of the other things we're doing aside from supporting the existing pipeline projects that are remaining.

It is absolutely crucial that we get line 3 and the existing pipeline projects because virtually every other pipeline project that was on the books has been wiped out. Northern Gateway and Energy East are gone. Bills C-69 and C-48, if we don't get rid of those pieces of legislation, are going to make it extremely difficult for anything to be built in the future. That's why we're doing everything we possibly can to challenge that, and that's why we're doing everything we possibly can to support the existing projects.

Mr. Sigurdson: Thank you, Minister.

As a follow up, something that I've actually heard a few times and I was kind of really excited to see referenced as well in the business plan was these resource corridors. How is your ministry seeking to create an alignment on these resource corridors to expedite future major pipeline approvals?

Mrs. Savage: Thank you for that question. Obviously, we support these pan-Canadian energy corridors. We think they make a nice simple solution for market access, and Premier Kenney has been advocating for this for a while with his colleagues across Canada. In fact, at the Council of the Federation earlier this year 12 of the 13 provincial and territorial Premiers signed onto an agreement to explore the concept of resource corridors. The Premiers are committed to this, committed to exploring the concept in greater detail and reporting back at the 2020 Council of the Federation meeting. The energy corridors have wide support across the country from the provinces and territories, so we'll be doing everything we can to assist that and to implement that and to grow some support for that.

Mr. Sigurdson: Excellent. Thanks, Minister.

My second question here is in reference to key objective 1.6 on page 62 of the business plan. I'm just wondering if you can explain what current initiatives are supporting natural gas value chains and value-added processing in the province. We've noticed an incredible recovery of the gas market, and I'm just wondering if you can provide some depth to this.

Mrs. Savage: Well, as I say, first and foremost, having an Associate Minister of Natural Gas was a very positive step to show the importance of the natural gas industry. You have a dedicated minister tasked with finding markets and achieving better results for the natural gas sector. Minister Nally is over in Japan right now trying to find new markets for natural gas.

Some of the things that we have done, that he has done – and he's worked very diligently. He's met with over 100 different stakeholders and producers in the natural gas sector. He's busy reviewing and implementing the key recommendations from the 2018 Roadmap to Recovery plan that was tabled. There are some very good recommendations in there. Many of the actions have already been taken, including working with the industry for the health of the sector through the temporary service protocol for the NGTL system. He worked very successfully with the producers to bring an application forward to the Canadian Energy Regulator to achieve some positive outcomes.

We're working in general, as with all investment, by improving the overall business environment, including the job creators' tax cut, cutting red tape. With natural gas producers we have had the shallow gas tax relief program, that brought them \$23 million of tax relief. He's working very hard to develop – one of the biggest

problems in the natural gas sector is that we need markets. We need pipelines. We need access to the markets. We need egress. It's the same problem that we have with crude oil. We have this abundance of resource; we just can't get it to market and can't get the fair price. He's working extremely hard in the natural gas sector and dedicated fully to that.

Mr. Sigurdson: I'm a firm believer that getting our natural gas to the international market is something that can have a massive positive global environmental impact. I'm just wondering as well if you can tell me if you have any future initiatives, things that you're working on right now that might be also put in place to support this industry, the natural gas industry itself, as a whole?

Mrs. Savage: Well, I think the whole road map on it was in that 2018 Roadmap to Recovery, which was a panel put together by some of the leading experts in the natural gas industry, including Hal Kvisle, Terrence Kutryk, and Brenda Kenney. They came up with a whole road map and a number of recommendations. Minister Nally is working very diligently through that document to achieve some of those recommendations. We've already taken action on six of those, as I said: optimizing the NGTL system through enabling access to storage; tax relief for shallow gas producers; reducing red tape; advancing additional Canadian LNG projects; creating additional intra-Alberta demand, things like gas-powered electricity generation, petrochemical industry; and launching a challenge to Bill C-69. Bill C-69 is an existential threat to natural gas, as it is to oil.

Mr. Sigurdson: Excellent. Thank you so much for those answers, Minister.

I will cede the rest of my time to Member Yaseen.

Mr. Yaseen: Thank you, Minister. I, too, come from oil and gas, and I have seen many ups and down over the last 30 or 40 years but nothing like the last three or four years. Thank you for all the effort that you are making to turn our oil and gas industry around. Much appreciated.

My question to you is on the business plan, page 64, under key objective 2.3. I'm just wondering how you're making sure that your ministry can optimize regulation and oversight to ensure the efficient, effective, and environmentally responsible development of Alberta's energy resources through the Alberta Energy Regulator, or AER.

6:10

Mrs. Savage: Thank you. We've launched a review of the Alberta Energy Regulator to review its mandate, operations, governance structure. We began this review in September, seeking feedback from stakeholders and the public. We're looking at the very foundational pieces of the regulator. We're trying to also find red tape and fix some of its processes and timelines, but we know that we have to have the foundational piece right. You have to have a regulator that's operating properly in order to achieve better red tape results.

In the AER review so far we've heard from 271 individuals and organizations who provided written input. We've met with 75 representatives from 43 organizations representing industry, industry associations, municipalities, land owners, investors, academics, environmental groups, NGOs. These people attended in person at round-tables to share their perspectives. Also, we met with 53 representatives of First Nations and Métis business and communities to provide their input. Under the AER review we're reviewing all of that input to put forward some recommendations, a what-we-heard document, and . . .

The Chair: Thank you very much, Minister.

We will now move on to the Official Opposition for a 10-minute block.

Mr. Sabir: Thank you, Chair. I have a quick question with respect to APMC. They're showing in their annual report a net loss because of the delays in the Sturgeon refinery due to the anticipated commercial operation date of June 2018. Do we have a new date for this start? Also, what are you doing to make sure that there are no further delays and APMC doesn't incur further loss?

Mrs. Savage: Well, there have been a number of delays on the North West Redwater upgrader, the Sturgeon refinery. The project has experienced a number of technical issues that have led to delays. We're now expecting a start-up date in 2020. The most recent delay is due to technical issues with the gasifier and hydroprocessing unit. They're being addressed. I could go into the technical details of those units. I don't suspect you're looking for that. The next in-service date, the best that we've heard, is expected in 2020. We obviously want that to be as soon as possible because Alberta taxpayers are ultimately footing the bill for these delays.

Mr. Sabir: Do we have any estimate? How much will it cost APMC?

Mrs. Savage: It depends on how long the delay is. The monthly cost is about \$30 million for each month's delay that it's not in service.

Mr. Sabir: I was looking at the annual report, and I understand there was a natural gas advisory panel that was established in 2018 and then provided their report in October of 2018. There are some 48 technical and specific recommendations to grow the natural gas sector. Have you looked at those recommendations? Do you accept them, and are you working on them?

Mrs. Savage: Well, you know, as I mentioned earlier, those are the Roadmap to Recovery recommendations that Minister Nally is working through. He's already implemented some. That's really, like, a very fulsome picture of what needs to happen to recover the natural gas sector. The report is an excellent report, written by Hal Kvisle, Brenda Kenney, and Terrence Kutryk. Yes, we've accepted those recommendations in the report, and it's the framework for the work that we're undertaking to try to bring recovery to the natural gas sector.

Mr. Sabir: Again, that's also based on information in the annual report, that there is a program in your ministry, the emerging resources program, started in 2017. There were 17 applications that were received, and 11 companies have shown interest in the program. In 2018 the emerging resource program received five applications that are under review. Four of them that were received in 2017 were approved during 2018. How many applications have been reviewed so far, how many have been approved, and what are some tangible benefits that will flow from these programs?

Mrs. Savage: Well, thank you. I was just conferring with officials. We'll have to get back to you on the details of where those are in being reviewed. We'll undertake to provide you with that information. This also comes out in the annual report. The information you're referring to in the annual report carries over yearly. Each June that information is published.

Mr. Sabir: I was looking at revenue numbers, that we have \$5.4 billion in nonrenewable resources, \$1.6 billion higher than the budgeted amount. In 2018 it was the first time that annual crude bitumen production in Alberta exceeded 3 million barrels. The question I have is – I think it was information somewhere – what

numbers are you using for your budget estimates, like, in terms of bitumen price, conventional oil price, and gas price?

Mrs. Savage: Was your question on how much was being produced or how much were the royalties expected?

Mr. Sabir: No. I was just asking about the numbers you have used for your projections. Like, what's the price per barrel you are using?

Mrs. Savage: Oh. The price per barrel. Sure. For the 2019-2020 year we have projected \$57 for WTI, west Texas intermediate. We have projected 57 bucks a barrel U.S.

Member Ceci: Just a follow-up on that question. Your estimate for '19-20 bitumen royalty is \$4.7 billion, say. Then it drops, in the '20-21 target, \$1.2 billion and levels back out to the estimate number in '21-22 and then jumps to \$6.1 billion, call it. So can you just outline the assumptions, both price per barrel, constraints coming off, and pipeline access and timing on pipelines, that are built into that?

Mrs. Savage: Are you referring to the price or the total royalty?

Member Ceci: Well, I talked about the total you expect. So I was asking about price per barrel in the target years as well as constraint, when you see it coming off, if it plays into that '20-21 target number, and when pipeline access gets realized that plays into that final target number.

Mrs. Savage: I guess we've projected very conservative numbers for the price of oil in U.S. dollars, WTI: 57 bucks for 2019-2020, \$58 for '20-21, \$62 for '21-22, and \$63 for 2022-23. We've taken a look at all of that. A number of things impact that. The Treasury Board does the future forecasting.

Member Ceci: Right.

Mrs. Savage: So I think you probably need to defer those questions to Treasury Board. When you're talking about future forecasting, those numbers come from Treasury Board.

6:20

Member Ceci: Okay. Maybe I'll direct the pipeline questions to you, then.

Mrs. Savage: Sure.

Member Ceci: What is the timing and what pipelines do you see factoring into this '22-23 target?

Mrs. Savage: We're anticipating Enbridge's line 3 to be in service by the end of 2020. In the meantime, between now and line 3 coming on service, there are a bunch of optimization programs. All the pipeline companies – Enbridge has optimization programs to get additional capacity moving in the main line. We have some of that coming on in December, more coming on in January. TC Energy has some optimization programs on Keystone, and Enbridge has some optimization programs on Express. So we have a lot of additional capacity coming on between now and 2021.

Member Ceci: That's great optimizationwise. Any other pipelines identified in this besides Enbridge 3?

Mrs. Savage: We've got the Enbridge line 3 and the optimization. Trans Mountain: we have it coming on in 2022.

Member Ceci: What part of 2022?

Mrs. Savage: The fourth quarter of 2022.

Member Ceci: Is that it?

Mrs. Savage: And we are anticipating . . .

The Chair: Thank you, Minister.

We will now move over to the government caucus.

Mrs. Savage: Just quickly, it's on page 37. Page 37 has the dates.

The Chair: Thank you, Minister.

Mr. Yaseen: Mr. Chair, back and forth again?

The Chair: Absolutely, sir.

Mr. Yaseen: Thank you, Minister. We were talking about AER. Just to conclude that last question that I had on AER, what is it that you're doing to ensure that AER is working at its most effective and modern capacity to tackle these regulations and oversights?

Mrs. Savage: Sure. Well, the first thing is we're doing a full review of the AER for its mandate, its operations, its governance structure. You know, that review is ongoing right now. Also, during the time frame where we were doing that, we had the ICORE report come out. We've replaced the board on the AER, and there have been a number of personnel changes already within the AER. That's happening separately as we're reviewing it. On top of that, we had three independent legislative reviews, from the Ethics Commissioner, the Auditor General, and the conflict-of-interest commissioner, take a look at the AER and the role some of the former executives that are now gone had in setting up ICORE, International Centre of Regulatory Excellence. That's gone now, that initiative. We believe that there was a lot of time and money being spent pursuing initiatives that were outside of the regulator's mandate. That's been cleaned up. We're focusing the regulator on their core mandate, what they're supposed to be doing. We're reviewing it. At the same time, we're reviewing red tape and ensuring that they can get to focus on what they're supposed to and get their timelines up to Oklahoma and Texas standards.

Mr. Yaseen: Well, thank you.

How is the ministry ensuring that the regulation and oversight of Alberta utilities meet the social, economic, and environmental interests of the province?

Mrs. Savage: Sure. Well, within the legislation that the AUC uses to review projects, they have to make their decisions based on public interest. The public interest in their legislation includes the aspects of social, economic, and environmental outcomes. They review all of that before they approve a project.

Mr. Yaseen: Thank you. What is the ministry doing to make sure that the Alberta Utilities Commission is working at its most effective and modern capacity to tackle these regulations and oversights?

Mrs. Savage: Well, they're also undergoing a red tape initiative. Internally they're looking for red tape to ensure regulatory efficiency. On their own they are conducting a review of the distribution and transmission framework, so they're undertaking all of that. We know that to attract investment, we need to have a competitive regulatory framework. That includes not just energy, oil and gas; it also includes electricity. So we're making sure that the AUC achieves the best in time decisions.

Mr. Yaseen: Thank you.

Moving on to a different question now. In reference to page 102 of the fiscal plan, more specifically, regulated rate option, can the minister expand a little more about the negative impact the previous government had made when they implemented an electricity price cap program, which capped electricity rates for consumers on the regulated rate option at 6.8 cents per kilowatt hour? What will be the benefit of the cancellation of this program?

Mrs. Savage: Well, thank you for the question. The cap itself, the RRO rate cap, was put in place to hide the volatility of the previous government moving towards a capacity market, moving away from the energy-only market, and also to hide the cost of subsidized renewables. We have eliminated the subsidies to renewables, and we have stopped the movement towards a capacity market. Those things are no longer in place. We believe that this will provide a framework for affordable electricity.

What we do know: by eliminating the RRO rate cap, we are – the program itself was estimated to cost taxpayers \$388 million to the date of May 31, 2021. Moving forward, we've eliminated the RRO rate cap, effective the end of November, and that is going to save the government more than \$243 million in payments that the RRO providers would have been paying. So we've achieved significant savings.

At the same time I can't talk about affordability of electricity without making reference to one of the things that happened under the previous government's watch, which definitely drove up the price of electricity. What's costing electricity consumers and what you see every single month on your electricity bill is the Balancing Pool adjustment. That's a charge every single month for years out to cover the cost of the cancellation of the PPA contracts due to the ideological meddling in the electricity sector by the previous government, \$1.8 billion, that consumers will be paying in the Balancing Pool adjustment over many decades. You want to talk about affordability of electricity? You have to talk about that.

Mr. Yaseen: Thank you.

One last question. With reference to page 103 of the fiscal plan there's mention of a fight-back strategy. I know we talked about specifics, but can you please explain in a broader sense the ministry's role in the fight-back strategy?

Mrs. Savage: The fight-back strategy. Well, what we've seen over the last many, many years is a failure to defend the oil and gas sector. What we saw in the last four years was a pursuit by the previous government and Justin Trudeau's government of a social licence. In return, they promised a carbon tax and a hard cap on oil sands emissions in hopes that they would get a pipeline approved by Justin Trudeau. Well, you know what they got? They got the Trans Mountain pipeline approved, but at the same time, Northern Gateway was vetoed. At the same time, the regulatory rules for Energy East were changed, and Energy East was cancelled. That was a one-and-done deal, that one pipeline would be approved; everything else would be killed. If you have any doubt that it wasn't intended to kill every other pipeline on the books, just take a look at bills C-69 and C-48.

The Chair: Thank you very much.

I hesitate and apologize for the interruption, but I must advise the committee that the time allotted for this item of business has concluded. This meeting concludes the committee's consideration of the 2019-2020 main estimates for the ministries within its mandate.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 6:30 p.m.]

