



Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee
on
Resource Stewardship

Ministry of Energy
Consideration of Main Estimates

Wednesday, March 4, 2020
3:30 p.m.

Transcript No. 30-2-4

**Legislative Assembly of Alberta
The 30th Legislature
Second Session**

Standing Committee on Resource Stewardship

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

Dach, Lorne, Edmonton-McClung (NDP)
Feehan, Richard, Edmonton-Rutherford (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UCP)
Loewen, Todd, Central Peace-Notley (UCP)
Rehn, Pat, Lesser Slave Lake (UCP)
Rosin, Miranda D., Banff-Kananaskis (UCP)
Sabir, Irfan, Calgary-McCall (NDP)
Singh, Peter, Calgary-East (UCP)
Smith, Mark W., Drayton Valley-Devon (UCP)
Stephan, Jason, Red Deer-South (UCP)*
Yaseen, Muhammad, Calgary-North (UCP)

* substitution for Mark Smith

Also in Attendance

Gray, Christina, Edmonton-Mill Woods (NDP)
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)
Schmidt, Marlin, Edmonton-Gold Bar (NDP)

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Standing Committee on Resource Stewardship

Participants

Ministry of Energy

Hon. Sonya Savage, Minister

Douglas Borland, Assistant Deputy Minister, Ministry Services

3:30 p.m.

Wednesday, March 4, 2020

[Mr. Hanson in the chair]

**Ministry of Energy
Consideration of Main Estimates**

The Chair: I'd 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'm David Hanson, the MLA for Bonnyville-Cold Lake-St. Paul and chair of the committee. We will continue, starting on my right.

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

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

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

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

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

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

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

Mr. Stephan: Jason Stephan, MLA, Red Deer-South, substituting for Mark Smith.

Mrs. Savage: Sonya Savage, MLA for Calgary-North West, Minister of Energy. With me today I have Grant Sprague, our deputy minister; David James, our associate deputy minister of natural gas; and Douglas Borland, assistant deputy minister, ministry services; plus a number of officials behind in the room.

Member Ceci: Hello. I'm Joe Ceci, the MLA for Calgary-Buffalo and the deputy chair of the committee.

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

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

Mr. Feehan: Richard Feehan, Edmonton-Rutherford.

The Chair: Thank you.

I'd like to note the following substitution for the record: Jason Stephan for Mark Smith.

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 the 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, make a 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 rotations, 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? Seeing none, we will schedule that break 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 the 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 on March 19, 2020. 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: Thank you, and good afternoon. I'm here today to present highlights from the Ministry of Energy's 2020-21 budget, and with any remaining time I'll outline some of the ministry's key initiatives and priorities as included in our current business plan.

As mentioned earlier, joining me at the table today from the Department of Energy are Grant Sprague, deputy minister; David James, associate deputy minister, natural gas; Douglas Borland, assistant deputy minister, ministry services. Today is like Christmas for Douglas Borland. He is our financial guru and knows the budget inside and out. This is the highlight of the year for Douglas, and I'd like to thank him for all his hard work in getting our budget in order.

The Ministry of Energy's mandate is to represent the best interests of Albertans as the owners of oil and gas resources in the province. Our ministry contributes to sustained prosperity in Alberta through the stewardship and responsible development of energy and mineral resource systems.

Our '20-21 operating expense budget is \$506 million, which is a savings of \$88 million from the 2019-2020 forecast. This reduction reflects efficiencies made in the department and the Alberta Energy Regulator. It reflects the elimination of the electricity consumer rate cap program for the RRO. Of this funding \$206 million is allocated to the Department of Energy. This includes the cost of selling crude oil related to royalty collection, staffing, industry advocacy, and coal phase-out agreements. The department's budget represents 41

per cent of the ministry's total operating budget. In addition, \$300 million is distributed to regulatory agencies, including the Alberta Energy Regulator, the Orphan Well Association, and the Alberta Utilities Commission. But, to be clear, funding for these agencies comes entirely from industry levies. The government does not provide the funding to these associations. It comes to us and back out to these organizations.

The total operating budget for the Alberta Energy Regulator and the Orphan Well Association, the OWA, is \$269 million, and that's 53 per cent of the ministry's budget. The AER regulates energy development in the province and is responsible for regulating the life cycle of oil, oil sands, natural gas, and coal projects in Alberta. While the OWA is a delegated administrative organization with its own board of directors, its orphan well levy is collected and remitted with assistance from the AER. The Alberta Utilities Commission, or the AUC, is responsible for ensuring that the delivery of Alberta's natural gas, electric, and water utilities is conducted in a manner that is fair, responsible, and in the public's interests. Its budget is \$31 million, or 6 per cent of the ministry's budget. Collectively, funding for these agencies ensures that they can continue to fulfill their duties on behalf of Albertans.

Through Budget 2020 our government is also honouring our campaign commitment to implement a robust natural gas strategy. As such, the budget also includes \$1.1 million to support the associate ministry of natural gas, which is a key component of our plan to revitalize the natural gas industry. This office, led by Associate Minister Dale Nally, is working hand in hand with regulators in industry to streamline project approvals, improve gas pipeline access, and help get Albertans full value for their natural gas.

Our government is also working with industry partners to reclaim orphaned and abandoned wells and get Albertans back to work. Budget 2020 includes funding to increase the current \$235 million loan to the Orphan Well Association by up to an additional \$100 million. Doing so will further expedite the cleanup of orphaned oil and gas wells in Alberta, and this loan extension will enable the OWA to commission approximately 1,000 more wells and start more than 1,000 environmental site assessments for reclamation. The association estimates that this will create up to 500 direct and indirect jobs in the oil field and environmental services sector.

The Canadian Energy Centre will continue to advocate for Alberta energy products both at home and abroad with an overall industry advocacy budget of \$30 million for the 2020-21 budget year. Two-thirds, or \$20 million, of this funding will be supported by revenues collected by the technology innovation and emissions reduction system, the TIER program. The CEC will help bolster the energy sector, get Albertans back to work, and increase provincial revenues. Our government is proudly standing up for the 533,000 Canadians who work in the energy sector, and we're demanding a new deal, a fair deal, for Alberta and for Canada.

Before I move on to Energy's business plan, I'd like to close the loop on an item that was included in Budget 2019. As announced last month, our government is completing the divestment of the crude-by-rail program. Budget 2019 included a \$1.5 billion allocation to reflect the estimated cost of divestment. The actual cost as we worked through this was \$1.3 billion, which is \$200 million below this allocation. In addition, divesting the program instead of operating it will achieve about \$500 million, a half a billion dollars, of savings for Albertan taxpayers. If we'd operated the program, it would have cost \$10.6 billion to run it, and it would have brought in \$8.8 billion in revenue, which represents a loss of \$1.8 billion. So through divestment we are not only making the best of a challenging situation we inherited; we're saving Albertans a half a billion dollars, and we're protecting Albertans from the

financial risk associated with the inconsistent nature of the marketplace. Divesting the crude-by-rail program will add 120,000 barrels per day of takeaway capacity, and every increase in capacity counts. Our government continues to work tirelessly to enhance our market access on every front available without making Albertans shoulder the risk.

3:40

Speaking of market access, now that I've walked you through some of the highlights of Budget 2020, I'll outline some of our key priorities as included in our business plan. The first outcome is that Albertans benefit economically from investment in responsible energy and mineral development and access to global markets. Our ministry has a series of initiatives designed to help achieve this important objective. We'll continue to advocate for and support new optimized and expanded pipeline projects that will increase Alberta's market access in a responsible and sustainable manner. Increasing access to global markets will strengthen both our provincial and national economies.

After years and years of delays we are finally beginning to see real progress with TMX, with work under way in the greater Edmonton area and Yellowknife, and construction in B.C. at the Westridge-Burnaby tunnel expected in the very near future. In terms of line 3, the Canadian segment came online in December, adding a hundred thousand barrels a day of additional takeaway capacity, and we're optimistic that the U.S. segment will be online by the end of 2020. Keystone XL was recently authorized to begin construction across a key section of federal land in Montana. But we won't let up. We know that project completion is the only true measure of success, and our government is committed to building this momentum.

As part of our efforts to achieve this outcome, we are also working to attract industry investment, which will create jobs, increase business opportunities, and generate tax revenue and benefits to the provincial economy. To do so, we'll continue to focus on communicating how our energy resources are produced with the highest environmental, labour, and human rights standards.

Our ministry is working to alleviate the challenges facing the natural gas sector, including those related to loss of markets, price volatility, intra- and interprovincial natural gas transmission, and gas storage and market access.

We continue to explore ways to diversify our petrochemical sector, including meeting previous commitments through the PDP program, encouraging companies to build and invest in Alberta in a way that minimizes risk to taxpayers.

In terms of electricity, the ministry advances a modern, market-based electricity system that attracts investment and provides affordable electricity to consumers and job creators.

Finally, we remain committed to reducing red tape and streamlining regulatory processes. We are engaging industry to help identify reductions in red tape, and we're directing our agencies, boards, and commissions to follow suit.

The second outcome in our business plan is effective, efficient stewardship and regulation of Alberta's energy and mineral resources. Our department . . .

The Chair: Sorry, Minister. I hate to interrupt.

We'll now move on to a 60-minute question rotation from the Official Opposition. We'll have indicators at 20 minutes, just so you know where you're at. Go ahead, sir.

Mr. Sabir: Thank you, Chair. It's my pleasure to be here to discuss the Ministry of Energy and natural gas estimates. Thank you, Minister, for being here, and thank you to your staff for being here and for all the work you do to further the interests of Albertans as

the owner of oil and gas resources. At some point I will ask you if we can combine time, if that's okay with you.

Mrs. Savage: Yes, we can do that.

Mr. Sabir: I do have a little bit of opening comments if you would bear with me. We know that Albertans as individuals and as a province have long relied on its natural resources for jobs, wealth, and prosperity. We know that demand for our resources is still out there, but falling commodity prices and market access remain an issue. The recent progress on pipelines, in particular the TMX project, as you outlined, has certainly uplifted Albertans' hope and morale. When in government Premier Rachel Notley, as she then was, worked really hard for this project, and we are very pleased to see this project moving ahead. However, we can all agree that we are not out of the woods yet. It will be a while before we see our products flow through these pipelines, and there is certainly more work ahead of us. Nonetheless, these are very encouraging developments.

On the other hand, we have seen more than 50,000 jobs lost under your government's watch at a time when we needed these jobs the most. It's very disappointing that a good portion of these jobs has been lost from the resource sector.

We are also now facing challenges in retaining and attracting investment. We rely very heavily on foreign investment for our resource development, and investors are increasingly basing their capital decisions on the credibility of climate plans at the corporate level and the jurisdictional level. We saw Teck Resources abandoning its \$20 billion Frontier project. We saw MEG Energy quietly asking for a three-year pass on its \$10 billion May River SAGD project. Prior to that, Husky Energy, after benefiting by \$233 million from the Premier's tax handout, lays off 371 Albertans, invests \$500 million less in Alberta, and decides to move investment elsewhere. Similarly, we saw that EnCana decided to move its corporate domicile to the U.S. and drop the link to Canada. Clearly, the race to the bottom on corporate taxes was not enough to make them stay here or invest here in Alberta.

These developments are deeply concerning for all of us. I recognize that we disagree on many policy issues, but we all share a common goal of developing our resources in an efficient and sustainable manner. Through this exchange today my hope is to have a respectful conversation that will help us understand and help Albertans understand your vision and the work you're doing to advance our interests and address the challenges facing our industry.

I understand that you may or may not have all the information that I may seek, so if you provide an undertaking to provide answers later, I would expect that any such undertaking will be dealt prior to the vote on the budget in the Legislature.

I have a fair bit of questions relating to your business plan, estimates, fiscal plan, and about the entities you oversee, and about some 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 want to move to a different topic.

My first set of questions relates to your ministry's business plan. It's an important document, as you indicated, which outlines the ministry's vision and how the ministry will advance the interests of Albertans as the owner of oil and gas resources in this province and contribute to jobs and sustained prosperity through responsible and sustainable development of these resources. All Albertans certainly have a vested interest in the proper management of their resources. I will begin by asking: about how many full-time employees are there in your ministry?

Mrs. Savage: On the business plan, if I could get you to refer to the page that you're referring to in the business plan, that would be helpful.

Mr. Sabir: I think it's page 63. You have provided the structure of your ministry, and all I'm asking is: how many full-time employees are there in this structure?

Mrs. Savage: Sure. Well, in the Department of Energy we have 472 employees. In the Alberta Energy Regulator we have 970 employees. In the Alberta Utilities Commission we have 136 employees.

Mr. Sabir: And what about the Alberta Petroleum Marketing Commission?

Mrs. Savage: We have 10 employees in the APMC.

Mr. Sabir: Last time, when we talked about the employees, there were 540 full-time employees in the Department of Energy, and now we are down to 472. That's quite a bit of reduction.

3:50

Mrs. Savage: In Budget 2019-2020 we had 503 employees, and we are down. We're down 31 employees, and that is due to attrition and retirement.

Mr. Sabir: And from the Alberta Energy Regulator?

Mrs. Savage: Alberta Energy Regulator: we are down 213 employees, I believe. That's through restructuring and reorganization as part of putting in a new board at the Alberta Energy Regulator and as part of the Alberta Energy Regulator review.

Mr. Sabir: The Premier stated yesterday that if economic conditions deteriorate, there will be further cuts and reductions. I was at the chamber of commerce event in Calgary as well. Your Finance minister also indicated that the government plans to double down on reducing the size of the public service and suggested that they will be making further reductions. How would that plan impact jobs and services in your ministry and related bodies that you oversee? Are there any reductions planned?

Mrs. Savage: Well, I can't really speculate on whether there would be further job cuts. That circumstance has not happened. Right now we have completed our job cuts at the department. We are at our targets, and we are actually – at the AER I believe we are below our targets. We have fewer people, and we are in a good place, so I don't anticipate any further job reductions in the department or the regulator.

Mr. Sabir: You already mentioned about layoffs at AER. We're down from 1,160 last time that we talked here to 970. How will that impact the proper functioning and operations of AER?

Mrs. Savage: Well, it won't. Part of the reorganization at the AER was related to getting the AER back to looking after what their original mandate was, which is energy regulation, environmental protection, safety, focusing on the core responsibilities of the AER. What we found over the duration of the AER since it was set up, in 2013, was that it had undertaken a lot of activities that were beyond their mandate, beyond their scope. As you are aware, in the investigations by the Ethics Commissioner and the Auditor General and the Public Interest Commissioner, they'd engaged in something called ICORE, International Centre of Regulatory Excellence, which was beyond their mandate. There were a number of roles that were duplicative, so the reorganization at the AER was to align it

more specifically to what its mandate was supposed to be so it can operate efficiently and focus on what its mandate is supposed to be.

Mr. Sabir: Thank you.

On the same page, page 63, there's a small note about the post-closure stewardship fund, that is a regulated fund administered by the department. I understand it's the liability fund for carbon capture and storage sites. I just want to know: how much money do we have in this fund, and do we have any estimate of the liability that it's dealing with?

Mrs. Savage: Yes. You are correct that the postclosure stewardship fund is related to the carbon capture projects. It's a regulated fund that's administered by the department, and it is less than \$100 million.

Mr. Borland: Less than \$1 million.

Mrs. Savage: Less than \$1 million in it. And it's specifically for carbon capture.

Mr. Sabir: Any estimate of liability?

Mrs. Savage: Well, the one, the carbon trunk line, is not up and running yet. The Quest project is brand new. It's designed – and actually it's a model design, the postclosure stewardship fund, on how you start and you collect levies to pay for closure liabilities and responsibilities.

Mr. Sabir: Thank you.

Page 63, the line where it starts: the ministry “is committed to the ongoing review of programs and services to ensure that the best possible outcomes are being achieved for Albertans. As part of this ongoing review, [efforts have been made to reduce] red tape.” Can you speak to the steps your department has taken so far to reduce red tape, and has it helped improve our processes? Any examples? Are there any further steps that are in planning?

Mrs. Savage: Sure. We've got a number of things under way for red tape. A lot of them are smaller, some of the earlier things. We amended the code of conduct regulation, which is electricity regulation, right at the beginning. We have repealed the independent power and small power regulation, and that reduced 772 regulatory requirements. We've made some improvements to the oil sands scheme process. Throughout we've amended the curtailment program.

Of course, the elimination of the move towards capacity markets, staying with the energy-only market, reduced a number. We've counted 88 regulatory requirements that will be reduced by staying with the market that we have kept. We have disbanded the Transmission Facilities Cost Monitoring Committee. We've repealed the regulated rate option.

The hydro and electricity act: that was a good one. What that did is that it eliminated the requirement that any hydroelectric developments had to have a stand-alone piece of legislation. That was a particularly onerous piece of red tape that we reduced, and it will actually help to enable renewable electricity generation.

We've changed some more fairly technical things. The bitumen valuation methodology quality adjustment: I don't know if you want me to explain that. But there are a lot of technical things.

There are a number of things that were already under way. In the Alberta Energy Regulator they have a red tape reduction committee that is looking at a series of red tape and duplicative processes. Over the days ahead we will be giving a further directive to the AER around a red tape reduction panel to report to the Minister of

Environment and Parks and the Minister of Energy on red tape reduction because we want to ensure that it moves forward as planned.

We've struck some panels, that fall under Minister Travis Toews and red tape Associate Minister Grant Hunter, that will report on red tape in both the electricity sector and in the . . .

Mr. Sabir: Were there any jobs impacted by the steps you have mentioned?

Mrs. Savage: There will be job realignments. If your job was administering red tape and duplicated processes, you're going to need to be . . .

Mr. Sabir: Were there some reductions in jobs?

Mrs. Savage: There'll be reassignments. Any reductions would have been accounted for in the department, the 31 people in the department. But those were attrition and retirements. Within the Alberta Energy Regulator the 213 were part of a broader organization.

Mr. Sabir: Okay. Still on page 63, ministry outcomes: you identified two outcomes. I think there are a lot of things that are going on in this ministry, but I was thinking: do you believe that these two outcomes sufficiently capture all the work that your department does, these two statements, enough to show Albertans that their resources are managed properly?

Mrs. Savage: Our department has been working full on. The employees in the Department of Energy have been working overtime. They've done a tremendous job at pushing forward a number of initiatives. Almost everything we're working on is about protecting the value of resources for Albertans and getting market access. They've been working tirelessly on a number of steps that are involved in achieving market access, in bringing back investment to Alberta, in creating an investment climate that's going to be the most competitive across Canada and across North America.

They've worked tirelessly on initiatives in the early days, starting from the energy markets, the capacity market/energy market review, to the AER review to the liability management review. They've been working on ESG issues, environmental, social, and governance issues. And they are tirelessly working on supporting the pipeline projects that are under way.

Yes, the department is working full blast on achieving outcomes for Albertans.

Mr. Sabir: My question was just simply: are these two statements enough to capture everything the department is doing?

But let's move on to page 64. It starts with: “The ministry advances a modern, market-based electricity system in Alberta that attracts investment and provides affordable electricity for consumers and job creators.” I'm sure that you know that electricity prices are spiking since you removed the cap that we had in place. In Edmonton prices went up by 20 per cent, and in Calgary prices went up by 19 per cent, so clearly the ministry is not providing the most affordable electricity for consumers, because electricity was more affordable with the cap. The question I have, Minister, is: what do you have to say about these price hikes?

4:00

Mrs. Savage: Well, I would dispute that, because under the RRO rate cap, which kicked in back under the previous government, the payouts have been pretty consistent going back to April 2018.

Mr. Sabir: Are you disputing that there were 20 per cent and 19 per cent hikes in Edmonton and Calgary?

Mrs. Savage: No. I mean, the best way to measure this is to look at what the rate cap has paid out, which is over 6.8 cents per kilowatt. If we go back to even April 2018, it paid out \$9.2 million in that month, and if we look into where we came in, November 2019, the last month of the rate cap, it was \$9.6 million a month. So electricity costs haven't gone up. What the RRO was doing was that it was taking taxpayer money, that we all pay, and it was using that to subsidize the exact same taxpayers by subsidizing their electricity bills.

What we're trying to do with the electricity market is create a stable market that will bring affordable electricity and will attract investment. The best way to do that is to make a market that will attract investment, and what we're doing with the energy-only market is attracting investment. The renewable sector: we've attracted over \$2 billion in investment in renewables, that are coming on without subsidies, and it's coming because the market gives a competitive environment for them to compete and make money. So what we're trying to do with the electricity sector is to bring investment on that is affordable and that will keep electricity costs down.

Mr. Sabir: But it's going up anyway.

You talked about renewables, so just a quick question: what percentage of Alberta's electricity comes from renewable sources?

Mrs. Savage: I'll give you an undertaking to get that number to you.

Mr. Sabir: Outcome 1.2 talks about creating an investment climate that supports the development of energy resources in the province, by:

- defending Alberta's energy industry through the Canadian Energy Centre,

a.k.a. the war room,

- addressing the report from the public inquiry . . . and
- reducing red tape.

We talked about red tape. I think, Minister, you've been in office for 10 months now, and you have certainly made a number of changes to the investment climate to support the development of our resources. However, Albertans are not seeing the results. In fact, it's quite the opposite. As I stated earlier, in the past few weeks we saw Teck Resources abandoning its \$20 billion Frontier project, we saw MEG Energy quietly asking for a pass on its \$10 billion SAGD project, Husky reduced its investment, and EnCana moved out. Clearly, whatever you have done so far is not working. The question I have is: will you agree that you need to revisit your policies and do more to create an investment climate that supports the development of our energy resources?

The Chair: That was your first 20 minutes. Carry on.

Mrs. Savage: Well, what we need most in Alberta to bring investment back are pipelines. What we see that's hindering increased production in the oil sands is that there's no way to move it. We've had pipelines cancelled and delayed over the years, to the point that we're in curtailment – we're curtailing production – and the kind of impact that having a lack of pipeline capacity has on bringing investment in has been challenging. That's why we're encouraged that we're seeing progress on all the pipeline projects that are approved, and we need those to come on. We needed them five years ago, but we need them to come on. In the meantime we're doing everything we possibly can to bring back stability.

In bringing back investment, there are a number of things that you need to do. First, you need to give a competitive fiscal environment for it, and we're doing that by the corporate tax cuts, being competitive, giving a jurisdiction in Alberta where we'll be the most competitive in Canada and lower than 44 states in the United States. We are giving a regulatory environment that's competitive by cutting red tape. We're reviewing the AER to find efficiencies to ensure that we get the fastest timelines. Companies are going to invest. Where they're going to invest is in jurisdictions where they have the most competitive tax environment, where they have the most competitive regulatory environment. So we're taking every single measure we can to get them that.

The other thing that companies look at is that they want to invest in a jurisdiction that has political stability, where they know that governments support their industry, that governments will support them, and we've had that lacking in Canada when you've had a Prime Minister get up on stage and say that he wants to phase out the oil sands, when he brings in things like Bill C-69, which would be an effective way to do that.

What we're doing is defending our energy sector. You need all three of those three things to show the investment community that Alberta wants that investment and that it's a stable place to invest, so we're doing everything we can. Of course, any good ideas on how to give the most competitive fiscal environment and regulatory environment and to give assurance to investors that we are supportive of them – we welcome any additional suggestions because we want to do everything possible.

Mr. Sabir: Here's a quote.

However, global . . . markets are changing rapidly and investors and customers are increasingly looking for jurisdictions to have a framework in place that reconciles resource development and climate change, in order to produce the cleanest possible products. This does not yet exist here today and, unfortunately, the growing debate around this issue has placed Frontier and our company squarely at the nexus of much broader issues that need to be resolved.

That's a quote from the letter that Teck Resources sent to the federal minister. You mentioned a few other things, but you didn't mention this. Do you agree with what Tech Resources is saying?

Mrs. Savage: I absolutely agree. That letter was directed to the federal environment minister. What's lacking in this country – and it's been lacking for a long time; it's been lacking for the last five years – is a federal climate policy that gives a role for natural resources, for oil and gas.

I'll give you an example, that goes back to 2017, of sort of the challenge of this problem coming from the federal government. They had a conference called Generation Energy, and it was about the future of the energy sector in Canada. It was organized by the federal government. They invited everybody from the oil and gas industry to a big conference in Winnipeg, and you know what wasn't on the agenda? Oil and gas or nuclear. There was nothing on the agenda that gave any idea of what the role of oil and gas or nuclear would be in the future in Canada's energy sector. That's been lacking in this.

Mr. Sabir: But if the federal government is not stepping up, why don't you take leadership on climate and address these concerns?

Mrs. Savage: We absolutely are, and we have been.

Mr. Sabir: If you had done that, they wouldn't have cancelled their project.

Mrs. Savage: We're the first jurisdiction in North America, in the world to price carbon. We did that back in 2007, the first jurisdiction to price carbon. We have a cap, a hard cap, on oil sands emissions, that your government brought in and our government has kept. We produce our oil and gas with the highest environmental standards. Our emissions intensity per barrel has gone down. We're spending more on innovation and technology than anywhere in the country.

So there isn't any question that Alberta under successive governments has taken leadership on climate, but what's lacking is a federal government that wants to recognize that or that will give any role whatsoever to oil and gas development. As soon as you have a framework and a stand and you have a project that comes forward with a plan, they keep moving the goalposts. So that's what's lacking in this country, the kind of political and regulatory certainty to give somebody confidence that you can build a project, and I think that Teck Resources pulling out of that just drove that message home. Canada has got to get their act together. They have to do that, and they have to tell us what the role for oil and gas development in our country is.

4:10

What they also don't recognize and seem to forget is that Albertans – people in this room, every single Albertan – own the natural resources in Alberta. They own the oil and gas. That's a requirement under the Constitution, under section 109 of the Constitution, and it was brought home in 1930. We own it, and we have the right, the exclusive right, and jurisdiction to develop it, to develop, manage, and control it. That's section 92A. The federal government can't seem to accept that, and they don't acknowledge that in their climate plan, and until we can get our heads around that and get the kind of political and regulatory certainty to move forward on projects, our country is going to continue to have concerns. It's not only going to affect oil and oil projects and pipelines. It's going to affect natural gas, petrochemicals, electricity generation, mines and minerals. Our country has to get its mind around how you reconcile all of this with their climate plan.

Mr. Sabir: Thank you. I would suggest that instead of waiting for the federal government, we should take leadership on this issue.

With respect to this key objective, you have listed a couple of initiatives. One is that the department will lead and co-ordinate energy-related policy discussion and develop policies and plans for energy and mineral development. "Energy policy will cost \$36 million in 2020-21." The second thing you listed is: recognizing that the world will need more energy produced by jurisdictions with responsible energy development and environmental standards, in 2020 \$30 million will be allocated to the war room.

The question I have. I note that you're spending \$36 million – it's listed here on page 64 – on policy work. I was reading through the fiscal plan. The only policy that was mentioned over and over for the success and future of our economy, our energy sector, was the \$4.7 billion break, that has not created any jobs or attracted any investment. That's the only policy that's listed throughout the fiscal plan. I'll be later asking you questions about that, but can you speak to the policy initiatives that are under way in your department or that you intend to undertake in this year, 2020, for \$36 million?

Mrs. Savage: That \$36 million is in the department, and there are a number of items that it covers. It covers a whole lot of work by a number of department officials working in a number of areas. These are people that are working on the AER review, on liability management, orphan wells, a suite of policies around that. These are the people that are working in the electricity policy sector. It

covers a whole number of functions in the department within that \$36 million budget.

Mr. Sabir: Okay. Let's move to the next key initiative that's supporting your objective, the Canadian Energy Centre, the war room. It's also in government estimate 2.3. It says that your objective is that through this initiative you're reasserting Alberta as the leader in the field, and \$30 million is allocated to this. Over the last few months the war room has been in the midst of some very embarrassing controversies. Minister, no one really believes that the war room has that ability to assert Alberta as a leader on the world stage. I will share some information with you. I will be asking you to reconsider this expense of \$30 million later on.

First, if we start as soon as it was launched, their first logo was a direct copy of a U.S. software company's. It could have been discovered through a simple Google reverse image search at no cost. Their replacement logo was the same, a modification of yet another software company in the U.S. They tried to intimidate a *Medicine Hat News* writer. They tried to intimidate an environmental speaker who was later featured in a national news story about the same incident. A writer in the CEC also impersonated a reporter to interview a B.C. restaurant industry advocate. The Canadian Association of Journalists condemned CEC staff for impersonating journalists. CEC videos were so unpopular that they closed that YouTube platform altogether.

It was presented as a rapid-response unit, but their website terms of use also say that they don't take any responsibility for the accuracy, completeness, fullness, or usefulness of that information. They tried to attack the *New York Times* after Teck Resources, only to apologize a few minutes later. That's a lot of failure to . . .

The Chair: Member, do you have a specific question regarding the budget item? Is it coming?

Mr. Sabir: Yeah. It's a budget item; \$30 million has been allocated for this item.

The Chair: Please get to the question.

Mr. Sabir: Yeah. That's where I'm headed.

The Chair: Thank you.

Mr. Sabir: There's a lot more that Albertans have to say about it. I can quote a few people. It clearly hasn't been smooth sailing; that's Christine Myatt, the press secretary to the Premier's office. I think the question I have is: do you think that it's worth spending \$30 million on this embarrassing war room?

Mrs. Savage: Well, I think that we have to back up to what the reason is for why we have a Canadian Energy Centre. You have to go back about 10, 12 years to look at that. Called the Tar Sands Campaign, there was an organized campaign launched in New York city in 2008 with a group of environmentalists, that set out on a targeted campaign to land-lock Alberta's energy resources, to land-lock the oil sands. You know what? Over the last 10 years, 12 years, there have been hundreds of millions of dollars pour across the border, targeting directly the oil sands and Albertans and Alberta energy and the jobs and Albertans on doing it. And you know what? Where have you been in the last 10 years if you haven't seen this? It has been so obvious.

The result of it now is that probably most of the things that my department is working on are to try to get market access, to try to bring back investment. It's targeted – it's targeted – hundreds of billions of dollars of projects in Alberta, targeted Albertans' jobs.

And you know what? It was organized, and it was set out, and it was obvious that it was coming, and governments didn't do anything. They didn't do anything. Industry was slow at responding, but government didn't do anything.

Let's go back to some of the things that it did over the last 10 years, and you tell me that we don't need a Canadian Energy Centre when you look at what it's done to Alberta, to our economy, to our people. It set out a strategy to land-lock our oil sands, and it was very effective at doing that. It set out the whole strategy of what they would do, and the first track in that strategy was to stop pipelines. It was going to do that by first raising the negatives. It was going to slander and defame our industry and our resources and our pipeline and the pipeline safety.

It targeted specific projects at the regulatory stage. It stacked those processes, jammed up the processes, dragged on the regulatory applications to raise the cost, to try to have the investors and the project proponents back off. When it did get through the regulatory process, if it did, then the campaign tried to undermine the regulator, tried to discredit the regulator and say: the process is broken. Well, you see what it did to that. It targeted the National Energy Board, and now we have Bill C-69.

But it doesn't end there. If you get out of a regulatory process and you get it approved, then millions of dollars, tens of millions of dollars on legal warfare: challenge it; litigation at every possible opportunity. It still doesn't end there because if you get through the litigation and you still have a project approved, then what do we have? We have anarchy. They start blockading and civil insurrection. This is what we've been dealing with, and governments have been complacent for the last decade.

4:20

So do we need the Canadian Energy Centre? We sure do. Yes, there have been some bumps. There have been some hiccups. There have been some mistakes made. That's to be expected of a start-up organization. We've repositioned them and directed them to focus on some of the other areas. You'll see, as they focused on the research and data, that today they published their first publication on the research and data, and it's about Canadian oil sands and local First Nations. The Canadian Energy Centre isn't just about having a news room and a Twitter account. There's a lot more to that. That's part of it, but there is an energy and data research centre. This is their first piece.

You know, it takes a lot more work to put out a piece like this – and it's taken months to do it – than for the NDP to put out a press release to criticize the Canadian Energy Centre, but this is the type of work that we're expecting from the centre and that our money has asked for. There's also a focus on an ad campaign. Yes, the Canadian Energy Centre is producing some good work. You're going to see more in the days ahead. Is it needed? You bet it is.

Mr. Sabir: I think, Minister, that the document you are showing: anyone in your department would have pulled it together in less than a couple of hours because there is a lot of data, institutional knowledge in this department, and it's precisely the job of the department that they should stand up for energy.

When we were in government, we had a campaign for TMX, and when we started it, 4 in 10 Canadians were in favour of that campaign, and Premier Rachel Notley, as she then was, went coast to coast to make a case, and at the end of that campaign, 7 in 10 Canadians were in favour of TMX. If we are seeing TMX in play, that's because of the leadership that Rachel Notley showed during her time in government.

Let me share a little bit more of what Albertans are saying about that war room now. There have been some bumps during the launch

of CEC: that's your press staff Kavi Bal. "It's time . . . [to] put an end to this \$30 million per year debacle." That's Professor Blake Shaffer from the University of Calgary. "Using funds that support people in need to fund a sloppy advertising campaign that risks undermining support for [Alberta oil and gas] strikes me as a bad trade-off": Professor Trevor Tombe, who every once in a while gets quoted by your ministers and your government as well.

You indicated on line 2.3 that industry is forecasted to spend – you changed it to Industry Advocacy, that line item, right? – only \$10 million, and you budgeted, again, \$30 million, and \$20 million of that is coming from the fund that was created to tackle the environment. Help me understand that, how taking \$20 million from TIER – we were told that that would be for innovation, technology to address environmental concerns – how it's a justified expense using that levy from industry to set up this debacle.

Mrs. Savage: Sure. Well, this was part of our campaign platform commitment, which was really, really clear where the \$30 million funding for the Canadian Energy Centre would come from.

Mr. Sabir: Was it clear that it will be taken from TIER?

Mrs. Savage: It was clear that it was coming from TIER. It was very clear that it was taken from TIER, \$20 million was taken from TIER.

I guess, the other part of your question: the Canadian Energy Centre hasn't spent the full amount of their funding, and that's because it's still starting up. They haven't run an ad campaign yet, and the majority of the funding that will be going in there will be directed at, you know, traditional ad campaigns, like we have seen in the past, supporting various projects.

The Chair: You have a further 20 minutes.

Mrs. Savage: Right.

Those are the expensive campaigns, that can run into the millions of dollars. When our government first came in, before the Canadian Energy Centre was set up, we launched a Yes to TMX campaign. It was over \$2 million to do that, and it was a very short-duration campaign. These ad campaigns can be quite costly.

Simply because it's such a new organization, we haven't launched those campaigns yet. You'll see those coming out in the near future. You'll see an ad campaign to support TMX because – you're right – when you have an ad campaign out about a project, you generally will raise the public awareness of it and the public support of it. The history has shown in the past, on various governments and various organizations, that that's true, and that's one of the things that we are expecting the Canadian Energy Centre to do and to reprioritize and to focus on.

Mr. Sabir: As you indicated, it hasn't done anything yet, but in the last estimates you said that it will only spend \$5 million, but this year the projected amount is that they will spend \$10 million. Is there a way that we can get a breakdown of that \$10 million, what they'll spend that money on?

Mrs. Savage: Yeah. We've given, advanced a \$5 million grant to the Canadian Energy Centre, and then there was some advertisement done up front, Yes to TMX, which got attributed to the Canadian Energy Centre.

Mr. Sabir: Yes to TMX was a Canadian Energy Centre project? I thought that was before it was set up.

Mrs. Savage: No. It was before, long before, but budget got attributed to the Canadian Energy Centre. It got crossed in the . . .

Mr. Sabir: So once the Energy Centre got set up, there were some expenses that were . . .

Mrs. Savage: Prior.

Mr. Sabir: . . . put under their name?

Mrs. Savage: Yeah, that were previously incurred.

Mr. Sabir: And what about the other \$8 million? Where are they spending that other \$8 million?

Mrs. Savage: It was \$5 million that was given to the Canadian Energy Centre in a grant – and that’s a grant from the Department of Energy – and the other \$5 million has been spent internally in the government. Part of that is the Yes to TMX campaign, and other parts would be various administrative expenses that would be accounted toward the CEC.

Mr. Sabir: Can we get a little bit more breakdown and detail of that?

Mrs. Savage: The Canadian Energy Centre will be subject to audits, and when we have those numbers, you will see them come across through the Auditor General.

Mr. Sabir: So unless it’s audited, we will not get any numbers?

Mrs. Savage: It is being audited.

Mr. Sabir: Until that happens, you will not provide any numbers?

Mrs. Savage: Well, we might not have those numbers until the budget has been spent.

Mr. Sabir: Okay. Can you undertake to look into it?

Mrs. Savage: We’ll undertake to provide you the Auditor General’s report.

Mr. Sabir: But nothing on what they are spending their money on?

Mrs. Savage: It will be in our annual report, too, the annual report in June.

Mr. Sabir: How many full-time employees are there at the Canadian Energy Centre?

Mrs. Savage: They’re just starting to staff up, so they’re not fully staffed. There are a couple that work in the research and data centre, which is under Dr. Mark Milke. There are a number that work in the rapid response. There are fewer than 15 employees there so far, but they haven’t staffed up completely.

The research and data side is just getting going. I think that’s the most exciting part of the Canadian Energy Centre, having that agency that can produce reports like this one, like the report that came out today, which is, on quality, the same quality as some of the major think tanks that we see. Some of the quality of some of the things that we’ll see coming out of there is similar to what the National Energy Board publishes on markets and forecasting and very good pieces. I’m looking forward to these energy publications and data research making the Canadian Energy Centre a leader . . .

Mr. Sabir: So it’s fewer than 15, you said?

Mrs. Savage: Fewer than 15 employees.

Mr. Sabir: Fewer than 15 employees.

Mrs. Savage: But that number is subject to change because, as I said, they’re still staffing up. It’s a brand new organization. It’s just getting going.

Mr. Sabir: I think that last time I also asked – and at that time you also said that they’re just setting up, although they have already done quite a bit. Their job functions, their roles, responsibilities, job titles: is there anything like a business plan, logic model, anything that . . .

4:30

Mrs. Savage: As part of the granting agreement with the Department of Energy, they are to provide to us a business plan and a budget, and that will be made public. It’ll be publicly disclosed, so you’ll see all that.

Mr. Sabir: They haven’t created one?

Mrs. Savage: It’s still just getting going. There are some drafts, and they’re sorting out, but that will be publicly disclosed. Their business plan and their budget will be publicly disclosed.

Mr. Sabir: The centre did their own hiring. It’s not a public service hiring for that centre?

Mrs. Savage: No.

Mr. Sabir: It’s the centre doing its own hiring.

Mrs. Savage: They do their own.

Mr. Sabir: Okay.

Mrs. Savage: But they’re subject to the same sort of HR rules and policies and processes and procedures that any government agency is.

Mr. Sabir: Can I ask you one more question with respect to the office of the war room? Is it located next to the Alberta Petroleum Marketing Commission office?

Mrs. Savage: It’s located in the same building as the Department of Energy. I don’t know where the proximity is in relation to APMC, but it’s in the same office building, and that’s because there was extra supply space.

Mr. Sabir: Then back to the GOA strategic plan, objective 2, page 14. It says that the objective is to stand up to foreign influences on Alberta’s natural resources . . . Defend Alberta’s energy industry through the [war room] which will take a fact-based approach to counteracting the misinformation about our industry. It will collaborate with industry, academia, Indigenous Peoples and others to communicate that Alberta energy is responsibly produced and indispensable to Canada and the world.

The question I have is: because it’s stated in the GOA objective, what specific steps has the war room taken so far that are standing up to these foreign influences on Alberta’s natural resources, and what results have we seen so far?

Mrs. Savage: What you’re going to see coming up in the near future, in the weeks ahead, is a reprioritization in the Canadian Energy Centre to focus on some ad campaigns to support Alberta’s energy resource development in the data and research area on the best publications. You’re going to be seeing more of that, and you’re going to be seeing some help and assistance with the government of Alberta on ESG, environmental, social, and governance, because that’s one of the biggest threats that we’re

seeing. I mean, I went over at length some of what we've seen over the last 10 years with attacks on Alberta, the oil sands, our industry, our people. Coming up, ahead, we're dealing with environmental social governance. Here in Alberta we're ranked third in the world on all ESG governance figures behind Denmark and Sweden or Denmark and Norway. We're third in the world, yet we're targeted more than any other oil-producing nation anywhere, but we rank on top of the world.

We have to change that. We have to make sure and we have to change that narrative, and that's going to take a lot of work. It's going to take a lot of work from all of us. It's going to take a lot of work from all governments. It's going to take work from your party, too, to help support our oil and gas industry and to get the message out that we produce it with the highest environmental standard. That's some of the work that the Canadian Energy Centre will be tasked with.

Mr. Sabir: So far do you have any polling data, any evidence – because we already spent \$10 million on it. We are budgeting \$10 million more. We don't have a business plan. We don't have any other report. We have to wait until the Auditor General audits how it's spending money. Is there any evidence that you can share with us, share with Albertans, that the Canadian Energy Centre is making a positive impact?

Mrs. Savage: You'll see a lot more of that come up in our annual report in June as we get the centre up and running and some of the programs, some of the things that they're doing out there. As I say, they are only a couple of months old. This is the very first publication that they've put out, and it's taken a tremendous amount of work to do it. They haven't yet put out an ad campaign. They're working on it. You'll see that progress over the months ahead, and in the June annual report you'll see that.

Mr. Sabir: The Premier announced an office in Quebec. Is that part of the Canadian Energy Centre?

Mrs. Savage: No. It wouldn't be part of the Canadian Energy Centre. It might be supported by the Energy Centre in terms of messaging and direction and what the strategic issues are.

What we're trying to do in Alberta – and I think everybody in this room shares the same objectives – is that we have to get our message out there. We might not share the same ideas and way to do it, but we have to get the message out there. We have to get the message out better because it has not been done in the last decade, and we know the results of that. We have a stagnant economy. We're under curtailment. We have a depressed price. We have people out of work. We have jobs being cancelled. We have uncertainty when we see projects like Teck cancelled. We have to do a better job, and we know we have to have . . .

Mr. Sabir: Oh. I totally agree that we all share the goal that our resources should be developed responsibly, sustainably, and for the benefit of all Albertans.

But back to the centre. In October KLP, Norway's largest pension fund, decided to divest from Alberta. Have they changed their mind? Has the Energy Centre done any advocacy to help them change their mind and invest back in Alberta?

Mrs. Savage: We have a number of initiatives under way and a lot of work under way. Most of it is led by David Knight Legg, in the Premier's office, on having those conversations company by company, whether it's the insurance industry, whether it's the financial sector, whether it's some of the equity funds. We're having those conversations, trying to have some of the metrics

defined in ESG. Those conversations are under way right across the government. Even I have been out speaking to investors at investor conferences. One of the key messages that I convey at every single speech I make and every conference is an ESG message because we know . . .

Mr. Sabir: David Knight Legg, who you indicated, whatever work he did, did he do something for the Canadian Energy Centre as well?

Mrs. Savage: No.

Mr. Sabir: His expenses were never charged back to the Energy Centre?

Mrs. Savage: No.

Mr. Sabir: Okay. In November the Swedish Riksbank divested from Alberta as well. This bank is the oldest central bank, no less. Have they changed their mind? Has the Canadian Energy Centre done anything to advocate for them to invest back in Alberta?

Mrs. Savage: We're working. We're working on all of that. That's one of the things we're working hardest on is to change that narrative. You're seeing a contraction in investment in oil and gas right across North America. This isn't specific to Alberta. There's a little bit more direction to Alberta because we have the oil sands. It's a location. It's visible, so we perhaps get targeted a little bit more. This is not just an Alberta problem; this is a North American problem. We're continuing to focus our efforts . . .

Mr. Sabir: All I'm trying to understand – it's one of the key objectives, “standing up to foreign influences on Alberta's natural resources” – is has there been any communication, any connection made with these banks, these entities who used to invest in Alberta? What about other banks such as HSBC?

Mrs. Savage: There are conversations with HSBC, not by myself.

Mr. Sabir: Okay. And BNP Paribas?

Mrs. Savage: We're working with the entire financial sector with our industry, with our companies. We have a working committee on ESG to tackle these messages, to put forward messages. You'll be seeing some advertising and messages coming out of government, out of the Canadian Energy Centre. This is all hands on deck on ESG.

Mr. Sabir: What about ING? Have you talked to them?

Mrs. Savage: We're talking to all institutions and all banks and all insurance companies. We're tracking the global dynamic around ESG. We're watching it all very, very carefully.

Mr. Sabir: Crédit Agricole?

Mrs. Savage: We're watching all of them.

Mr. Sabir: Okay. Standard Chartered?

Mrs. Savage: All of them.

Mr. Sabir: ABN?

Mrs. Savage: I could open up the telephone directory and just open up to banks, and I'll start reading all of them. I can say that we're looking at every single one, what their policies are. I mean, if

somebody's got Internet here, I'll just pull a Google search on banks in Canada and banks in North America and banks across the globe.

4:40

Mr. Sabir: No. These are the banks I am identifying who used to invest in Alberta. What about Commonwealth Bank?

Mrs. Savage: Sure.

Mr. Sabir: You have talked to them?

Mrs. Savage: We are talking to all banking and lending and equity, insurance industries. This is sort of a co-ordinated effort to ensure that every one of them, that the entire world financial community knows that Alberta is top of the ladder when it comes to ESG and that we produce our oil in the most environmentally responsible manner, what our environmental plan is. We're talking to everyone. It's an important thing. You can continue to – like, how much time do we have? Like 20 minutes. You can ask me every single bank. You know, we can do it that way, or we can just Google.

Mr. Sabir: Let me ask one more: Lloyds Bank?

Mrs. Savage: Sure. Why not?

Mr. Sabir: I think there is nothing to laugh about because these are entities, these are banks who were investing in Alberta's resources . . .

Mrs. Savage: I think what you've just done . . .

Mr. Sabir: . . . and they're divesting from it. What I am trying to understand, because you already mentioned that investment is shrinking in the sector, is what effort government is doing, what effort government-related entities like the war room are doing to get the message out to these banks so we can get investment back, so we can get jobs, we can get prosperity. I don't find anything funny in it.

Mrs. Savage: I think what you've done – and you've done it very well – is you've made the case on why we need the Canadian Energy Centre. I mean, you've mentioned all of those institutions, and you've made the case on why we need it. You might not like the particular set-up of this Canadian Energy Centre, but there is no doubt – and you've made the case yourself – that we need something like that. We have to have a venue and a way to make this message, and that's what we're doing.

Mr. Sabir: So you're trying to say that somehow the war room will get to work at some point and will help us change the minds of all these banks and investors?

Mrs. Savage: I think it's up to all of us here to do that. If you want to have a future for oil and gas in Alberta, I think everybody needs to be, everybody in this room should be, committed to getting that message out. That's what we are, and it would be helpful to all get on the same page and say that we need to protect jobs in Alberta, we need to protect the oil and gas sector, we need to start talking about the good things that industry is doing. We need to get on the same page and get that message out because our future is at stake here.

We can spend a lot of time squabbling about this, but let's just all get moving on it and get on the same page and start standing up for our energy sector because it hasn't been done over the last five years. I mean, your government didn't take an assertive stand in the years that it was in government. You didn't do it during those four years. I don't think we expect you to do it now, so we have to. We

ran on a platform to more assertively and aggressively stand up for our oil and gas industry, and that's what we're doing. And we're not going to stop.

Mr. Sabir: If you are seeing any progress in market access, that's because of the work Premier Rachel Notley did and her government did; that's TMX. Zero contribution from the UCP.

But what I am going to ask you is: what are the potential liabilities of the two logos that were protected under copyright? Where would these funds come from? Are there any lawsuits that you are aware of?

Mrs. Savage: I'm going to go back to a question that you asked but you didn't give me a chance to answer on some outcomes. This piece, this piece that was published by the Canadian Energy Centre, on Canadian oil sands and local First Nations: it takes a while to get a piece like this developed. I sure wish we had had this back in January, that we had this piece, when we had the United Nations committee on racial discrimination come forward and say that Trans Mountain and Coastal GasLink projects should be cancelled because of indigenous concerns. Having . . .

The Chair: Thank you, Minister. I'm sorry to interrupt.

We'll now move on to 20 minutes for the UCP government caucus members.

Mr. Yaseen: Thank you, Chair.

The Chair: Go ahead, Mr. Yaseen.

Mr. Yaseen: With your permission, can I go back and forth with the minister?

Mrs. Savage: Yes, of course.

Mr. Yaseen: Thank you very much, Minister. It's been a difficult time for the oil and gas industry, and you are doing a good job in your ministry to manage it. Thank you for all that and what you're doing in respect to bringing this province in to fiscal order as well. Thank you for your earlier elaboration on how it was planned to land-lock Alberta energy and why there's a high need now to have this Canadian Energy Centre to protect and defend Alberta energy. Myself, having been in oil and gas for a number of years, I can relate to this issue wholeheartedly.

I will take you again to the market access issue. I guess that's one of the reasons this Energy Centre was established. Albertans need proper access to world markets. In key objective 1.1 of your business plan the government has committed to improving market access for Alberta's energy resources through advocacy and other supports for new, optimized, and expanded pipelines. I will have a number of questions here, so I will go one by one. Maybe you can just take one question at a time.

Mrs. Savage: Sure.

Mr. Yaseen: The first question is: how much takeaway capacity does Alberta currently have?

Mrs. Savage: Pipeline capacity takeaway: it's about 4.1 million barrels a day, between 4.1 million and 4.2 million barrels a day. That's current. In addition to that, there is rail capacity of up to about 400,000 to 500,000 barrels a day. The pipeline capacity is about 4.1 million. The Canadian Energy Regulator did a report back at the end of 2018 on pipeline capacity, and at that time they said that it was about 3.95 million barrels a day. Since then there have been some optimization programs that have increased that. Yeah, it's sitting around 4.1 million.

Mr. Yaseen: Thank you.

What is the status of new and expanded pipeline projects for Alberta's energy resources and products? How much capacity will these add?

Mrs. Savage: Sure. Well, there are a number of pipeline proposals out there, and we're encouraged, as we mentioned before, to see some of those. We are seeing progress on them.

I guess we can start with the nearest term one, the Enbridge line 3 replacement. This is a project that's constructed in Canada. It's done. It's under way in the United States, and we're expecting and hoping it will be in service by the end of this year, early 2021. What that pipeline does is that it replaces a previous pipeline so that it can restore its capacity and run at 760,000 barrels a day. I think it had been previously running at about 390,000. So that's under way.

We have TMX. TMX, of course, is under construction now. I'm feeling really positive and constructive about its ability to come into terms. We understand it'll be late 2022 that it'll come on, and it will be an additional 500,000. It'll come up to a total of 890,000 barrels a day for TMX.

Keystone XL is under way, and there are some construction activities planned for the United States. KXL is forecast to be an additional 830,000 barrels a day in takeaway capacity.

So if you line up all of those three things – line 3, Trans Mountain, and KXL – that's an additional 1.76 million barrels a day of pipeline capacity.

Mr. Yaseen: Well, thank you. Thank you very much for that information.

The TMX line: actually, that is twinning of the line. There's a line there already. The faster we have both environmental and all that – it's maybe not justified because the line is already there. It's a twinning of the line to take additional capacity there.

My third question is: how much capacity will be added by optimizing existing pipelines, which pipeline does this refer to, and what work will be done during the 2020-21 budget year to optimize pipelines?

Mrs. Savage: The optimization of pipelines is taking an existing pipeline and using drag agents and other agents to move more oil in the same pipeline. There can be some logistics in how they're nominating and what product they're moving. But we have a number of pipelines that are looking at optimization programs. It's the Enbridge main line; the Enbridge Express pipeline, which used to be owned by Spectra, which goes down into the States from Alberta; and trans-Canada's, TC Energy's, original Keystone pipeline. All of those are expecting optimization over 2020, and we're expecting an additional 90,000 barrels per day in 2020 from optimization. As mentioned, we already had some optimization come into play in 2019.

4:50

Mr. Yaseen: Well, thank you.

Finally, what additional actions and advocacy work is the government taking or doing during the 2020-21 budget year to get these pipelines actually built?

Mrs. Savage: We're advocating for every one of these projects. As I mentioned earlier, we're looking at doing some ad campaigns through the Canadian Energy Centre on TMX. We are working in the U.S. on some of the projects there at the state and federal levels – we're in contact with them – and we're intervening in regulatory hearings in both Canada and the United States to support these projects. We're working with governors and state officials in the United States. We're working with our counterparts across

provinces in this country to ensure that these get built. You know, we're making sure that we are taking a more assertive approach to communicating our support for these projects and the importance of these projects.

Mr. Yaseen: Well, thank you for all the work that is happening in your department.

I will pass to Mr. Singh for the next question.

Mr. Singh: Thank you, Mr. Chair. I've got questions for the minister, and I would like to go back and forth.

Mrs. Savage: Yes. Sure.

Mr. Singh: I would like to express my appreciation to the minister and the staff for upholding the interests of Albertans as the owners of oil and gas resources in the province and at the same time maintaining sustainable development of our resources. My question is in reference to – I would like to stay on key objective 1.1 of your business plan for my following questions. How would you intend to move forward on the interprovincial coalitions that support market access during 2020 and 2021?

Mrs. Savage: Well, I guess one of the things I can point to on that is some of the steps we're taking to defend Alberta's interests, and that would include challenging Bill C-69 constitutionally. We just had a nice success in the Alberta Court of Appeal on the carbon tax challenge, and in that judgment from the Alberta Court of Appeal there is some nice jurisprudence on section 92A of the Constitution. That's really one of the things that we're doing and one of the fundamental things that we're doing, defending our jurisdiction in Alberta to develop our natural resources, our exclusive constitutional jurisdiction under section 92A. We're doing that on Bill C-69. We've launched a constitutional challenge already, challenging it and the project list for its constitutionality.

C-69 takes an enormous step in intruding into Alberta's jurisdiction, seeking to regulate and assess not only in situ oil sands development, which the federal government has never assessed before, but electricity generation, natural gas generation. It would include renewables. There are just a number of projects that the federal government is trying to assess when our Constitution says that it's within our exclusive jurisdiction. We're working with other provinces, and we're really happy that in that constitutional challenge the government of Saskatchewan and the government of Ontario have joined us. There have been nine out of 10 provinces that have agreed with our position on C-69, and as it goes to the Supreme Court, we'd expect more of those provinces to probably intervene in that.

Mr. Singh: Thank you.

Does market access also need to improve for Alberta's natural gas suppliers, and if so, how much additional capacity is needed?

Mrs. Savage: Sure. Well, you're exactly right. Natural gas is just as important for Albertans as, you know, our other resources. That's why the Premier appointed Associate Minister Dale Nally and Associate Deputy Minister David James, here today. He's tasked specifically with natural gas and supporting natural gas. One of the key things in that is that we know we need to find new markets for it. It's not just a capacity issue of how much capacity we need to increase, but we actually need new markets, and that's LNG. Associate Minister Nally has been working very tirelessly to ensure that we have LNG projects that can proceed ahead. He was over in Japan in the fall talking about LNG to shippers who would be interested in purchasing it. LNG is a key objective of Associate Minister Nally's.

Mr. Singh: My next question is: what is the government doing in 2020-21 to help improve market access for Alberta's natural gas suppliers, what actions has the government taken to protect jobs associated with natural gas production, and what actions has the government taken to improve the regulatory process for natural gas infrastructure projects?

Mrs. Savage: Sure. There are a couple of questions in there. A lot of these stem from the Roadmap to Recovery report, that Associate Minister Nally is working on and implementing. That was a report prepared by some of our, you know, biggest thinkers in the natural gas sector. Hal Kvisle, Terrance Kutryk, and Brenda Kenny prepared a report with a number of recommendations on things we need to do to ensure a vibrant and stable and strong natural gas sector, and Associate Minister Nally is working through that report.

Part of it in there talks about red tape reduction. That's something that Minister Nixon and I have been working on with the AER. We know we need to improve some processes inside the AER, and there's a lot of work under way in that, starting with replacing the board of directors at the AER and putting an interim board in. They're recruiting a new CEO for the Alberta Energy Regulator, and a lot of work is under way in the AER right now on red tape and improving processes. That work is under way.

Mr. Singh: My last question is: what are the challenges Alberta must overcome for our gas to access global markets?

Mrs. Savage: Well, I think that one of the key things we need is pipelines. We need pipelines for LNG, and we've just seen recently the challenges that Coastal GasLink Pipeline has been dealing with. That goes right back to the opposition, to our oil and gas development, and right back to some of the roots of that Tar Sands Campaign that targeted the oil sands. Well, it's the same people. It's the same environmental activists that are now challenging natural gas, and they're coming after our petrochemical sector next. We know that we need pipelines to get LNG built, and we know that they're challenged in particular, so we're taking a lot of measures to stand up for those types of projects.

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

I would like to let my fellow member MLA Shane Getson take the next question.

Mr. Getson: Permission to go back and forth, Minister?

Mrs. Savage: Yes, of course.

Mr. Getson: Perfect. Well, I had to leave the room there for a biological break, but maybe I missed a couple of bank – no, I'm not going to ask about banking. I'm sorry.

What I do want to talk about is market access, though, just continuing on in that vein. Bills C-69 and C-48: they're obviously negatively impacting improvements to market access for energy resources, and objective 1.1 is where I'd kind of like to go with that.

Now, we're facing challenges. The only reason why I'm here, like many in the room: we came out of this industry because of the challenges we were facing. We know that there's a big challenge. It's real. We're dealing with it every day and face to face when we meet people. I think that the impetus, quite honestly, isn't just on one centre to do it. It's on all of us to send the good messages out. So when you're noting that we're number three in the world for environmental governance, that should be a point of conversation for everyone.

But, with that, knowing that there's a new administration federally and the challenges we have, what are you doing to work

with the federal government to try to overcome some of those hurdles with this?

Mrs. Savage: Well, to start with, we're suing them on Bill C-69.

Well, let me back up a bit. I have a very good relationship with my federal counterpart, Natural Resources Minister Seamus O'Regan, and I believe that he truly wants to see our natural resources get to market. He understands oil and gas. He comes from Newfoundland. I do truly believe that, you know, we can work with him, but not everyone in the federal government can we work with, and Bill C-69 is your perfect example. You can go back three years, while they were drafting it.

5:00

I don't even know why they consulted with Canadians and with provinces for three years because they knew exactly what was going in that bill three years ago. Nine out of 10 provinces oppose it. The Alberta government gave a series of amendments to Bill C-69. Those amendments were drafted by the previous government, and we brought them forward. They were aligned with industry amendments, yet the federal government accepted none of them. When it comes to some issues, the only way to work with them is through a court challenge.

On other issues we are able to work with them. I think that we're working very closely with Enercan on innovation issues in the ESG file and on technology. I think that we share a common goal that we want to see the lowering of emissions in the oil and gas industry and that the way to do that is through technology. There are some ways that we are working with them, and there are others where we just can't.

Mr. Getson: Yeah. I would concur. You know, when we were at kickoff there, I had an opportunity to speak with Seamus O'Regan as well, and there were a lot of similarities between the directional drilling that he was familiar with out in Hibernia and what we typically do on projects. One of the comments I had given him was that, you know, it's not 1945 anymore. We've got to get this message out here of how well we do it, and he had suggested that, well, it's not even 2005. Like, we're way beyond some of the innovations and the technologies that he understood to be happening. I think he is an advocate; I'm with you on that. Unfortunately, I'm with you as well that if we don't drop the gloves and deal with it in a court of law, these personalities that we're fostering relationships with won't get it across the line for Albertans.

If I can just change, actually, over to investment now, key objective 1.2 of the business plan commits to "create an investment climate that supports the development of energy resources in the province." This is a pretty broad objective. What initiatives will the government undertake to regain investor confidence in the energy industry during 2021?

Mrs. Savage: Well, in 2019 we already had pursued a number of initiatives like the job-creators tax reduction. We've taken some initiatives to bring back investment to create a climate that is competitive with other jurisdictions. We cut some red tape in 2019.

In this year ahead I think that we're going to have some major initiatives, that we're working on, on cutting red tape. We'll see the review of the Alberta Energy Regulator roll out. We'll see the liability management system for inactive and orphan wells. You'll see some reviews of that coming out.

There are a number of other things that we've continued to work on. We've brought in the Royalty Guarantee Act, 2019, that gives some assurance that we won't be changing the royalty rate midstream. We've eliminated the carbon tax, and the Court of

Appeal in Alberta has agreed with us that we have the right to do that. That's going to help reduce the burden on our businesses.

Our key objective, really, is to make sure that we get market access and that we make a competitive environment for businesses to come back to Alberta.

Mr. Getson: Okay. Thank you for those really great initiatives, Minister.

Key objective 1.2 includes the work in the public inquiry into foreign-funded misinformation. I believe that the members opposite touched on that a bit. I may have missed the answer, though. I apologize for that. What's the status of the public inquiry Commissioner Allan is developing? Where are we at with that?

Mrs. Savage: An interim report has been prepared, and the final report is to come out in July. There's some important work under way there.

The Chair: Sorry to interrupt. We'll move back over to the opposition caucus for 10 minutes, followed by a five-minute break. Go ahead, sir.

Mr. Sabir: Thank you. Back to investors, back to banks, and back to the energy war room. So far there has been some money spent. We didn't find any information on what they have done so far. Last I checked, they retweeted an MLA's tweet. That's all. At a time when times are tough – Alberta's education, health care, everything is getting cut – I think that we are of the view that this money could go to better use, go to support AISH, income support, other programs.

At this point, Chair, with your permission I will be moving an amendment to that effect, that this energy war room be scrapped.

The Chair: Thank you, sir.

Mr. Sabir: I can read that notice of amendment. I move that the 2020-21 main estimates of the Ministry of Energy be reduced for industry advocacy under reference 2.3 at page 87 by \$29.999 million . . .

Basically one dollar left.

. . . so that the amount to be voted at page 85 for expense is \$149 million.

Just a second, Chair. Yeah, \$149 million will be the remaining amount on page 85.

Here is the amendment.

The Chair: Thank you, sir. That appears to be in order.

Mr. Sabir: Thank you.

I can move now to government estimates, Energy estimates, page 85. It says that it's down \$21 million from 2018-19 actuals.

Mrs. Savage: Which line are you looking at? Sorry.

Mr. Sabir: It says that the total estimates is \$179,598,000, so the total amount is lower than the actuals in '18-19. Like, in '19-20 there was \$1.5 billion.

Mrs. Savage: There are a number of things there on why it's lower going forward, the biggest of which is the crude by rail, which was accounted for last year. That was a \$1.5 billion divestment. Of course, that's last year, so that's not a recurring expense this year.

There are some other numbers in there that have reduced the 2020 budget from 2019. There's the regulated rate option, the RRO, which we're not continuing with. That saves \$57 million. The REP, renewable electricity contracts, saves some money. And there are a

couple of smaller items, but primarily it's the crude by rail, which we don't need to report.

Mr. Sabir: Line 2.1, energy operations, that's increasing by \$2 million. What's the reason for this increase?

Mrs. Savage: This is on energy operations increasing from \$17.147 million to \$19.370 million. That's what you're referring to? Where that's coming from is the energy operations program. It's all the stuff we do to complete assessments and calculations of revenue from nonrenewable resource revenues: freehold mineral taxes, bonuses, rentals, fees, payments, Crown mineral rights. That's what that number is for. The amount is mostly from a reallocation of program costs from energy policy as a result of internal reorganizations to better support the department's mandates.

5:10

Mr. Sabir: Line 2.2: that's also down by \$6 million to \$7 million. That, I guess, is supposed to support the research, design, and development of energy policy. The question I have is: is some of that work now done by the war room?

Mrs. Savage: No. That's a different area. This difference is based on a forecast due to a decrease in anticipated litigation costs. We're paying lawyers less. It's costs associated with identified impleadments that have been lower than expected such as the public inquiry, the Roadmap to Recovery, the AER review, a reallocation of program costs to energy operation as a result of internal reorganizations to better support the department's mandates and savings strategies achieved by slowing or stopping activities, which result in a 31-person FTE reduction to the overall department. There are a number of things in there.

Mr. Sabir: Line 4.1, climate change initiative: it says zero dollars. I just wanted to ask – I do understand that other ministries may have climate change initiatives, but there is no climate change initiative that your ministry is pursuing. Is that correct?

Mrs. Savage: It's because those activities have been completed. There are a number of things in there. It's coal transition, energy efficiency, methane reduction, microgeneration output-based allocation, and strategic co-ordination. There are a number of initiatives that have been completed.

Mr. Sabir: But line 4.1 is at zero. So there are no climate change initiatives at this point in the 2020-21 budget?

Mrs. Savage: Yes.

Mr. Sabir: Okay.

Line 4.2, the regulated rate option, is forecasted at \$57 million in '19-20. That was the cost you were earlier referring to. That's how much more Albertans will be paying in electricity costs, right?

Mrs. Savage: Well, that's how much less Albertans will be paying in taxes to turn around and subsidize themselves for their own electricity costs.

Mr. Sabir: For some other breaks.

Page 88, line 4.4: these are coal phase-out agreements budgeted at \$96 million.

Mrs. Savage: Yeah. That's a line that runs across the budget for many, many years that Albertans are paying for to retire coal plants early, coal generating plants. That's related to your government's coal phase-out deal: \$1.1 billion.

Mr. Sabir: There is another line on page 89, the operating expense for carbon capture and storage, carbon capture and storage capital grant: \$61 million. That was \$61 million in '19-20. It's now higher, \$145 million. That line also has been running for a while.

Mrs. Savage: That's because the Alberta carbon trunk line enhance project commercialization is not done this year. It'll be done next year.

Mr. Sabir: That's why it's budgeted higher?

Mrs. Savage: Yes.

Mr. Sabir: Page 91, statement of operations. On the revenue side the Alberta Petroleum Marketing Commission losses are projected at \$263 million, which is \$112 million higher than the previous year. What's the reason for this difference?

The Chair: Thank you, Members. We will now take a five-minute break. I'll be restarting the clock and the rotation promptly, so please be back in your seats.

[The committee adjourned from 5:15 p.m. to 5:20 p.m.]

The Chair: If I could get everyone to please take your seats, we'll be starting in five seconds.

We'll start with a 10-minute rotation with UCP government caucus. Your time starts now.

Mr. Getson: Sure. If I could go, Chair?

The Chair: Absolutely.

Mr. Getson: Minister, I just want to make sure you're ready.

Mrs. Savage: Yes, of course.

Mr. Getson: Item 1.2, the Canadian Energy Centre: again, I just want to speak on that. There was lots of dialogue and questions regarding that, and considering an amendment that was just passed around the room for consideration, if you're okay with talking about the Energy Centre . . .

Mrs. Savage: Absolutely.

Mr. Getson: . . . I've got a few things here I'd like to try to understand as well.

Essentially, it's been operating for three months, and it's no surprise that people that don't support the oil and gas in Canada are choosing to single out the centre. There's no question there about what some of the motivations are. You know, we recognize that it's a start-up organization, and absolutely there are bumps when you start up organizations. Quite honestly, my feeling and, I'm sure, a lot in the room and out in Alberta is that even if it was run as smooth as oil and it launched like NASA's best rocket that ever went into space, we'd still have critics that were trying to drag it down.

Members on the other side, the opposition, have shown time and time again their reluctance to support the energy sector. Even after much dialogue and debate in the House, they profess that they support the sector, that they support it, understand it, but actually, by the members' own questions to date, if they don't understand the amount of work that's gone into the energy sector, if they don't understand the amount of environmental governance that's in place, if they don't understand the goodwill – they didn't understand that we're number three in the world, you know, second to Norway, Sweden, et cetera. So if they don't know what legacy governments prior to them – and even during their power, when they were in

control, in governance, they didn't even express all the good things, the fact that they picked someone like they did to manage the AER at the time, which was completely against the sector.

If they don't understand all of this, how in the heck is the average Joe Canadian supposed to know what's going on? How in the heck is Alberta going to get its message out there? How are we going to reach the folks down east that don't know exactly what we do when our provincial members and partners here don't understand or don't promote it? With that, Minister, can you tell me a little bit more about the focus that you've got the energy sector working on to try to stop some of that internally here and to reach out to fellow Canadians and the markets abroad?

Mrs. Savage: Sure. Well, you know, I agree with what you've said. Look, you would never expect the NDP to support the Canadian Energy Centre or anything like it. Their approach was different. Their approach was trying to find a social licence. Their approach was trying to appease – appease – these same environmental activists, the green left activists. They were trying to appease them. You cannot appease them.

They were trying to create a grand bargain, and you saw that with the approval of TMX. They tried to get a grand bargain to bring all the environmentalists on side, and you know what they got? At the same time they got Northern Gateway killed, they brought us a carbon tax. What it was was a one-and-done deal where they got one pipeline approved but nothing else. Everything else was one-and-done, no further pipelines. So their approach was not to take a more assertive stand and a more assertive approach to supporting our energy sector. Their approach was to try to appease their friends, their friends in the environmental sector, Tzeporah Berman, those types. That was their approach, and it didn't work.

Of course, they're never going to support our approach, which is to be more assertive and to be more realistic – to be more realistic – to understand that there are certain opponents to our energy sector out there who will never support it. It doesn't matter what you give them. It doesn't matter how much you move the needle. They don't care. They're going to oppose our energy sector, and that's the type of people that they were trying to appease. It's no surprise they're not supporting our Canadian Energy Centre.

Mr. Getson: Well, I think many Albertans were surprised and myself, inasmuch as in the last while here, you know, considering we came from the sector, we've been working hard and doing all the right things to get our products to market, even when the reason for me being here, literally, is because the Whitefox project: we couldn't get even a green project through to displace freshwater usage in the fracking side of it because of regulatory complexities.

And then we find out that the members opposite actually support groups like the Extinction Rebellion, their mandate. They're looking at teaching that same message in schools so that when you pick up a textbook, it's the dirty, inconvenient truth about our energy sector. They're not supporting it; they're saying all the anti things out there. So are we fighting that, too? I mean, it's almost like it's such an uphill battle, Minister. Like, you know, it's almost like you'd want to double down on the value of this.

Mr. Feehan: Point of order.

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

Mr. Feehan: Sorry. I don't have my – Standing Order 23(h), (i), and (j), actually, talking about something that is not on point for the conversation here today. We're talking about the budget, and I haven't heard any budget questions. I've certainly heard some

miscommunication about relationships between us and groups that exist out there that, of course, they invent, as they invent most of their facts. Certainly, they have not been addressing the reason why we're here today, neither addressing the budget itself or the business plan, and I think we need to focus back on that.

The Chair: Rebuttal? Go ahead.

Mr. Getson: Yeah, if I can, Chair. Again, I opened my comment here and was still addressing item 1.2 in the business plan on page 64. Obviously, the members opposite have gone on – and I'm sure the record would show – for 45 minutes or more with similar latitude that I've had in regard to questioning what is taking place with the Energy Centre, what their mandates are, some of the challenges they've faced.

Even when I was cut off, the last point was maybe suggesting, as a point of reference to the minister, that they might want to double down on the value of it. Maybe we've undersourced this given the climate that we're currently facing in the province and that we're currently facing in the country and, obviously, that we're currently facing out there, potentially, in this room. It's a real issue. It's a real issue when we have – I don't know – mandates at odds with what potentially is the Alberta people's interest, as the minister put it so eloquently, to get our resources to market. We need to get that message out there. That's where my line of questioning was going if I'd been able to finish before being cut off. It was, again, to maybe recommend that we should put more money into that fight because it's a good one.

The Chair: Okay. Thank you, Member.

I'm prepared to rule on it. I have been giving quite a bit of latitude here. I did step in when Mr. Sabir was speaking at length about the same subject, and I stopped him and asked him to get to the point. I'll ask the member as well to maybe throw in a little bit more questions rather than dialogue. At the same time, we just had a notice of amendment exactly on this subject put forward in committee, so I think it is open to discussion, and I see no reason to discontinue the discussion. It is relevant. It's been considered relevant by the opposition party; I think it's relevant for the government party to ask the questions as well.

Carry on.

Mr. Getson: Thank you, Chair.

With that, Minister, given the challenges that we have, again, with all the things that we're facing, is \$30 million enough to carry this message forward with the small crew that you have, 15 people, considering the size and the nature and the adversity that we have in this sector and the people of Alberta?

Mrs. Savage: Well, there's no question that we've got \$30 million of funding to the Canadian Energy Centre, but there are hundreds of millions of dollars of funding coming from environmental activists to try to undermine and land-lock our resources. There are hundreds of millions of dollars, so \$30 million is a pittance compared to what's coming at us.

Interesting that just on March 2 – I'm pulling this out. They're at it again. They're doubling down, the environmental activists. Greenpeace is recruiting. They're recruiting a head of campaign with a goal to scandalize the fossil fuel industry in Canada. You know what? They're doubling down. This is not ending. Their plan has only just begun. They've got to the point where they've stopped pipeline projects and delayed them. They've damaged and destroyed our regulatory process, undermined a regulator. They've pulled out every litigation that you possibly can to delay. When they lose that,

then there's anarchy, and they start blockading and protesting. It does not end. It does not end. They're doubling down.

I think every penny of that funding in the Canadian Energy Centre is going to be needed to defend our oil and gas resources. I mean, there are 533,000 jobs across Canada that are dependent on this. We have hundreds of billions of dollars of capital investment that have been cancelled because of these kinds of targeted campaigns. We're doing everything we can. Yes, I appreciate your comments that this is potentially underfunded because we need to throw everything we can to support our oil and gas sector.

Mr. Getson: I appreciate it, Minister.

With the time left, I'd like to turn it over to MLA Stephan if he has some further questions.

Mr. Stephan: Mr. Chair, how much time do I have?

The Chair: Just over two minutes.

Mr. Stephan: Okay. To the chair through the minister, I really appreciate your coming and participating in estimates today. I'm really grateful. This is such an important ministry that you have. We are blessed, the government and the people of Alberta, to have a minister with competence and depth in this area, which unfortunately we didn't have in the past, with an industry, if we think about it, that has directly and indirectly contributed more to the high quality and standard of life that we enjoy in Alberta than any other industry. That, of course, is because Alberta does have a natural competitive advantage in our industries.

5:30

Because I know I'm short on time here, I do want to speak to this amendment briefly. I think that, you know, as I understand it, the energy war room was a platform commitment. It was spelled out in black and white. My understanding is the Canadian Energy Centre is primarily funded through TIER in the amount – primarily by industry, who do pay into it. This party and indeed the Canadian Energy Centre, when we were elected, were supported by the democratic will of the people. I was surprised, actually, that the member opposite who actually brought forth this notice of amendment didn't even understand or know how the Canadian Energy Centre was funded, which was spelled in black and white through our platform. Just a question to the minister: is that the correct understanding of the facts?

Mrs. Savage: Yes. Well, and to back up, this was one of our most popular campaign platform commitments, widely popular. You know why it was so popular? It's because the previous government spent all their time trying to appease environmentalists and not taking a more powerful stand. That is why the concept of the Canadian Energy Centre was so popular with the electorate. Yes, \$20 million of the funding does come from TIER, which comes from industry levy, and industry is very supportive of the government stepping in and taking a more assertive stand.

The Chair: Sorry to interrupt, Minister.

We'll now switch over to the opposition caucus for a 10-minute rotation.

Mr. Sabir: Thank you, Chair. Page 91, statement of operations: it says revenue, Alberta petroleum and marketing commission losses are projected at \$263 million, which is \$112 million higher from the previous year. I recall that last time you mentioned that the Sturgeon refinery will be operational by the end of 2019, and we will not have these losses, so what are the reasons for this difference with these losses?

Mrs. Savage: You are correct. That number does relate to the Sturgeon refinery and the cost that APMC is having to carry for that. We're looking at later in 2020 for an in-service date. There have been some technological issues with the gasifier and getting it operational and getting a COD, so those numbers are directly related to Sturgeon.

Mr. Sabir: Same page: climate change expense of \$28 million, this down from \$92 million. Were there any programs that were eliminated? What is the reason for this difference?

Mrs. Savage: This goes back to the same question you asked earlier about a number of programs that we aren't continuing with: the REP, the regulated rate option, a number of programs that just simply have expired.

Mr. Sabir: You just indicated, Minister, in response to a question from a member opposite, that's fairly concerning, that hundreds of millions are coming from anti-Alberta campaigns. Is there any document, are there any solid numbers – you have started an inquiry as well – that you are willing to share with Albertans?

Mrs. Savage: You'll see it. There will be a report coming from the public inquiry later this year, but there is no question. Like, where have you been in the last 10 years if you don't see this? I mean, where have you guys been? If you don't know that we have a targeted campaign in opposition to our oil sands, you either haven't been paying attention or you don't care, because it is evident out there. I mean, Greenpeace hiring a campaigner to go specifically to scandalize our oil sands – look what they've done to project after project. You can start with Northern Gateway. You can look at line 9, a simple project to reverse a pipeline. It ended up in riot police in a National Energy Board hearing in Montreal and having to shut down.

It takes a lot of activity and a lot of organization to organize that kind of nonsense. Look at the blockades and the protests out there. That is being funded by someone. This is organized money coming in, and \$30 million to fight that is just pittance compared to the hundreds of millions of dollars being brought across the border. Trying to appease those groups by finding a social licence doesn't work. We need to stand up to them. We need to challenge what they say, bring accurate information. We need to stand up for it and start fighting for our energy sector.

Mr. Sabir: I think out of these last 10 years, I was part of the previous government, who worked on TMX, got that project approved, and we are looking at tripling our takeaway capacity. With that project: zero contribution from Conservative governments or the UCP.

Mrs. Savage: Do you know what the impact of getting that . . .

Mr. Sabir: Anyway, let's move on to the performance metrics. Performance metric 1(a) – that's from the business plan again – the measure is: "Alberta oil sands supply share of global oil consumption." In 2018 it was 3.1 per cent. You have provided targets. What was the Alberta share of oil sands supply in 2019? We don't have those numbers yet?

Mrs. Savage: Well, while we're looking for this, like, you made a comment that I need to respond to, and it was about TMX. That project was approved in 2016, and do you know what came at the same time that project was approved? A tanker ban. The day that Justin Trudeau announced approval, that you're trying to take credit for, they killed Northern Gateway: a veto the exact same day, a

tanker ban the exact same day. Imagine if we had built Northern Gateway, if that project hadn't been vetoed. Yes. TMX was approved, but it came at a cost, and it came at a cost of every other pipeline to follow.

Mr. Sabir: On page 66 is an initiative supporting key objectives that "the Alberta Utilities Commission regulates the utilities sector, and natural gas and electricity markets to protect social, economic and environmental interests of Alberta where competitive market forces do not." The question I have is that to protect consumers we had that cap on the RRO. Electricity prices have now gone up by 20 per cent, roughly, across Calgary and Edmonton. Clearly, I think, market forces didn't spare consumers. Are you willing to reconsider that decision and reinstate the cap so that Albertans have certainty and they have affordable electricity prices?

Mrs. Savage: Well, first off, consumers have a number of set contracts, fixed contracts, that they can enter into with over 30 different providers that will give you a fixed-rate contract that gives you assurance and stability, and those contract numbers are still available at under 6.8 cents per kilowatt. We're trying to make sure that Albertans understand that. That protects them from prices as they go above 6.8 cents, and the more people who can get on those contracts, the better. They can protect themselves from the vulnerability.

However, as we go back to it, how much we have subsidized for that over the years: basically you're taking taxpayer money, and you're subsidizing the same taxpayers' electricity bills. What we want to do instead is ensure that we have an electricity market that delivers low-cost electricity to begin with, and that's why we stuck with the energy-only market. We're able to attract investment from renewables without subsidies. The move to bring in the rate cap was brought in at a time when we looked at the PPAs being cancelled. The power purchase contracts were being cancelled. That's adding – it's over \$1.82 billion of a debacle that's being added on to every person's monthly electricity bill, every single month, so we're fixing . . .

5:40

Mr. Sabir: There's a history to that debacle as well.

But let's move on to page 66, where it says that you will be investing \$100 million to further clean up orphan wells. I take it that you already announced that, and I recognize it's a good project, and I'm glad to see that you're continuing with what we started to do. The question I have is – the last time I asked as well you didn't have any clear answer, but I will ask it again – do we know what the liability is of the Crown altogether for these decommissioned, abandoned, and orphan wells?

Mrs. Savage: We don't have that number. Each and every well has a different circumstance. Generally what the Orphan Well Association will tell us is the average well that they've been cleaning up is about \$34,000, what it costs to clean up a well. We don't have the total liability for all those wells; each one is different. What we do know is that we need to clean them up, and we need to clean them up in a timely manner. We want to clean them up sticking with the polluter-pay principle, which is an important part of the principle. We believe that accelerating the cleanup now helps with that, and giving a loan to the Orphan Well Association, a further loan of \$100 million, helps ensure that that gets done, and it gets it cleaned up. Plus it gets people back to work.

Mr. Sabir: My next set of questions relate to the strategic plan of the government of Alberta 2020-2023. All the priorities identified in the strategic plan rely heavily on the energy sector, and clearly

the energy sector has provided jobs, prosperity, and wealth for decades and will provide so for decades to come. The first priority is “supporting job creation . . . changing the tax structure to stimulate growth and attract investment.” The action there is that you’re changing the “property assessment model for the oil and gas sector, including wells and pipelines.” Certain changes were already made to the tax structure, but we saw projects moving . . .

The Chair: Thank you. Sorry to interrupt.

We’ll now switch over to the UCP government caucus for a 10-minute rotation.

Mr. Stephan: Thank you, Mr. Chair, and thank you, Minister. I know time is passing quickly, so I’ll just ask one more question and cede my time to Member Rosin. In terms of Alberta’s environmental, social, and governance, ESG, that’s a factor, of course, in the investment climate that supports energy resource development. I appreciate you informing me. I wasn’t aware that we were, I think, third in the world. Could you just discuss that report, and who published that and arrived at that finding?

Mrs. Savage: Oh. It’s the ESG performance from Yale environmental performance index, the social progress index, and World Bank governance index. They take a look at all the countries across the world, and Canada ranked third behind Norway and Denmark.

Mr. Stephan: That’s a really impressive result. Thanks, Minister. I appreciate that.

I’ll cede my time to Member Rosin.

Ms Rosin: Wonderful. Thank you so much, Minister, for being here. I’m actually going to take this down a bit of a different path and talk about our renewable energy in the province. It’s something we haven’t really discussed a lot yet, but I think it is important to note some of the changes being made. I’ve got three questions. We can kind of go through them one by one, and we’ll go from there.

Item 4.3 in your budget discusses funding for renewable electricity programming. On page 87 I see that we have reduced this funding by about 61 per cent, from \$7.4 million to \$2.9 million. Firstly, I’m wondering if you can just explain if those cost savings are primarily from the elimination of the renewable subsidies from the previous government and the deregulation of the market.

Mrs. Savage: Yeah. Well, the estimate for 2020-21 is lower than 2019-20, and that’s a result of forecasted electricity prices being higher than the original program estimate of the REP program, resulting in less financial support from the government. So it’s good news. Electricity prices went up, meaning our subsidy went down.

Ms Rosin: Okay. Perfect.

Then from that, I’m sure many Albertans and our opposition are very well aware that we did scrap many of the subsidies for renewable energy, so I am wondering if you can talk about how much private investment our government has brought in since being in government. I know there have been companies all over saying that all they want is not a handout but just a free market to operate in. I’m wondering if you can speak to any success we’ve seen since these changes.

Mrs. Savage: Sure. Well, there has been a lot of investment coming in the renewable sector, and that’s followed our announcement and our legislation that we are staying with the energy-only market. The interesting thing that does is that it makes renewables able to compete in the market on a cost-effective basis, and that’s what they

wanted. That’s what they wanted. They wanted the ability to compete, and they can do that without subsidies. All of these new projects that are coming forward are coming forward because of the market condition reset and coming forward without subsidies.

There are a number of them. Perimeter Solar is investing \$200 million in a new solar project south of the city, south of Calgary. Greengate Power has a \$500 million solar project in the town of Vulcan. BHE Canada has \$200 million in the Rattlesnake Ridge wind project. Capital Power is spending \$165 million to build the second phase of their Whitla wind facility, and Suncor is investing \$1.4 billion – billion – in cogen for the units in one of their oil sands base plant facilities. These are all projects enabled because of the electricity market that we created, and none of them require any subsidies from this government.

Ms Rosin: That is amazing news. Just to confirm, since the removal of the subsidies and the return to the energy-only market, we have brought in nearly \$2.5 billion in renewable energy investment?

Mrs. Savage: Exactly, \$2.44 billion. You know, it questions subsidizing solar and wind prior. All they wanted was to be able to compete in a private market that gave them a fair opportunity to compete. They didn’t need or want subsidies. They wanted a market to compete in.

Ms Rosin: Perfect. Well, thank you so much for that answer. Incredible news.

My final question before I pass it off again. As I’m sure you know, our path to balance as an entire government is very highly contingent on our energy industry and its success. I’m sure you’ve heard that some people out there are accusing our budget of being a little too optimistic on oil prices and the rebound. I’m just wondering if you can talk on the revenue projections that your ministry has populated and how we’re hoping to achieve those over the next three years.

Mrs. Savage: The projections that we have, based on the price of oil, come from Treasury Board. That forecasting comes from Treasury Board, and that was a change made a few years ago by the previous government to move the forecasting, the forward-looking forecasting on projections, over to Treasury Board. How they have modelled that and based their assumptions would have to be asked of Treasury Board.

Ms Rosin: Okay. Sounds good.

Well, with that, I will pass my time off to Member Rehn.

Mr. Rehn: Thank you, Minister, for coming here today, and I would like to thank your staff for also being here. From talking to some people in the oil and gas industry, they value your work in this department highly, and they tell me that it’s a breath of fresh air from what was there previously.

What is the status of the existing programs under PDP 1 and 2?

Mrs. Savage: As you recall, last fall Associate Minister Nally and I announced that we were continuing with the PDP programs, which provide royalty tax credits for petrochemical facilities. These allow us to be able to incent projects without risking the taxpayer. Royalty tax credits only kick in once the project is in service. It was important to do that and important to keep those programs because other jurisdictions around the world are competing for these same projects. We kept those programs and confirmed that commitment in October.

When you look back to the PDP 2 program, which I think is what you’re asking about . . .

5:50

Mr. Rehn: Yes.

Mrs. Savage: . . . it has a total of \$1.1 billion in royalty tax credits that are already committed, and there's \$950 million left. It was \$2 billion, and there's \$950 million left. The two projects under there: that's probably what you were getting at. What projects are going forward?

Mr. Rehn: Yes.

Mrs. Savage: Inter Pipeline is getting \$200 million in royalty tax credits for its propane dehydrogenation facility – and it's currently under construction in Alberta's Industrial Heartland – and the Canada Kuwait Petrochemical Corporation in a joint venture with our own company, Alberta's Pembina Pipeline, is approved to receive \$300 million in royalty tax credits for its integrated petrochemical facility.

Mr. Rehn: Okay. Thank you.

Key objective 1.2 of your business plan states that the government will implement "initiatives that support natural gas value chains." Has the government budgeted for new programs like PDP 3 during 2020-21?

Mrs. Savage: Based on the feedback that we've received from the natural gas sector and the petrochemical sector – and Associate Minister Nally has been speaking to a lot of the industry in that regard – we're looking at options for a potential new program to grow the petrochemical sector. We've received some feedback, and we're looking at what a new program would look like, but no decisions have been made yet on that.

Mr. Rehn: Okay. Thank you.

How is the government advancing the natural gas strategy?

Mrs. Savage: Again, that falls in with some really good work that Associate Minister Nally is doing, implementing the Roadmap to Recovery report, that was prepared by Hal Kvisle, Terrance Kutryk, and Brenda Kenny. He's working on implementing that report. One of the things he's doing is that he's looking at a whole vision for the natural gas sector and how we optimize the pipeline network in western Canada. The intraprovincial here within Alberta: how do we optimize that? He's looking, obviously, at LNG, and we're looking at local uses of natural gas, the petrochemical sector. We're seeing more of our electricity – coal-fired power plants are converting to natural gas. He's working on an entire strategy.

The Chair: Sorry, Minister.

We'll now move on to 10 minutes. Go ahead, sir.

Mr. Sabir: Thank you. Minister, I'm moving to the fiscal plan 2020-23, page 20. You have indicated that

one unexpected development that materialized after the [budget] forecast was finalized in mid-January is the rapid spread of the Coronavirus. WTI oil prices have dropped by over US\$ 10 [per barrel] since early January.

I was looking at it. It's full of fiscal fairy tales compared to projections made in 2019. The deficit for Budget 2020 is up by \$900 million, and despite projections for revenue being in line with Budget 2019 forecasts, they are predicated on ridiculously high assumptions for oil prices; that is, for 2020-21, \$58; for '22, \$62; and for '23, \$63. I think that even today it was trading lower than \$50. Also, on the stock exchanges the future contracts for 2023 are trading around \$50 U.S. per barrel. Do you think these assumptions are realistic, what role have you and your department played in

coming up with these assumptions, and how did you reach these conclusions?

Mrs. Savage: The future forecasting is done by Treasury Board, and that was a move that was changed back in your government's time. Those forecasts, the future forecasts on the price of a barrel of oil, are done by Treasury Board, so that's a question you'd have to give to Treasury Board.

Mr. Sabir: So your department has no input whatsoever in these forecasts?

Mrs. Savage: We would be providing them some information, but the forecasts and the assumptions that they use and how they use that information and how they use those reports is a question to be directed to Treasury Board.

Mr. Sabir: Just to confirm, you have no input into these forecasts?

Mrs. Savage: This is a process that your government set up to move the forecasting over to Treasury Board and Finance.

Mr. Sabir: We used to provide Treasury Board with caseload numbers and all of those things, and then they would project. What you are suggesting here is that your department has done nothing in these numbers and that it's Treasury Board who is doing it. If you have left it . . .

Mr. Loewen: Point of order.

The Chair: Point of order noted.

Mr. Loewen: This would be under 23(c): persistent, needless repetition. The member has asked a question I think three times. The minister has answered three times exactly the same. I'm not sure what he's going to get with the fourth and fifth questions, but I'll presume the same answer. If he wants a different answer, then he should probably ask a different question.

The Chair: A rebuttal?

Mr. Sabir: Thank you. All I was confirming from the minister, if she chooses to answer, is whether she can confirm that she or her department had no input into these projections. I was trying to understand, and she was saying that they are done by them. I'd just like to confirm it. It's not a point of order.

The Chair: Thank you. Sure. Absolutely, I will affirm that if the member wants to persist with the same questions, that's his time. The minister is under absolutely no obligation to answer questions at all, so whatever answer she gives is forthcoming.

If you want to continue with that line of questioning, please proceed.

Mr. Sabir: Do you have anything to add, Minister?

Mrs. Savage: I think I've answered the question about three times already.

Mr. Sabir: Okay.

Mrs. Savage: I can answer it again. I'm looking at the time, though. I suspect you want to ask some other questions. It's up to you. I can answer this question another three or four times.

Mr. Sabir: Also, being a student of economics, I can tell you that if future contracts are trading at \$50, these projections are just fiscal fairy tales.

On page 12 of the fiscal plan 2020-23 you have talked about indigenous communities and the Indigenous Opportunities Corporation. There is up to \$1 billion that the government will provide as a backstop. Are you involved in this corporation, and can you provide any details on what amount in loans has been guaranteed through this program so far?

Mrs. Savage: Alberta Indigenous Opportunities Corporation questions are dealt with by Indigenous Relations. What we do know about that and what we really, absolutely support their efforts in is in getting indigenous involvement and ownership in some of these projects. But the specifics of that fall within another department.

Mr. Sabir: I just thought it was saying that it will provide for investment and ownership of major energy infrastructure projects. That's why I asked.

Moving on to a different document, I think, just a general question. Last time I asked you about refineries, and you said that it's for industry to invest in a private and open market. But now I understand that there was some discussion where Premier Kenney wants to invest in his own oil and gas co. Are there any details that you want to share about our own oil and gas co?

Mrs. Savage: No, there are no details on that. The only thing I'd add – and I've stated it many, many times here – is that what we see happening to our oil and gas sector and to Alberta in general is hundreds of millions of dollars coming across to challenge our energy sector, undermining investor confidence, undermining the type of certainty we need from private-sector proponents to invest and expect to be able to get to a regulatory process, and at the end of the regulatory process they still don't have the ability to construct it. So we're under a different paradigm now and a different sort of era that we have not seen. It is exactly and precisely because over the last decade we haven't been on top of this opposition. We've let this happen to us.

Mr. Sabir: Chair, if I may, I want to share the rest of my time with my colleagues.

The Chair: Absolutely. It's your choice.

Mr. Feehan: Thank you.

Thank you, Minister. I just have a few questions for you. One, referring to page 87 of the budget, line 4.3, I would like to just ask about the renewable electricity program. I see there is still about \$3 million in there. I guess my first simple question is: is there an intention to continue the REP program that was previously run under this ministry?

6:00

Mrs. Savage: No, absolutely not. It's a subsidy that the renewable sector does not need, does not want. They're able to compete in the energy-only market and be competitive, so we don't need subsidies.

Mr. Feehan: Can you describe to me what you mean by a subsidy? Were there actual monies paid to industry to bid into the REP program?

Mrs. Savage: There's a cost to the government of Alberta, and you can see it, \$2.8 million under the previous government.

Mr. Feehan: So it cost \$2.8 million to run the auction. Is that what you're suggesting?

Mrs. Savage: It's complicated. They run an auction. The electricity generator bids in, and we . . .

Mr. Feehan: Right. So there's no actual subsidy. You're just saying that . . .

Mrs. Savage: Well, that's a subsidy. You can call it . . .

Mr. Feehan: Running a government department is a subsidy? So you would suggest that the whole budget for the Ministry of Energy is a subsidy to the energy industry? Is this the argument we're getting?

Mrs. Savage: It's a contract for differences. You can call it a subsidy, you can call it a government handout, you can call it whatever you want, but it's government money to cover a difference in contract price that they've bid in and contract price that . . .

Mr. Feehan: So it cost the government over the last three years approximately something under \$3 million.

Mrs. Savage: No. No. It cost over \$112,000 in 2018-2019, \$8.4 million in 2019-2020; the forecast is \$7.4 million and another – I mean, it was starting to cost tens of millions of dollars, and it's for subsidies that the electricity sector doesn't need if they have a market where they can compete.

Mr. Feehan: Okay. I'll let some of that go. I don't understand how that – well, you know, I think I need an opportunity to check because I think that the veracity of your answer is questionable, so I will do some research on it.

I'm just concerned because, of course, First Nations have really appreciated the opportunity to invest in large corporations, and three of them were able to get contracts, the first time the First Nations have ever owned projects that fed renewable energy into the electrical system in this province.

We know that in those projects we got record-low energy prices plus we got long-term stability, and we were also able to build up the credibility that Teck industries is asking for in terms of having a good energy and environmental mix. It seemed to me that we had a very successful program in which free-market principles worked to achieve the building of a new industry, that subsequently has led to Alberta being viewed as an industry, which apparently has led to investment of billions of dollars of renewable energy subsequent to this intervention by government. Is that correct?

Mrs. Savage: Well, first of all, all the contracts that were awarded under REP 1, 2, and 3 are all being honoured. They're contracts that are signed, so all of those contracts are being honoured.

The Chair: Sorry for the interruption, Minister.

We'll now move over to the government caucus for a 10-minute rotation, starting now.

Mr. Rehn: Minister, I've just got something to finish up, and then I'll pass it along.

I just wanted you to comment. I follow the oil and gas industry fairly closely. I've owned a crane company for over 15 years, and we do a lot of oil and gas construction. We were very optimistic with where Canada and where Alberta and British Columbia were a few years back when we had a lot of LNG proposals on the coast of B.C., that we thought were great for Alberta, for Canada, for the world to lessen pollution and things like that. We're very disappointed to see the lack of leadership from former governments such as Alberta's and what happened to all these projects, both provincially and with our federal government. A lot of the projects: I know you're aware that the investors in the companies pulled out.

Last month I remember reading the *Financial Post*, and one of the headlines in the *Financial Post* was "Scrapped: How Nearly

\$150 Billion Worth of Energy Projects Have Been Shelved in Canada.” What’s so ironic about that is that some of our friends’ comrade Putin makes an announcement that he’s investing \$150 billion in developing their oil and gas over in Russia.

Just another curious thing I’d like to know – and maybe we’ll look at this later – is where Russia ranked on that list. Where we, Canada, ranked number three, where did Russia rank? That’s just from bad government and bad leadership. Instead of choosing to go with Canada to develop those resources, Russia is now going to develop those resources. So I think that it’s just a real crime what went on.

Anyway, getting back to the matter at hand, in key objective 1.2 of the business plan it states that Energy will advocate “for natural gas and liquefied natural gas to expand market opportunities.” What advocacy activities will be conducted to expand markets for natural gas and liquefied natural gas in 2020-21?

Mrs. Savage: You’re right. LNG projects have been cancelled, you know, just as pipelines have been cancelled. We’re working with industry proponents, other governments. Associate Minister Nally has been over to Japan trying to open markets. We’re working with any partner we can find to support LNG projects. In the meantime, as we’re trying to get LNG built, we’re also working on the Roadmap to Recovery recommendations on how to improve the system here in Alberta, the intraprovincial NOVA system, as well as use for gas in PDP, petrochemical, as well as coal-to-gas conversions.

Mr. Rehn: Okay. Thank you very much, Minister.
I’ll pass it over to MLA Loewen.

Mr. Loewen: Thank you very much, Minister. I appreciate your time here and your staff’s, too, obviously. There was a little discussion that happened earlier about the projections of this government on the price of oil and the effect on the budget. I just wondered if you could just comment a little bit on the previous government’s projections versus this government’s projections as far as how they compare.

Mrs. Savage: We’d have to get back to Treasury Board on the projections. Are you talking about the price of oil, whether it matched what they projected, whether it matched what the reality was for that year?

Mr. Loewen: Yes.

Mrs. Savage: We can undertake to give you those numbers from previous budgets.

Mr. Loewen: Okay. That’s great. Thank you very much.
I guess another thing that was just discussed here is the contracts that the previous government had for renewable energy. Could you do a little comparison just basically on the difference in cost between the contracts that they signed as compared to the new projects that are coming out under this government?

Mrs. Savage: Yeah. Well, first of all, we cancelled the REP for future projects, so we don’t have any contracts that we can compare with.

Mr. Loewen: Okay. That sounds good.

Now, the government is of course restructuring Alberta’s electricity system back to energy only. What is the status of the energy-only system, and what work will be done during ’20-21 on that project?

Mrs. Savage: You’re right. Back in the summer after a 90-day review I announced that we were staying with the energy-only market and not moving towards the capacity market. We passed legislation in the fall to unwind the legislation from the previous government that would have moved us forward into that market, which was untested. We believe that it would have been costly, uncertain, and run up the cost of electricity.

We know that there are some improvements that could be made in the energy-only market, and we’re doing a number of initiatives there. We’re asking the AESO to work to evaluate potential market enhancements in the energy-only market, so they’re working on that. We’ll have a report at some point this year on what types of changes we can make to that market to make it even better.

6:10

We are undertaking a review the role of all the various agencies and boards within the electricity sector, and there are a number of them from the AESO to the AUB to the MSA. We’re reviewing all of those boards and agencies to find better efficiencies to determine what their mandate should be and what their role should be. So we’re doing a lot. This year will be a lot of work on the electricity file.

Mr. Loewen: Okay. Thank you.

How does this work that you’re doing, this governance, ensure safe, reliable, and affordable electricity to Albertans?

Mrs. Savage: Well, that’s the number one role: safe, reliable, affordable, ensure that it attracts investment, make sure that the electricity is there when you need it. When we did the review of the energy-only market versus capacity market, we spoke to generators, we spoke to industrial users, we spoke to a whole range of stakeholders on what type of system would attract investment, keep electricity costs down, and ensure that we had reliability. It was unanimous that it was to stick with the energy-only market.

Mr. Loewen: Okay. I don’t see any budget in line 4.2 in ’20-21 for regulated rate option price cap. There’s no budget there. How will cancelling this program impact Albertans during ’20-21?

Mrs. Savage: You wouldn’t see a budget item because we eliminated it in the last budget. So the RRO rate cap payments for electricity above 6.8 cents isn’t being carried forward. We’ve determined that that’s going to save us substantial money coming out of the taxpayers. Again, that would be taking taxpayer money, turning it around, and subsidizing the same taxpayer for their electricity bill. You don’t see it in the budget because we’ve removed it.

Mr. Loewen: Okay. Thank you.

I’ll turn my time over to MLA Yaseen.

Mr. Yaseen: Thank you. In light of this notice of amendment I can support the comments and observations made by Member Getson and Member Stephan in support of the Canadian Energy Centre. I think that those of us who have been around or near the oil and gas sector understand how important this is and why it’s needed.

Without taking any further time on that, I will get to another important point here in this sector, and that is red tape. Key objective 1.2 of your business plan states that your ministry is committed to reducing red tape to improve efficiency of the regulatory system, restore competitiveness, and win back investors’ confidence by improving investors’ certainty. In this regard what are some of the key actions your ministry will take during 2020-2021 to cut red tape?

Mrs. Savage: Sure. Thank you for the question. Earlier, you know, I kind of ran through a list of some of the things that we did last year for red tape, but there's a lot more coming ahead this year. We have a number of initiatives coming through the Alberta Energy Regulator and the Alberta utilities board. We have red tape reduction panels inside those agencies to deliver on red tape reductions. We've received a number of submissions from all across Alberta on what the red tape would be, what the priorities are, what should be eliminated, and you're going to be seeing ministerial directives coming from Minister Nixon and I on the AER.

The Chair: Thank you, Minister.

We'll now move to the Official Opposition for a further 10 minutes.

Member Ceci: Minister, just with regard to orphan well abandonment, certainly the program started under our government, which I think it was \$250 million going to orphan wells so that they could speed up the cleanup of that liability. Obviously, it's not going to do the job; \$100 million won't do the job, either. I see \$69 million identified for this budget year, but that money comes from, obviously, the industry. Are you satisfied that that's an adequate amount of money coming from the industry on a regular basis?

Mrs. Savage: Yeah. The \$69 million from the levy on industry: there's the \$100 million loan included to top that up. Is it adequate? I would like to see more. Like, I would like to see this inventory cleaned up.

Member Ceci: I think Albertans would, too.

Mrs. Savage: Yeah, I agree.

I'll just give you some of the numbers we have. There are 3,406 orphan wells that require abandonment and another 2,772 sites that require reclamation. There's quite a bit in there, and it reflects the state of the industry as they've been hit hard by the lack of pipeline access, lower prices, you know, just the fact that we have an older basin where there are energy wells that are less productive. There are just a number of issues. It reflects the retraction of capital for companies as they're struggling to finance.

Member Ceci: I agree with all of that. I know I'm kind of venturing off a little bit in speculation, but what would you like to see different for next year when we get together?

Mrs. Savage: I would like to see some support from the federal government on both flow-through shares – that would help clean up the inactive inventory more than the orphans – and funding to help clean up some of these environmental responsibilities, whether it's cleaning up the orphan wells or whether it's cleaning up the postclosure and legacy sites. On top of that, there are a number of legacy sites that were closed, you know, prior to having rules on reclamation, closed prior to 1963. I would like to see funding from the federal government.

Member Ceci: Okay. I haven't seen anything in your estimates, and maybe it's in Treasury Board or some other place. The North West partial upgrader: where is that at?

Mrs. Savage: Running through the budget on some of the items on some of the losses that the APMC has – and I think it's \$263 million lost this year, and it runs across a number of years. That's in relation to the Sturgeon refinery and having to pay the tolls while it doesn't have a COD and while the gas supplier isn't working.

Member Ceci: Right. What's the timing on that?

Mrs. Savage: We are expecting and hoping that those technological issues are resolved and we can get it up and running by the end of this year. It's been particularly complicated on some of the technology, and it's been disappointing for us because it's a lot . . .

Member Ceci: Many years.

Mrs. Savage: Many years. Let's all hope here that it's by the end of the year.

Member Ceci: Okay. Richard?

Mr. Feehan: Thank you. I just wanted to follow up on the orphan well question. I'm just wondering if there is any intention or plan to seek indigenous participation in the process as it moves forward. I don't know if you have a policy of procurement or something that maybe could be influenced in this area. I'm just wondering if something exists.

Mrs. Savage: I think that's a great idea. I'm not sure. The Orphan Well Association, on these cleanups of the orphans, would be contracting with the private sector for cleanup.

Mr. Feehan: But there's no attachment to your contribution of \$100 million . . .

Mrs. Savage: For indigenous.

Mr. Feehan: . . . to suggest or to ask for indigenous participation?

Mrs. Savage: I would like to see indigenous participation in it. But, no, there aren't strings attached. The OWA is a creature under the AER. They're looking at how to make that money go the furthest and get the most wells cleaned up. I think that it's a great idea to get indigenous people involved in it.

Mr. Feehan: Okay. As well, there's been a lot of interest in, rather than just simply cleaning up the wells, converting them for other purposes such as geothermal. Do you have any plans to facilitate that or to work on that in your budget?

Mrs. Savage: Yes. Yes. I think what you'll see in the weeks ahead is a whole suite of policies around inactive and orphan wells that will cover the entire life cycle of a well, from licensing to active in production to inactive to orphan wells. One of the things for orphan wells, and in particular is that the OWA doesn't have the regulatory framework to actually enter into those types of agreements with people who'd want to use geothermal.

6:20

Mr. Feehan: Is that a provincial responsibility, those regulations?

Mrs. Savage: It's just a regulation that's not there, and it's a regulation that's going to be improved.

Mr. Feehan: Okay. Great. Thank you.

I wonder if I could also just ask you a little bit about the Prosper Petroleum decision. The court ordered that a decision be made. I think the court date was February 18, so I assume you have a decision made. Can you just inform the committee about that decision?

Mrs. Savage: There was an injunction they sought, and it's now going to court at a later date.

Mr. Feehan: I'm sorry. It's now what?

Mrs. Savage: It's going to court at a later date, sometime in April, I believe.

Mr. Feehan: Oh. Okay. So there's no ultimate decision on that yet.

Mrs. Savage: No. It's still before the courts.

Mr. Feehan: Has your ministry had any involvement in the sort of parallel decision that is being requested by the Fort McKay First Nation regarding Moose Lake?

Mrs. Savage: Because it's before the court, you know, it wouldn't be right to comment on this.

Mr. Feehan: I thought it maybe was, but I wasn't quite sure what the status was. Thank you for that.

One other thing that's been raised for me a number of times in my work in that area of the world – in Fort MacKay, Fort McMurray – is concern that a lot of the forecasts moving forward indicate that oil and gas will mostly be successful in the future largely as capital investments rather than labour investments such that in order to be successful, many of these companies will have to shift away from labour. The specific example given to me, for example, by the Fort McMurray Métis community was that 400 jobs driving vehicles in bitumen mines have been automated and have now been turned over to driverless vehicles. There's a deep concern in the community about that. I'm just wondering, first, whether or not your ministry has some kind of transition program for people who are losing jobs to automation in the oil and gas industry. Well, perhaps you can just answer that first.

Mrs. Savage: Any sort of transition plan would fall into the department of labour and the AIOC. What I can tell you, though, is that there has been – read this report from the Canadian Energy Centre.

Mr. Feehan: I actually read almost the whole thing while we were talking. Thank goodness it's brief and mostly pictures.

Mrs. Savage: But it shows some of the economic benefits that all of these groups have had because of the growth in the oil sands. You're right. There's a tremendous number of jobs for some of these groups in the oil sands. Our goal is to keep those jobs for them and to make sure they're there and to grow those jobs and to make sure that we have a sustainable future in the oil sands for those groups.

Mr. Feehan: Well, certainly, the nations, you know, demonstrated to me very clearly that participation in the oil sands and other forms of energy development has been very beneficial for their communities. I think that's what led to the question that they asked me to bring to you, which is that they're fearful that that prospect is quickly diminishing and that there is no sort of backup or follow-up for them, so they're going to have to start to look for something otherwise. As your report indicates, there have certainly been some benefits to a few communities who are immediately in the vicinity of the oil sands. It hasn't been able to get very far. I notice in the report from the centre, the war room, I guess, that they only looked at nations immediately in the Fort McMurray area, not at any nations in other areas who, of course, are also affected by oil and gas. But I think the overall concern is that we're moving in a direction where much of this will be done without labour. That was my question.

Mrs. Savage: I guess one of the things on this is that that's why we have the AIOC, to get them equity in other projects.

The Chair: Sorry, Minister. Sorry to interrupt.

The remaining time will be with the UCP government caucus.

Mr. Yaseen: Minister, you were in the middle of red tape reduction initiatives that government is taking to improve the efficiency of the regulatory system, restore competitiveness, and win back investors' confidence by improving investor certainty. If you could please conclude that, that would be great.

Mrs. Savage: Yeah. A lot of initiatives are under way in the AER and the Alberta utilities board, all our agencies. You know, to make Alberta competitive again, we have to have a competitive fiscal environment so that companies can compete and they're on the same level as other jurisdictions. That's why we have the corporate tax reduction.

But we also have to have a competitive regulatory system, one that can deliver outcomes as quickly as places like Louisiana and Texas and one where there's not red tape adding to costs and timeline and uncertainty. With red tape comes uncertainty as well as costs. We've had lengthy proposals from industry associations on what types of, you know, red tape, what needs to be happening in the AER and Alberta utilities board.

We're in the process – well, I guess there are red tape reduction task forces within both of those agencies. Within the AER you'll be seeing how important it is to our government. You'll be seeing a ministerial directive coming from Minister Nixon and me to the AER to establish a red tape task force with some measurable criteria. That's how important it is. It takes time to find red tape and eliminate it. It takes a process to eliminate red tape, whether it's a cabinet process – you have to get rid of a regulation – whether it's eliminating a policy within a regulator. There's a lot of work there, but we know we have to do it because we can't be competitive with other jurisdictions if we have more red tape.

Mr. Yaseen: So true. Thank you very much.

I will pass to MLA Getson, who's got his glasses on while he's preparing.

Mr. Getson: They're going on right now, sir. They're going to save time. Thank you. Appreciate it.

Minister, back and forth if that's okay?

Mrs. Savage: Sure.

Mr. Getson: Looking at page 66, item 2.1, what we're talking about here is working with the other ministries, et cetera, et cetera, you know, in collaboration. One of the items that jumped off the page here – and I'm hoping it's under that section – is achieving methane emissions equivalency with the federal system. Again, it's going to go a long way to making sure that we're competitive on investor confidence. With that, what activities, if any, are you working on, in support with the ministry partners, in achieving methane equivalency?

Mrs. Savage: We have methane regulations in Alberta that are set to come in this year, and the federal government has competing methane regulations. It's very similar to what we had in the carbon backstop with the TIER fund. We're working on getting equivalency with the federal government so that they'll stand their regulations down. We have made Alberta regulations which achieve the same results in emissions reduction and do it in a way that's more cost effective for our industry. We're working with the federal Department of Environment and Climate Change to have them stand their regulations down and for ours to be deemed equivalent. I would also note on this that based on the carbon tax reference case

from the Alberta Court of Appeal, I don't think the federal government has the jurisdiction to be regulating our methane emissions. But we're working with them just to quietly back theirs down because ours are equivalent and come to the same result.

Mr. Getson: Minister, where are we at in the process? How long, do you think?

Mrs. Savage: There is a regulatory process to get to equivalency, a federal government regulatory process. They have to publish in the *Gazette*. We have to get a draft equivalency agreement done. We're in discussions on frameworks and on methodology on how we get our numbers and how they get their numbers. We're in some complicated discussions on what our regulations achieve and what their regulations achieve. We're confident we're going to get there.

Mr. Getson: Okay. Perfect.

If I can, too, just carry on with that key objective, one item that kind of jumped off – and I'm not sure if this kind of comes out – is on the orphan wells. I just want to touch on that. You know, off-the-napkin kind of measuring here on the budget, I think the former projection was at \$70 oil. I think we're in the order of a magnitude of \$58. If a student of economics thinks that's fairy-tale economics when you're looking at something that's \$20 a barrel lower . . .

The Chair: Sorry to interrupt, members, but I must advise the committee that the time allotted for this item of business has concluded.

I'd like to remind committee members that our next meeting is scheduled for 9 a.m. tomorrow to consider the estimates of the Ministry of Transportation.

Thank you, everyone. This meeting is adjourned.

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

