



Legislative Assembly of Alberta

The 30th Legislature  
Second Session

Standing Committee  
on  
Resource Stewardship

Ministry of Energy  
Consideration of Main Estimates

Tuesday, March 16, 2021  
7 p.m.

Transcript No. 30-2-18

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The 30th Legislature  
Second Session**

**Standing Committee on Resource Stewardship**

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

Dach, Lorne, Edmonton-McClung (NDP)  
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Guthrie, Peter F., Airdrie-Cochrane (UC)  
Issik, Whitney, Calgary-Glenmore (UC)  
Loewen, Todd, Central Peace-Notley (UC)  
Singh, Peter, Calgary-East (UC)  
Turton, Searle, Spruce Grove-Stony Plain (UC)  
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**Also in Attendance**

Schmidt, Marlin, Edmonton-Gold Bar (NDP)

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## **Standing Committee on Resource Stewardship**

### **Participant**

Ministry of Energy  
Hon. Sonya Savage, Minister



**7 p.m.****Tuesday, March 16, 2021**

[Mr. Hanson in the chair]

**Ministry of Energy  
Consideration of Main Estimates**

**The Chair:** Good evening, everyone. I'd like to call the meeting to order and welcome everyone. The committee has under consideration the estimates for the Ministry of Energy for the fiscal year ending March 31, 2022.

I'd ask that we go around the table and have members introduce themselves for the record. I'm David Hanson, the MLA for Bonnyville-Cold Lake-St. Paul and the chair of this committee. We will begin, starting with my right.

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

**Mr. Getson:** Hello. MLA Shane Getson from Lac Ste. Anne-Parkland.

**Mr. Singh:** Good evening, everyone. Peter Singh, MLA, Calgary-East.

**Mr. Guthrie:** MLA Pete Guthrie for Airdrie-Cochrane.

**Ms Ganley:** Kathleen Ganley, Calgary-Mountain View.

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

**Mr. Huffman:** Good evening. Warren Huffman, committee clerk.

**The Chair:** Thank you, everyone.

Now we'll go to the members participating virtually. When I call your name, please introduce yourself for the record.

Member Issik.

**Ms Issik:** Good evening. Whitney Issik, MLA for Calgary-Glenmore.

**The Chair:** Member Loewen.

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

**The Chair:** Mr. Turton.

**Mr. Turton:** Good evening, everyone. MLA Searle Turton for Spruce Grove-Stony Plain.

**The Chair:** Last but not least, Member Yaseen.

**Mr. Yaseen:** Good evening. Muhammad Yaseen, MLA for Calgary-North.

**The Chair:** Thank you, everyone.

Due to the current landscape we are in, all ministry staff will be participating in the estimates debate virtually. Minister, please introduce yourself and any officials joining you who may be speaking on the record.

**Mrs. Savage:** Well, thank you. I'm Sonya Savage, Member for Calgary-North West and Minister of Energy. I am joined by Grant Sprague, deputy minister; Stephanie Clarke, associate deputy minister of natural gas and electricity; and Roxanne LeBlanc, ADM, finance, here at the table with me.

**The Chair:** Thank you very much, Minister.

Before we begin, I would like to note that in accordance with the recommendations from the chief medical officer of health, attendees at today's meeting are advised to leave the appropriate distance between themselves and other meeting participants. In addition, as indicated in the February 25, 2021, memo from the hon. Speaker Cooper, I would remind everyone of committee room protocols in line with health guidelines, which require members to wear masks in committee rooms and while seated except when speaking, at which time they may choose not to wear a face covering.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Those participating virtually are asked to turn on their camera while speaking and to please mute their microphones when not speaking. Members participating virtually who wish to be placed on a speakers list are asked to e-mail or send a message in the group chat to the committee clerk, and the members in the room are asked to please signal the chair. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates. A total of six hours has been scheduled for consideration of the estimates for the Ministry of Energy. For the record I would note that the Standing Committee on Resource Stewardship has already completed three hours of debate in this respect. As we enter our fourth hour of debate, I will remind everyone that the speaking rotation for these meetings is provided for under Standing Order 59.01(6). We are now at the point in the rotation where speaking times are limited to a maximum of five minutes for both the member and the ministry. These speaking times may be combined for a maximum of 10 minutes at the will of the minister. Please remember to advise the chair at the beginning of your rotation if you wish to combine your time with the minister's. One final note. Please remember that discussion should flow through the chair at all times regardless of whether or not speaking times are combined. If members have any questions regarding speaking times or the rotation, please feel free to send an e-mail or message to the committee clerk about the process.

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. Does anyone oppose having a break? Seeing none, we will announce that shortly.

When we adjourned this morning, we were five minutes into the exchange between Member Issik and the minister. I will now invite Member Issik or another member from the government caucus to complete the remaining time in this rotation. You have five minutes remaining.

**Ms Issik:** Thank you, Mr. Chair, and through you to the minister. Minister, I'm just going to refer you to page 38 in the business plan, specifically to key objective 2.1. In this objective, it says that the government is going to implement changes to the liability management framework. So I've got a few questions just about that particular piece. Maybe we can just start with the first one. Can you just tell us some of the key changes that have been made to the framework?

**Mrs. Savage:** Sure. To start out, I think I'd like to thank the very good work of my department in putting this liability management framework together, with a significant amount of consultation with industry and other stakeholders. I'd also like to point out that we

are the first government to address this issue, an issue that had been developing for decades, an issue that should have been dealt with 10, 20 years ago and certainly should have been dealt with five years ago. So we announced the changes in July to set out what we were doing to change the liability management framework.

I think your question was the key changes to the framework. There were a number of things, and I would start with improvements to the system on annual closure spend targets. Prior to our liability management framework there weren't any spend targets for industry, for licensees, for oil and gas producers to have a target on cleaning up their inactive wells. We have established that there'll be annual closure spend targets.

We also put in place a new licensee capability assessment system, an LCAT, to replace the LMR. We brought in a licensee special action function within the AER to help distressed operators, an option mechanism for improved orphan site management and for improved management of inactive sites on landowners' land, allowing the landowner to ask for priority for reclamation and abandonment of wells on their property, and a panel that will work to address postregulatory closure liabilities.

**Ms Issik:** Minister, thank you for that, and indeed thank you for the work that your department has done on this really important policy area. It's been much needed for many years, and it's fantastic that your department took the initiative to make these changes. You mentioned the licensee special action. Could you please speak specifically to that improvement?

**Mrs. Savage:** Sure. Well, that's to put some expertise within the AER to help provide guidance and proactive support for operators that are struggling. As you know, the last five years have been very difficult times for our oil and gas sector, and a lot of them are in financial distress and struggling, trying to meet their regulatory obligations. This function will help them manage and maximize their assets and help them to maintain operations and meet the regulatory obligations. It's important to do this. Not only is it there to help these companies, but it'll also protect Albertans and it'll protect landowners and it'll protect the Orphan Well Association from the financial and environmental burden of more inactive and orphaned sites going into the system. We're going to help those operators ensure that they're able to meet their environmental obligations.

**Ms Issik:** Thank you so much for that, Minister. Indeed, we know that there have been those struggling, so that's great to hear.

Could you also speak a little bit more about the licensee capability assessment system? I've heard some about it, but I think some more detail around that would be really relevant right now.

**Mrs. Savage:** Well, this is a function within the Alberta Energy Regulator, and it's going to replace the current LLR, the licensee liability rating, which, really, we heard wasn't serving anyone. It wasn't serving operators. It wasn't serving to protect environmental interest...

**The Chair:** Sorry, Minister, to interrupt for the first time this evening.

We'll now move to the Official Opposition for five minutes and five. Do you wish to go back and forth with the minister?

**Ms Ganley:** If that's agreeable, yes.

**The Chair:** Minister, how do you feel?

**Mrs. Savage:** Actually, reflecting on this morning's estimates and considering the numerous times that the Member for Calgary-

Mountain View interrupted my answer in the middle of responding to a very complex question and the number of times that I had to say, "Hey, I haven't completed my answer," only to find that the microphone had been cut off, Mr. Chair, this was unacceptable, and to avoid further abuse of process, I will not share my time this evening.

7:10

**The Chair:** Thank you, Minister. That is your prerogative.

I will just clarify for members. Hon. members, I'd like to offer a clarification with regard to speaking times for members during main estimates. Once the maximum speaking time is reduced to five minutes at one time, Standing Order 59.02(c), the time allotment is no longer considered a block. The member called upon in the appropriate point in the rotation may use up to five minutes at one time. The minister then may use up to five minutes in response. However, if either the member or the minister chooses not to utilize the maximum five minutes allotted to them to speak, they cannot return to complete the balance of their five minutes. Once the member and the minister have had their time to speak, the chair will then call upon a member in the next group in the rotation for their five-minute speaking time.

Member Ganley, you have the floor for five minutes.

**Ms Ganley:** Thank you very much, Mr. Chair. I think I'll begin by addressing those allegations. Now, when we talk about abuse of process, we're talking about a minister who's been unwilling to answer.

**The Chair:** Member, we are here to discuss the budget estimates for the Ministry of Energy, please...

**Ms Ganley:** Absolutely.

**The Chair:**... not to take personal attacks at the minister for her response. It's her prerogative to take the time. Now, if you'd like to eat up the rest of these five minutes arguing with me, we can do that, but I will not tolerate personal attacks.

**Ms Ganley:** I'm only five words in, Mr. Chair, so I'm happy to talk about the budget estimates.

Again, as I said multiple times this morning, the reason I redirected the minister was because she refused to speak about the budget, which is what we're here to speak about today. I'm very sorry that she was offended by that, but again it is my job. I was elected on behalf of Albertans to come here and to discuss the budget and to ask questions about the budget, and I'm going to do exactly that.

Since we last met this morning, there have actually been some interesting developments. One of those developments is that we have seen a thousand people laid off by Cenovus. My first question, Minister, is: is there anything in the budget for those people? Minister, you keep talking about your advocacy on industry. You keep talking about how optimistic you are. You must have said the word "optimistic" probably 20 times this morning, and I'm not sure that the optimism is helpful for those families. I hope that, rather than sort of a long series of attacks on collateral matters, you can focus on those families who are genuinely suffering as a result of this decision and who need help. I would like to know: what is in the budget for those families?

In addition to that, I note that on page 64 of the fiscal plan the base case projected by Treasury Board and Finance for total employment in this year will have 2.265 million Albertans employed. That's fewer than were employed in February 2017. Next year your base case shows that we'll have 2.331 million

employed Albertans, which is virtually the same as February 2018. In fact, your base case doesn't grow past 2018 levels until we've reached 2023, past the mandate of this current government. That's five straight years of total jobs lower than it was when the NDP was in government but with a higher population. In other words, your entire term will be characterized by fewer total jobs than the province had in 2018. Your entire term. According to your own base-case scenario you're not creating jobs, not at all. You're barely making up the ground you've lost since you were first elected, and you're taking four full years to do so. Meanwhile we're projecting that the population will grow.

You know, certainly the COVID pandemic has had an impact on that. I don't think that anyone denies that. But we're still dealing with a track record of this government that shows 50,000 job losses in advance of the pandemic even hitting. Minister, you ran on filling those towers in downtown Calgary. That was your election program. Your Finance minister . . .

**The Chair:** Through the chair, please.

**Ms Ganley:** Through the chair, sir, of course. Mr. Chair, the Finance minister was clear with Albertans that it was not his responsibility to refill those towers in downtown Calgary. I disagree. I couldn't disagree more. That was the promise that this government made to Albertans, and they have chosen time and again, rather than fulfilling that promise, to engage in collateral attacks on Bigfoot, to commission climate change denial science.

**Mr. Guthrie:** Point of order.

**The Chair:** Point of order noted.

**Mr. Guthrie:** Standing Order 23(b), speaking to matters that are outside of those in question. I'm just wondering if we have some line items here that the opposition member here could point to that actually correspond to the estimates. We're getting a lot of conjecture and opinion, not necessarily anything having to do with the estimates here at hand, so perhaps we can address that.

**The Chair:** Okay. Actually, I don't need a rebuttal. We spoke about this many times this morning during the first three hours. The CEC is part of the budget. She's referring to a conflict between the CEC and this cartoon video. It was something that was discussed this morning. It was allowed at that time, so I'll allow it now.

**Mr. Guthrie:** Well, okay.

**The Chair:** Thank you.

I'll just remind members on both sides that under 23 the first sentence says, "A Member will be called to order by the Speaker if, in the Speaker's opinion, that Member." In my opinion, Member Guthrie, the discussion was allowable this morning, so it will be tolerated and allowable as long as it doesn't get to an insulting point where somebody is taking shots at another member. We did allow it for the first three hours of this session, so we will continue to allow that discussion to go forward. Just a fair warning to everyone, okay?

**Mr. Guthrie:** Just because the last statement made was "Bigfoot" doesn't mean that all the words previous to that had to do with that.

**The Chair:** My decision has been made. Thank you, Mr. Guthrie. Go ahead. The minister is up for five minutes.

**Mrs. Savage:** I guess we lost a few minutes of time there talking about Bigfoot, but I think there were at least two questions there,

and the first question was around layoffs at Cenovus. I think what I can answer on that is that this is a – there's a lot of consolidation going on in the oil and gas sector as a result of not only five years of low prices and five years here in Alberta of not having enough pipeline capacity to get product to market, but we just are in the middle of a pandemic, and at about exactly this time last year we had an OPEC-Russia price war and saw a massive collapse in the price of crude oil, at one point going into negative.

We've had companies over the last year that have been under extreme duress – extreme duress – producing production at a loss, and right across the sector, not only in Canada but in North America, we've seen consolidation for companies to become stronger, to consolidate to become more efficient, and unfortunately in some cases we've seen that that's resulted in layoffs, and that's heartbreaking. That is absolutely heartbreaking, and that's why we're doing everything we possibly can to support the energy sector. That's why we're taking steps to make sure that it's competitive, with a competitive tax rate, with reducing red tape, with finding efficiencies at the Energy Regulator.

The member said that I was optimistic. I absolutely am optimistic because every day I look through and I comb through the numbers and see what's happening in the oil and gas sector, and what we're seeing is all sorts of signs of optimism, increased drilling and investment that's driven by fundamentals that are improving price for WTI at around 65 bucks a barrel, pipeline takeaway capacity, and private rail-loading capacity – private rail-loading capacity, not the CBR deal from the NDP – that is sufficient and is enough to handle our growing production in the sector. We're seeing a competitive investment climate with lower tax rates, red tape.

All of this is providing a good, solid base of fundamentals for our energy sector, and that's why we're seeing increased land sales, we're seeing increased drilling forecasts, and we're seeing increased capital investment coming into the sector. CAPP is forecasting I believe it's \$3.4 billion more investment this year than last year, so, yes, I'm optimistic.

7:20

I think we're going to be going into a very optimistic growth sector, and that speaks to the second question that the member asked and referenced to page 64, which is employment numbers for Alberta. Now, I can't speak to the overall employment numbers because that will involve a number of sectors right across the line from agriculture to forestry, to public sector, to energy sector. What I can speak to is the employment in the energy sector. I would note that in each of these cases, even on page 64, employment is growing year over year. It is growing. You have to remember that we have just gone through the biggest economic downturn since the Great Depression, caused by the pandemic at the same time as a global energy price collapse brought on by the OPEC, Saudi Arabia, and Russia price war.

To see the growth and to see the sector come back, to see growth in employment is optimistic. I actually thank the member for pointing out the employment numbers and how it's growing year over year. I would point out that recent forecasts have shown that Alberta is going to lead economic growth across the country. I think a lot of that speaks to the fundamentals I spoke about in the last question, on the positive signs in the energy sector.

In answer to both questions on employment and on consolidation in the energy sector, I think that leads to the question about energy investment. I think energy investment is what's going to be leading growth, not only in employment but in employment and in . . .

**The Chair:** Sorry to interrupt, Minister. We'll have to take that up in the next five-minute period.

We now move on to government caucus for five minutes. Who's your speaker? Member Issik, do you wish to go back and forth with the minister?

**Ms Issik:** Yes, please.

**The Chair:** Minister, are you okay with that?

**Mrs. Savage:** Yes, that's acceptable.

**Ms Issik:** Well, thanks so much, Minister. I'm pleased to go back to speaking with you with respect to the liability management framework and some of the specifics within it. You've spoken earlier about several aspects of it, and we were just speaking about the capability assessment system, which I think is quite important. Perhaps you could finish just speaking about that so we can understand sort of what companies have been facing and some of the solutions that you've proposed. Also, after that, perhaps you can inform us more about the inventory reduction program that's linked to the opt-in mechanism that you mentioned.

**Mrs. Savage:** I think we were talking about the LLR, the licensee liability rating. It has been replaced or it's in the process of being replaced by the LCAS. What we know is that the LLR wasn't working for anyone. It wasn't ensuring that licensees were meeting closure requirements. It was causing some distress for some companies who were economically sound, financially sound, meeting all of their responsibilities but who might not have a good LLR rating because LLR only looked at two parameters. The two parameters were assets and reclamation liabilities. That was a poor predictor and a poor indicator of a licensee's ability to meet closure requirements. The new system that we're bringing in will be more comprehensive, and it will be a much more accurate assessment of a company's economic health. It will help the regulator reach out proactively to provide support through the other mechanism I mentioned, which was the licensee special action. The two work hand in hand.

I think you mentioned the inventory reduction program. In the past there were no regulated requirements for licensees to meet closure requirements. In fact, we have some inactive wells that have been there 60, 70 years, and as we had rapid expansion in the energy sector in the early 2000s and a lot of wells drilled, there are a lot that are remaining to be cleaned up after decades. As I mentioned before, no government had tackled that issue, including the NDP, who had four years to take a look at the issue and do something about it. During those years is when the greatest growth in the inventory of inactive wells grew.

We tackled this, and we're bringing it on. What we're doing is that the program will be administered by the AER, and they'll be establishing five-year rolling spending targets for site cleanup that every single site operator in the province will have to meet. It's going to work very well with the AER site closure, the area-based closure program, through which companies work together to clean up and to do the reclamation and abandoned work in a multiple number of sites that are in a specific area. It's more efficient, more cost-effective to do it that way, so we think it will really accelerate the cleanup. It's like a mortgage. You're chipping away; you're paying down the mortgage over time. That's what the annual spend requirement will work like. Over time you'll get it paid off. Over time they'll get everything cleaned up and off their books.

In the last point of that you asked about the opt-in measure for landowners. That was important as we spoke to Albertans about what they wanted to see in this. Some landowners are quite fine with having an inactive well on their property if they're being paid the lease. Others want it gone. This will give an opportunity for the

landowner to opt in and say: look, I want my site to go to the top of the pile, to be considered first. That's what that opt-in mechanism is.

**Ms Issik:** Thanks so much for that, Minister. It sounds to me like we've brought some rationality to this system that will accomplish getting wells shut down and properly mitigated and remediated but also will allow companies to continue to operate, which I suspect will be quite good for jobs.

Can you speak a little bit about the postregulatory closure sites?

**Mrs. Savage:** Sure. On top of inactive wells that still have a licensee that own it and orphaned wells that have gone into the Orphan Well Association, that don't have an owner but were orphaned recently and fall into that program, we still have a gap in the whole system. Where sites that decades ago might have met the reclamation standards at the time, whether that was 1960, 1940, there have been issues arise, and there's no operator that would be responsible for liability or the operator's liability has lapsed. So there's a big gap. Who's going to clean those up? We're looking at mechanisms of how the province is going to handle those sites.

**Ms Issik:** Thanks so much for that. It's good to hear that that's being worked on.

You've mentioned improving orphan site management as one of the improvements in the framework. I'm just wondering. Does that have anything to do – would we consider that the scope of the Orphan Well Association would be expanded by that?

**Mrs. Savage:** Well, I think that by that measure, no. That's a different matter, but what we did do is expand the scope of the OWA, the Orphan Well Association. We expanded that in the spring with Bill 12, which is the Liabilities Management Statutes Amendment Act, 2020. We expanded the scope of the OWA to give it more delegated authority, so they now will have the ability to protect the value of producing assets, to protect jobs, to protect public safety, and all of that will mitigate the risk of the growing inventory of orphaned sites. Also, in March of last year we extended the Alberta government loan to the OWA by a further \$100 million, so that gives more money to the OWA to reclaim and clean up more wells.

7:30

**Ms Issik:** Thank you so much for that, Minister. That's a lot of work that you've done and that your department has done towards a great end.

With that, I am going to cede the remainder of my time to Member Loewen.

**Mr. Loewen:** Okay. Thank you very much, and thank you, Minister, for being here today. I guess I'm going to continue on in the same vein of discussion here on orphan wells. Obviously, key objective 1.3 in the business plan mentions orphan wells. How many jobs has the government's investment created in the oil field service sector?

**Mrs. Savage:** Thank you for that question. We've got some numbers from the OWA on predictions. What we understand is that the OWA loan program has generated more than 1.2 million hours of work in reclamation and abandonment work. That results in an average of 221 full-time direct jobs up to September 30. That's a significant number of jobs created and allowed by the OWA, that have been enabled through additional funding and additional loans to them.

The OWA has contracted approximately 870 different Alberta-based companies to perform the work. I know there had been



concerns – and I think, Chair, through you to the member, that the member had raised some concerns – that there were a limited number of companies and prime contractors and subcontractors that were allowed to participate in the program. We addressed that – Minister Nixon and I addressed that – with a requirement and a letter and a direction to the OWA to allow more prime contractors and subcontractors so that more companies would be able to benefit in the program and be able to get back to work using OWA money and the loan from the government.

**Mr. Loewen:** Okay. Thank you, Minister.

This next question you may have covered somewhat in the questions of the previous member, but what is the government doing to address the growing number of existing orphan wells in the province, and how will it ensure that an accumulation of orphan wells does not continue to be a problem over the long term?

**Mrs. Savage:** Well, I think there are a couple of things, and . . .

**The Chair:** Unfortunately, Minister, I have to interrupt. Our 10-minute blocks go pretty quickly.

We'll now move on to the opposition, to Mr. Schmidt. Do you wish to go back and forth with the minister?

**Mr. Schmidt:** I would like to if she's open to that.

**The Chair:** Minister, are you open to that?

**Mrs. Savage:** No. I think I like the process very well to enable the member to submit his full questions, and I'll provide answers.

I will give you quick answers to it and get to answering your points.

**The Chair:** Thank you very much. I'll continue to ask.

**Mr. Schmidt:** Thank you, Mr. Chair, and thank you to the minister. I want to talk about coal policy, so my questions will be related to that. I would like the minister to confirm how many permits related to coal exploration were granted on category 2 lands between the time that the 1976 coal policy was rescinded and the time that the minister partially reinstated the coal policy – any kind of Public Lands Act permits, water permits, anything related to coal exploration – and to whom those were given between the time that the coal policy was rescinded and the time that the minister reinstated the coal policy.

I'll ask the minister to commit to pausing any current exploration permits, as the landowners have asked for. You know, we've certainly heard concerns from landowners all across the eastern slopes that they are seeing many new disturbances: roads, forest removal, test pits being dug, those kinds of things. Will the minister order that those stop until the consultation has been completed?

I'm hoping that the minister can commit to a number of meetings, in-person or at least virtually, depending on the pandemic situation, with the Métis people of Alberta, with the Blood Tribe chief and council. I'm wondering if the minister can outline her personal involvement in the consultation process that will be rolled out shortly.

Will the minister commit to meeting with the city and town councils of Lethbridge, High River, Nanton, Pincher Creek, Calgary, Clearwater county, all 28 municipalities that have officially expressed their opposition to coal mining in the mountains? I'm wondering if the minister can outline the nature of the public meetings that will be held with the people who are going to be interested in participating in the consultation program. Can

the minister commit to a specific meeting with the Livingstone Landowners Group?

Can the minister provide, as a written undertaking to the Legislature, the expected costs of fighting the Blood Tribe and the Siksika Nation in their judicial review applications? Can the minister also provide the cost details for the Whitefish Cree challenge as well as the cost details for the Mac and Renie Blades judicial review? And if the minister could provide us those broken down separately as well as cumulatively, because I think that the people of Alberta are interested in knowing how much Albertans are spending fighting the government on this matter.

Now, we know that Grassy Mountain is a joint approval, so I'm wondering if the minister can commit to conditions of the AER approval given that the AER reports to the minister. Specifically, people in southern Alberta are looking for conditions on water inputs to the mining process. This is a matter that comes as a result of the Alberta Energy Regulator's processes. Can the minister commit to applying the appropriate conditions to make sure that the South Saskatchewan water basin remains a closed basin?

I guess the final question that I have for the minister is that coal mining is, of course, one of many land-use concerns that Albertans have in the eastern slopes. I'm wondering if the minister can provide us her rationale for the Energy department leading the consultations on coal mining instead of taking a whole-of-government approach. The minister herself said a number of times in the morning session that there are significant environmental responsibilities carried out by Alberta Environment and Parks. Why aren't they the lead agency given the fact that it's their responsibility to conduct land-use planning? Why such a narrow focus on coal mining to the exclusion of all the other land-use issues that exist in the eastern slopes?

If she can address concerns that Albertans are raising that by focusing on coal mining, she's prejudging the outcomes of the consultation. Certainly, there are a lot of Albertans that I've heard from who are concerned that the minister is going to structure these public consultations so that the outcome that she wants, which is much more coal mining in Alberta's eastern slopes, is the outcome that results from the public consultations.

I'm hoping that the minister can provide us with a number of answers to those questions.

**The Chair:** Thank you, Member.

Minister, you've got five minutes for a response.

**Mrs. Savage:** Thank you. Some very, very thoughtful questions. I'll try to get to as many of them as possible, and for ones that I don't get to, I can commit to providing answers in written form.

I think your first question was about the exploration permits. There were six exploration permits under way in category 2 lands when we reinstated the coal policy. Two of them were granted since we had rescinded the coal policy. There were four exploration permits, interestingly, that were in category 2 lands where applications were submitted and approved under the previous government, under your government, including the Palisades. The two applications from Palisades and two applications for Elan Coal, all of them in category 2, were applied for between 2015 and February 2019. Those four exploration programs are in category 2 lands.

There were two more exploration programs and permits granted since we had rescinded the coal policy in June 2020, and one was the Cabin Ridge Project. I think I would note that that project and that exploration is on private land and freehold mineral rights, so the leases weren't granted by the government. The land isn't Crown land, so it's all private freehold mineral rights. Then under the AER

in September 2020 we had approved an exploration project for the Elan Coal Atrum coal mine, and that was in category 2 land.

7:40

So there were six that have been in category 2 lands since 2015. Four were from applications under the NDP government and two since the policy was rescinded.

Your next question was on pausing existing exploration permits until consultation is completed. Well, what we have done is that we've paused any future exploration permits until and unless the consultation is completed. The exploration that's under way in category 2 lands, that I think you're speaking about and that I've certainly heard a lot of concerns expressed about in southern Alberta, was the Cabin Ridge one, which, again, is on freehold mineral rights, and Isolation South for Elan Coal. Those were approved, I should note and you should be aware, because coal exploration in category 2 was approved under your government. It was allowed and approved under the coal policy, so those aren't being rescinded. In fact, we can't. We don't have the authority to rescind coal exploration permits. The AER can only rescind them if there's some sort of misfeasance or not following the rules by the company. We would encourage any Albertans that see something that's wrong happening in there to contact the AER and make complaints if they think something untoward is happening.

Meetings with indigenous groups. I think you mentioned the Blood Tribe and the Métis. Absolutely, we'll be doing indigenous consultations, starting March 29, and very, very prepared. I've been meeting with First Nation groups. In fact, I met with the Siksika chief and council virtually. As well, I've met with the chief of the Piikani and the chief of the Kainai. So that's part of doing indigenous consultation, absolutely.

Meeting with city and town councils. I've already met with all the mayors and reeves of southwestern Alberta. There was a meeting about two weeks ago. The city of Lethbridge, I think, was organizing it, and there were about 30 mayors and councils. So I will continue to do that.

In terms of personal involvement in the coal consultation, we'll be rolling . . .

**The Chair:** Thank you, Minister.

We'll now move on to the government caucus. I believe Mr. Loewen was still speaking. Do you wish to go back and forth with the minister?

**Mr. Loewen:** Yes, if she's agreeable.

**The Chair:** Minister, are you agreeable to a back and forth with Mr. Loewen?

**Mrs. Savage:** Yes.

**The Chair:** Thank you.

Go ahead, Mr. Loewen.

**Mr. Loewen:** Okay. Thank you. Minister, when we ended our last time period there, I'd just asked about how the province will ensure that an accumulation of orphan wells does not continue to be a problem over the long term.

**Mrs. Savage:** Sure. Well, I guess, to answer that, some of the things in the liability management framework, particularly the annual spend targets, will eventually shrink the inventory of active and inactive wells across the province. It's like paying off a mortgage. You'll chip away at it over time until it's paid off.

We also want to ensure that the orphan wells across the province are cleaned up on a more timely basis. That's why we've put in

additional loans and provided additional loans and financing to the OWA. That's also why we've given improvements to the orphan site management through Bill 12, that was passed last spring. I think I went over the details of how Bill 12 helps.

I do believe that we're taking steps to more aggressively chip away at cleaning up the inactive inventory and ensuring that these well sites get returned and reclaimed quicker. That's important. Albertans have said that it's important. Companies have said that it's important. I should note that most of our producers, most of our E and P producers, are very responsible and they are meeting their environmental liabilities. They are doing fairly active cleanup programs, but we have to ensure that we do better, and we have to ensure that these things do get cleaned up more quickly.

**Mr. Loewen:** Okay. Thank you. Continuing on on orphan wells. In reference to orphan well decommissioning under initiatives supporting key objectives, what spending is anticipated for closure activities during the upcoming year as regular abandonment and reclamation activity by industry under the Orphan Well Association regular business and under the orphan well loan program?

**Mrs. Savage:** Sure. That information, again, comes from the OWA, Orphan Well Association, and for 2021-22 they have budgeted the orphan fund levy – and that's a levy to industry – at \$70 million, and they've also levied a large-facility program levy of an additional \$3.5 million. There's also an additional \$500,000 from first-time licensee and regulator-directed transfer fees. I guess the next thing is that as of September 2020 the OWA has spent approximately \$171 million of the \$335 million that has been loaned to it, and that amounts to 51 per cent of the loan advance dollars. There is some very good work going on in there, and they're expecting to spend an additional \$114 million in the third and fourth quarters of fiscal 2020-21, with the remaining approximately \$50 million to be expended in the first and second quarters of fiscal '21-22.

**Mr. Loewen:** Okay. Thank you. Is that similar to what's been done in previous years, or is this an increase?

**Mrs. Savage:** Overall, the programs and initiatives in place, it's anticipated to improve year over year, and there has been an increased expend year over year, and it's projected to continue that way. And I think it's important that it does so that we can chip away at the inventory more quickly.

**Mr. Loewen:** Okay. Perfect. Thank you very much. Now, at this rate, how long will it take industry to catch up on the backlog of inactive wells?

**Mrs. Savage:** Well, again, we know that the number of inactive oil and gas wells is growing across Alberta, and this is because of the, you know, struggles they've had over the last five years not only with the price but with the ability to access markets to receive a fair value, so there's a big backlog of inactive wells to address, and that's going to take some time. Again, it's like paying down a mortgage. It'll take time to get to.

But the new liability management framework will help with that, and it includes both short-term and long-term initiatives to address the management of these oil and gas liabilities. We expect that the new framework, particularly the annual spend target, will begin to shrink the inventory right across the province and accelerate timely restoration of the land. You add that on to the AER's area-based closure program, and we're seeing a much more aggressive cleanup. Again, as I mentioned before, this is the first time that a government has addressed the liability management framework. I

look at the situation and the fact that we have 97,000 inactive wells; it would have been nice if we had these rules in place 20 years ago, 10 years ago. Even five years ago this should have been addressed, but we are addressing it now, and we'll be chipping away and the backlog will be cleaned up.

**Mr. Loewen:** Okay. That sounds great. Now, do you intend on setting targets to catch up on the abandoned and backlog of inactive wells?

**Mrs. Savage:** The targets that are being set are the liability management framework's annual closure spending targets. Instead of specific well targets, we're setting annual spend targets because each well has a different cost. You could clean up 20 of your most inexpensive wells and not get further ahead than cleaning up the three most expensive wells. What we've done is that we're setting annual spending targets that will allow the producers to be efficient, to work with an area-based closure program, to clean up the wells that matter most, and, also importantly, to be able to work with landowners who want the sites on their land to be cleaned up. Imposing annual closure spending targets gives a lot more efficiency and a lot more flexibility to producers to clean up the sites that matter most.

7:50

**Mr. Loewen:** Okay. Thank you very much, Minister. I appreciate those answers.

I'll cede my time now, I believe, to MLA Guthrie.

**The Chair:** Go ahead.

**Mr. Guthrie:** Thank you. Through the chair, Minister, I've just got a couple of quick questions here pertaining to page 37 of the business plan, key objective 1.3. It commits to create an investment climate that supports the development of energy resources in the province. Obviously, a pretty broad objective. We've seen a pretty remarkable turnaround in oil and gas prices, but what initiatives will the government undertake to regain investor confidence in Alberta's energy industry going forward, in this upcoming fiscal year?

**Mrs. Savage:** Well, thank you. I think I consider this one of our most important objectives because it leads directly to jobs. It leads to investment in the province, to jobs, and to a healthy economy, which is extremely important now as we come out of the COVID pandemic and we look to rebuild. It's a very broad objective, and it captures all our work in the department, everything from electricity to the natural gas strategy, LNG natural gas value chains like petrochemical, as well as crude oil pipelines. It's going to include the work of the Energy Regulator, red tape reduction, and ESG liability management.

I think the second part is: what are we doing to help the investment climate? That work started the day our government was elected. The day we got sworn in, we had to start cleaning up after four years of not responding to the types of things that investors need for investor certainty. We're responding by giving a competitive fiscal environment, lowering the tax rate, lowering rates and fees and levies. We are giving a competitive regulatory environment. That means cutting red tape. It means improving timelines and the AER finding efficiencies. It means supporting and standing up for our energy sector. That means all our discussions around ESG, taking a stronger and more assertive stance to support our energy sector. That includes things like challenging the constitutionality of Bill C-69, a particular piece of legislation that really flies in the face of investor certainty. Every initiative that

we're trying to underscore here to provide investor certainty and to bring back investment is . . .

**The Chair:** I'm sorry to interrupt you again, Minister. I think I interrupt you more than anybody, actually.

We'll now move on to a block with the opposition. I believe Mr. Ceci has the floor.

Just so everybody knows, in case you're wondering, we'll take a break as close to 8:30 as possible, depending on the speaking order.

Would you request to go back and forth with the minister?

Minister, are you allowing back and forth with Member Ceci?

**Mrs. Savage:** No. I think it's working much more efficiently to take the questions and then answer them all at once.

**Member Ceci:** Minister Savage, I just want to follow up on some of the questions asked of you by MLAs Issik and Loewen with regard to liability management. Under the orphan well abandonment line on page 39 of your business plan it's going up to \$74 million in this year. With regard to that, I'm wondering about the adequacy of that amount of money and if there is actually an underfunding of that line item as a result of a greater amount of inventory needing to be addressed in terms of abandonment and cleanup, in particular. Just wondering if the AER is following through with its obligations with regard to the cost of ensuring that orphans are cleaned up, and if they're setting that levy accordingly. If you could address that, that would be helpful.

Just going on to the liability management framework changes, a number of things were mentioned there by you. I just want to go over some of them if I can. With regard to the licensee special action and AER's expertise in assisting in that, with regard to postregulatory closure liabilities could you help me understand if government money through the AER is going to producers who are requiring additional help to address their environmental obligations? It sounds like it is in terms of the special action, but I don't know specifically, and that's my question.

There were a number of acronyms and other kinds of things, so I apologize; I didn't catch them all. But I want to ask about the liability rating. You talked about the licensee liability rating. What does that actually mean in terms of wells that need reclamation? What frequency of reporting will companies give the AER or your ministry with regard to wells so that Albertans can understand the amount of liability?

I want to ask about the five-year, rolling annual spend targets that every operator has to meet. I gather that they would submit that to AER in terms of the annual spending they have to put so that they continue to clean up as they go forward. I think it's a good idea that many companies work together in terms of site closures. It does sound like it's more effective and efficient if they're identifying ways to do that and help each other out. So I'd like to know more about that.

I would like to know about the number of inactive wells that continue to be owned by companies. The number of I think you said orphan wells was in the 97,000 – maybe inactive wells. Maybe you can just tell me the number of orphan wells that have no owner that are in this province that need to be addressed and remediated. I'd also like to know what's being done with regard to sites that met remediation standards years ago but are a problem now. Who is going to look after those, and how are they going to be addressed?

Let me just go on to this last page here. So, yes, more on the annual spend targets that work into the liability management framework. On an annual basis, you said, there have to be reports on the annual closure spending targets. Who do those reports go to? How many companies have to provide them?

**The Chair:** Thank you, Member.

We'll go on to the minister for five minutes.

**Mrs. Savage:** Well, thank you. Thank you for those very thoughtful questions. I'll try to get through them as quickly as possible. Your first question was around: do we think it's underfunded, the budget line for the Orphan Well Association? Is it underfunded? I think it's important to remember that this is an industry levy. That \$74 million is, I understand, comprised of two components: \$70.5 million of it relates to the remittance of levies and fees collected by the OWA for reclamation and abandonment of wells. For the fiscal year of 2020-21 the OWA, CAPP, and EPAC, Explorers and Producers, endorsed a \$70 million orphan levy, anticipated to be issued in the spring of this year. The levy is worked on by the OWA along with CAPP and EPAC and the producers, and it's industry funded. It rolls and it flows through the government's budget, but it is cost recovered from the industry. The other \$3.5 million comes from the large-facility program.

8:00

Your question was: is it enough? Well, year after year we've been spending more. I would add that on top of that, we've given a loan to the OWA. In fact, your government also gave a loan. I think your loan was \$235 million, which has been very helpful on top of our \$100 million loan. There are additional monies that are being spent in there. Yeah. It's going to take a while to clean it up because the industry has been struggling, but they're getting at it.

I think you asked some questions on the liability management system, the expertise in the liability licensee special action group, and whether that was going to be paying anything towards postregulatory closure. The idea there is no. We're going to be putting together a committee, a panel, to give us advice on how we meet those requirements.

The LMR, the liability management rating: you asked about its viability. As I mentioned in response to the question from MLA Issik, the problem with that formula is that it looked at only two things, and it was the assets of a producer as well as the environmental liabilities. It wasn't an accurate assessment of the company's ability to be able to meet reclamation responsibilities. That's what's being replaced by the LCAT.

The five-year annual spend targets. This is something that the AER is working on right now with the industry – we hope to roll it out later in 2021 – on what that will be, how the industry will manage that, and how it will work, obviously, with the area-based closure program that you referenced.

I think you also referenced a number of inactive and orphan wells. The inactive wells are the wells that are owned, that still have a licensee; there's still a viable owner or company that's in existence. The latest number is about 97,000 inactive wells. The orphan wells fall under the Orphan Well Association because the company has gone bankrupt or is in insolvency or otherwise defunct. The current inventory as of February 1, 2021, is 1,973 orphan wells, 3,556 pipelines. The 1,973 wells required abandonment. There are 3,556 pipelines requiring abandonment and 4,348 orphan sites requiring reclamation. So there are a significant number in there to be reclaimed.

I think you made a comment about the postclosure sites that met the standards of the day but now have subsequently run into problems. That's what we're setting up the panel for, to tell us and give us some advice on how we are going to manage the . . .

**The Chair:** Sorry again, Minister, to interrupt.

We'll now move to the government caucus. I believe Mr. Guthrie had the floor. Would you like to go back and forth with the minister?

**Mr. Guthrie:** If that's suitable, yes.

**The Chair:** Minister, are you okay with that?

**Mrs. Savage:** Yes.

**The Chair:** Mr. Guthrie.

**Mr. Guthrie:** Thank you. Through the chair, just a comment to your previous answer there, Minister. I, too, share your optimism moving forward here for the energy sector for Q3 and Q4 as well as 2022. I think we're poised for a strong recovery based on, well, one, prices as well as the conditions that have been put in place by this government. Yeah. Thank you for that answer.

I'm still on the same page that I was previously there, page 37. It's pertaining to key objective 1.2. I guess first off, here, I'll read you what it says there if you don't have it in front of you.

1.2 Build on Alberta's strengths in responsible energy resource and mineral development, support industries and communities in economic recovery through innovation, diversification and job creation.

Once again, where APIP is concerned, I'm just curious as to, you know, what you're expecting for upcoming investment decisions, construction, or companies to claim royalty credits, grants under that program during this upcoming fiscal year.

**Mrs. Savage:** Well, thank you. Since we launched that program in October 2020 – and it was launched as part of the natural gas strategy that the Premier and Associate Minister Nally and myself announced – we've received significant interest from local as well as international investors, in fact numerous interests with significant international investors. These are companies who are considering building or expanding their petrochemical facilities here in Alberta.

Right now we're in the process of reviewing applications. We're meeting with investors. We're also proactively reaching out to international investors through Invest Alberta and through Alberta's international offices. We're taking this very seriously because we see a huge, growing market in petrochemicals.

There are jurisdictions all around the world and particularly in North America that we're competing with, jurisdictions that are attracting incentives, are making sure that their regulatory environment is good, the fiscal environment is good to attract that investment. We're doing everything we can to be able to compete with it, to be able to attract it, to give investors assurances that Alberta is the place they want to be, the place they want to invest, and we're seeing the results of that. We're seeing the results of that directly with the interest in APIP and with the applications that we're reviewing and receiving.

I think there's, as you say, a lot to be optimistic about, and we're seeing it in every sector, including the petrochemical sector.

**Mr. Guthrie:** Well, through the chair, thank you, Minister. I appreciate that.

I would now like to cede my time to MLA Getson.

**Mr. Getson:** Thank you, Minister. Going back and forth: does that still work for you, ma'am?

**Mrs. Savage:** Yes.

**Mr. Getson:** Through the chair to the minister, I kind of heard it referenced this morning, and then I jotted it down here again just to make sure that I'm correct. In reference to page 36 of the business plan, the minister outlines the importance of ensuring "safe, efficient, orderly and environmentally responsible development of Alberta's energy resources." Can the minister provide the committee some historical context on how previous governments have approached coal policies? In specifics, the item that caught my attention was a letter that was issued from the former Energy minister in 2016 to the AER about coal permits and how they were going to act in category 2 lands.

**Ms Ganley:** Point of order.

**The Chair:** A point of order has been noted.

Go ahead, Member Ganley.

**Ms Ganley:** Yes. Thank you very much. I do appreciate, Chair, that we've had an incredibly wide latitude at this point. I'm not sure how a letter written by the former government in 2016 in any way relates to the estimates.

**The Chair:** Thank you.

Rebuttal from the government?

**Mr. Getson:** Yes. The member opposite obviously has the issue to call a point of order. What it's going to do is make reference back to existing coal policies. It's also relevant to the business plan, and I believe that we've talked lots about category 2 type coal mines and the impacts that they're having, even to the point where the Member for Edmonton-Gold Bar was going on about consultation policies, et cetera, et cetera, trying to tie in the environment. If there's been a wide breadth of latitude provided, I sure as heck would like to see how an item that was brought up a couple of times both by yourself and the minister ties back to the coal policies and how it's going to impact the budget.

**The Chair:** Through the chair.

**Mr. Getson:** Oh, sorry. Sorry, Chair; old habits. Back to you and all that.

**The Chair:** Thank you. I'm prepared to make a ruling on it.

As you said, there has been a severe amount of latitude this morning, to the point where we actually talked about Bigfoot in the committee. I've given plenty of latitude on the subject of the CEC. It's been brought up many, many, many times, and the coal policy has been brought up many, many times today. I've given not only latitude but I've given some longitude down some rabbit holes, rabbits for the folks that like the rabbits. I will not call this a point of order. This is a matter of debate, a relevant document that relates to coal policy. It's been brought up a number of times. I will allow the minister to go ahead.

Thank you.

Minister.

8:10

**Mrs. Savage:** Well, thank you for that question. I guess the question was: how is the ministry learning from actions of past governments and working to ensure that we develop future coal policies? The first thing that we learned is that the Loughheed coal policy from 1976 mattered to Albertans – it matters – and when we rescinded it, we certainly heard a lot of concerns from Albertans that were concerned that some restrictions had changed and some things had changed in category 2 lands and that things that were restricted, surface mining in category 2 lands, would be allowed

because the coal policy was rescinded. What I learned is that the coal policy of 1976 mattered to Albertans. They love their mountains. They want to ensure that there's responsible resource development, but there are areas that are off limits. That's why we reinstated it, and we're opening up consultations to hear views of Albertans.

I would hope that in that consultation we're going to hear the views of the NDP and that they're going to tell us what their views are. It seems a little bit confusing when they've suggested that they are going to ensure that there isn't coal mining in category 2 lands. It's confusing because there are a number of things that they have enabled. Their record while in government is very, very significantly different than the things that they are saying today.

For instance, while they were in government – and I think the member referred to a letter from 2016 – on May 24, 2016, the then Minister of Energy, Margaret McCuaig-Boyd, wrote a letter to the Alberta Energy Regulator about Ram River Coal Corporation and in that letter said that "the coal category 2 designation does not preclude surface coal mine development." Well, that's very, very different than the things that they're saying today. In fact, it's very different than what the 1976 coal policy says. So in those consultations I'd be interested in hearing from the NDP on what their views are on coal. Have their views evolved or changed from 2016?

You heard me answer a question before, you know, from the Member for Edmonton-Gold Bar, about coal exploration in category 2 lands. I think that it's important to note that coal exploration is not a coal mine; it's just the exploring for, the seeking out and seeing what the resource potential is. It's not developing a mine. But they've indicated that they have problems with coal exploration in category 2 lands, which is interesting because that's contrary to what their record has been. I mentioned the fact that there were four applications for coal exploration in category 2 lands during their time in government that were approved – four applications in category 2 lands – so I would be interested in hearing during the coal consultations the views of the NDP on coal exploration because, again, their record while in government speaks very significantly differently than what they're saying now.

The other thing that I'd be interested in is that they're saying now that they don't want to see any coal mining in the eastern slopes. That's what they've been saying this week, yet they themselves as a government approved – during their time in government a coal mine in the eastern slopes was approved and built. That was the Vista mine in Hinton. So I'd be interested . . .

**The Chair:** Sorry to interrupt, Minister. Perhaps we can delve into that a little deeper later on.

We will now move over to the opposition for a five-minute block. Would you request to go back and forth with the minister?

**Ms Ganley:** I would make that request, Mr. Chair, though I am not optimistic.

**The Chair:** Minister?

**Mrs. Savage:** No. I like the way it's working.

**The Chair:** Thank you very much, Minister.

Go ahead, Member Ganley.

**Ms Ganley:** Thank you very much, Mr. Chair. I'm going to jump around a little bit here just because of the somewhat awkward format the minister has selected. I will begin by asking on page 82. We see under line 5.4 – there's no budget but forecast for 2020-2021 is \$104 million. That is the utility deferral program. Minister,

I do agree in principle that this is a good idea. It helps struggling folks with the cost of utilities, which are going up, and I think that that is a very laudable goal. As I understand, this loan was provided to utility companies at no interest, so I'd like you to confirm that.

However, the money that the government of Alberta had to borrow in order to lend this money, since we're in a significant deficit position this year, is money that we will pay interest on. So I'm interested to know what the interest the government of Alberta will pay on that loan is. In addition, as I understand it, individuals who were lent that money from private companies will have to pay interest to those companies, who are not in turn paying interest, and I'm wondering what the average rate of interest on that is.

In addition, you know, it may be the case that some of these individuals are ultimately unable to pay back those loans because, obviously, there's an unprecedented number of Albertans struggling significantly at this time. In that instance, it is my understanding that it is the other ratepayers, so other people sort of on their electricity bill, who are responsible for paying that money back. If you could confirm or deny that. And I'm just curious whether line 5.4 is essentially booking that now as a potential loss and whether that sort of covers the entirety of the program as I understand that it has ended.

Also, on electricity this year, obviously no money is budgeted for the rate cap because it's been repealed. Do you have any program to assist people, given that both of those programs have now ended, with the cost of utilities? Certainly, I've heard from a number of individuals who are struggling significantly.

I'm going to jump now to ask some questions about the conversation you were having with Member Issik. Now, no announcement of this has come up, so I'm surprised to see this. Like the other members here, I'm just sort of trying to learn more about this program. This move to the LCAT from the LMR: I'm just curious whether that is in place now or when that will be in place. In light of the fact that the regulator is now doing this analysis differently, I'm curious, you know, where that's been announced, how that's been announced, and whether those rules are online somewhere for Albertans to see and sort of understand, because this is a significant shift.

You mentioned a number of things that were going to change in that program. One of the things I was curious about is whether you are going to require companies to have insurance when they're taking on liability. Certainly, that's one way that I have heard people propose to solve this. You mentioned that this LCAT will include factors in addition to assets and liabilities. I'm wondering if you could outline what those factors are in total, just so we understand that. And I'm just wondering whether this will affect any applications which are already before the AER. There are, as you may be aware, some applications that are of concern to our caucus. Of course, we don't want more liability falling on the taxpayer of Alberta.

In addition, with respect to those changes, I'm noting that the line item in the budget doesn't actually go up significantly.

8:20

**The Chair:** Thank you. I hesitate to interrupt, Member Ganley.

Minister, you have five minutes, and then I believe we will just take a quick health break after your comments.

**Mrs. Savage:** Okay. Well, if we get to the first question, which is on item 5.4 on page 82 of the budget, the \$104 million for the utility deferral program, there's no expense or cost in this fiscal year because the program is actually a lending program, and the government is expecting to fully recover all the deferrals before June 18, 2022, at no interest to the companies. The individuals who

took advantage of the program will pay it back, and those who are struggling to pay it back will – yeah, the participants of the program have till June 18, 2021 – sorry; I think I said 2022; it's 2021 – to repay their deferred payments. The default payment plan for all consumers is 12 equal monthly instalments, interest-free. Alternatively, customers can contact their utility provider to discuss an alternate repayment plan. Ultimately, with that money that's booked in item 5.4, there isn't an expense or cost this fiscal year because we're expecting full recovery of the cost.

I think your next item was on the rate cap, which has been repealed. I think a couple of things on that. The first thing is that customers do have various contract options with fixed rates, so I think there are various options to protect increased utility costs. There are fixed-rate contracts. The Utilities Consumer Advocate is available, and it's there to protect and represent the interests of consumers, whether it's residential, farm, business, communities, for both natural gas and electricity. People can get assistance from the Utilities Consumer Advocate to ensure and to help get their utility services at the lowest possible cost consistent with reasonable levels of service. There are a number of options available to consumers who are concerned and struggling with utility costs.

Your next question, I think, was on the LCAT, moving to the LCAT from the LMR in the liability management framework. This is work that's under way already right now in the Alberta Energy Regulator. They're consulting broadly with industry on how to bring in that formula, what the parameters will be, what the key underlying factors will be. That work is under way, and it's under way in consultation with producers in the AER.

I think your question was: will this impact applications presently before the AER? I think what you mean by that is, probably, applications to transfer licences from one licensee to another. Of course, that was a very big concern over the last five years as licences were transferred from stronger companies, with better credit ratings and better ability to pay for their ongoing environmental responsibilities, to other companies that were less able to do it. That has been ongoing in the system for a number of years. That's exactly why we brought in the liability management system to address that sort of thing. Over the last five years: that's when the majority of these transactions happened. Had we had these rules in place earlier, had other governments addressed it, we could've prevented some of that. We could've prevented a lot of that, most of it. We could've prevented liability from going in to the Orphan Well Association.

Will these new rules impact that? They're working on it now, but we have asked the AER, and the AER is taking a much, much, much closer look at these types of transactions to ensure that it doesn't happen again, what happened over the last five years. I think there's a higher level of scrutiny, and there will be even a higher level of scrutiny when the LCAT comes in to replace the LMR.

**The Chair:** Thank you very much, Minister. Your time is up.

We will take a quick, five-minute health break. If you think the 10 minutes goes by fast, the five-minute break goes by even faster, so please be in your seats. We will go to the government caucus at that time.

[The committee adjourned from 8:25 p.m. to 8:30 p.m.]

**The Chair:** Perfect. Thank you, members. If you would just indulge me for a minute, I'd like to take this opportunity to say hello to my lovely wife, who is one of the tens of Albertans that are sitting at home watching this tonight.

With that, thank you, and we will move on to the government caucus. Mr. Getson, I believe you have the floor.

**Mr. Getson:** Sure.

**The Chair:** Would you like to go back and forth with the minister?

**Mr. Getson:** Yes, if the minister is amiable to that.

**The Chair:** Minister, are you okay with back and forth?

**Mrs. Savage:** Yes, Chair.

**Mr. Getson:** Thank you, Minister. Hopefully, we didn't get cut off there, but I can definitely see why the opposition members didn't want us to talk about that. Quite frankly, when you brought it up that a lot of our coal policy is going to be based on our consultation and the fact that in the past they've approved category 2 coal mines, well, when they're sitting on a hill certainly preaching downwards, I guess that dog don't hunt anymore now, does it? I'm using some language from my folks in the south.

I would like to talk to you a little more, if I can, about the mineral strategy since it has to do with mining and some of those disturbances that we will have out there once we start exploring our resources. In key objective 1.2 of your business plan it states that the province will "leverage Alberta's natural geological advantages in these emerging areas," geothermal and minerals.

I have a two-part question for you, Minister. Given that the security of the rare earth supply chain has been identified by the U.S. as of high importance as China holds the majority of the world's supply right now – they kind of fired a warning shot about five to six years ago, and it kind of gave everyone a moment to pause – and that rare-earth elements are required for manufacturing defence and just about everything that we have in our supply chain, is there high potential for those types of mineral developments in Alberta? Then the second part would be: when should we anticipate that mineral strategy, if indeed it's going to come out, to roll out?

**Mrs. Savage:** Well, I guess your first question is, "Do we see big potential for mineral development in Alberta?" and the answer is yes. I think this is a very exciting new opportunity. If you look at the future of energy and the future of energy needs globally, as I had mentioned earlier, I'm extremely optimistic for Alberta and how we fit into this, because we're going to continue to be able to supply solid demand for oil and gas.

Every credible energy forecast in the future shows that there'll be a continuing role and that oil and gas will continue to dominate the energy mix for decades to come. Those same forecasts say that there are going to be a lot of new and emerging sources of energy that will enter the energy mix, and that includes electrical-powered vehicles. To produce that, you need rare-earth and critical minerals like lithium, cobalt, and nickel, and we have them in Alberta. We have all of these minerals here. Canada, the country, just published recently a list of 31 key minerals, rare-earth and critical minerals, and we have them here in Alberta. We have them here, and that's why we put together – in our budget we put \$25 million towards mineral mapping so that we can map out and be able to show investors where we have abundant supply of those minerals.

We have that potential right across the province. We've had it for – it's always been here. Other times and other governments didn't pursue it. I think the last mineral strategy that we've had in this province goes back to the year 2000, and it was never pursued. It was never implemented, mostly, I think, because we had an abundance of oil and gas, and we had other interests that we pursued. That activity has been here, the ability to develop a mineral strategy, and I think we have an optimistic future in it.

As I've said repeatedly to date on many things, these opportunities were here for previous governments, including the

last government, and they didn't take action on it. It was the same thing for hydrogen, for geothermal, for the rare-earth and critical mineral strategy. It was true for the liability management framework. They didn't take actions on that, but that left an opportunity for our government to move very quickly and very aggressively to put these strategies together.

The second question is: when will we see a strategy? Well, we've been undertaking this work now since the fall, and we are working with a mineral advisory committee of key experts in the area, including investment experts, environmental experts, indigenous experts, people who understand what you need to put together for a mineral strategy and to develop this. We've been working with the mineral advisory panel since the fall.

We've been looking at what the key elements of a mineral strategy are and have been looking at those key elements to be improving public access to quality data. That's the mineral mapping. We're providing funding in this budget to pursue that. It's having a streamlined regulatory environment as we move forward. We don't have a full regulatory policy, regulations for critical and rare-earth minerals. We need to have a streamlined process so that we can provide the certainty that investors need to see. We also have to ensure that we have an environmentally responsible development in place. We know that we have to balance environmental interests with the need to develop resources responsibly, and within that policy we're going to be putting a big emphasis on indigenous people and a big emphasis on promoting innovation and attracting investment.

The advisory council was established in September 2020 to provide the kind of strategic advice and guidance that we need to put forward a strategy. We've met with stakeholders, key groups including indigenous groups, government agencies and industries, environment and NGOs, nongovernment organizations. We've met with research institutes, municipalities, financial advisers, landowners, and mineral owners. We've been out for engagement with the mineral advisory committee. We've undertaken two phases so far, with an online survey during October and November, and we held virtual round-tables in January of this year to gather feedback on the draft strategy. Two key items that were identified by the . . .

**The Chair:** Minister, I hesitate to interrupt, but we do have a limit in the standing orders for speaking times, no matter even if you're in a block or exchanging time, of five minutes, so we'll move back over to Mr. Getson. I apologize.

**Mr. Getson:** No problem, Minister. I get excited about this, too. Early on in my career I worked up in the Territories, and we brought in the first diamond mine in Canada. That was 350 kilometres northeast of Yellowknife. Again, at that time I had a heck of a lot less grey hair and was involved in the mining side and the exploration and understanding the relevance and, quite frankly, the untapped resources that we have in the northwest. I'm very excited to hear about the strategy.

If I can, though, if I can pivot a little bit, the other one that got me pretty excited was geothermal. I noticed that in 1.2 in the business plan you were looking to leverage our natural geological advantage there in emerging areas, and geothermal was one of them. Could you expand a little bit on Bill 36? How does that regulatory framework set that up, and then, with the budget in mind and putting a little seed money in that, how does it pay dividends for us in the end? If you wouldn't mind talking about that now.

**Mrs. Savage:** Sure. Thank you. Well, we did pass Bill 36 in the fall, the Geothermal Resource Development Act, and it received royal assent on December 9 of last year. It'll take effect upon

proclamation, but first we need to complete the regulatory pieces around it, and we're undertaking that now with the AER and with stakeholders. The legislation has been passed, and we're working on the regulatory enhancement pieces, and we anticipate proclaiming all of it in 2021 and having that completed. We're continuing engagement with stakeholders to get the regulatory pieces right. This is an area where we're actually working with Ottawa, with the federal government, and our interests are aligned here. They are very significantly interested in geothermal.

But to talk about the potential of what we could have here in this province, studies have shown that we could produce up to 6,100 megawatts of thermal energy and 1,150 megawatts of electricity. So there is significant potential here. We've got a lot of advantages right here in the province in producing it, everything from the geological advantages, what's below the surface, to a significant inventory of inactive well sites, which can be repurposed for geothermal. We've got the drilling technology here. We've got the educated workforce, the type of workforce that we need to pursue these projects, and the expertise of the oil and gas sector. We have it all here, and I think there's enormous potential for geothermal.

**Mr. Getson:** Thank you for that, Minister.

I'll cede the rest of my time, if I can, Chair, to my colleague from Calgary-Glenmore.

8:40

**The Chair:** That wouldn't be very nice. There are only 12 seconds left, Member. You might as well talk to us about rabbits or something.

**Mr. Getson:** I'll talk about hunting rabbits or something along those lines.

Thank you, Minister, for this. Again, very excited about the outlook and very optimistic.

**The Chair:** Thank you very much.

We'll move over to the Official Opposition. Mr. Schmidt, I believe, has the floor. Would you like to attempt to go back and forth with the minister?

**Mr. Schmidt:** I would like to attempt to, yes.

**The Chair:** Minister?

**Mrs. Savage:** No. I think it's working very well, the other process.

**The Chair:** Go ahead, Mr. Schmidt.

**Mr. Schmidt:** Well, you know, to the minister, through you, Chair, of course, I'm extremely disappointed that we don't get to have a friendly chat. These kinds of one-sided conversations I think are a missed opportunity for both of us to learn more about the Department of Energy and the work that the ministry is doing, but we will try our best.

I want to go back to the issue of coal mining if I could and just confirm that the minister will provide written answers to the questions that I had asked her in my last block, as she promised to the Legislature. I just want her to confirm that.

I also want to get the minister, if she could, to expand upon the definition of mountaintop removal. Now, when she reinstated the coal policy, she stated that there will be no mountaintop removal in category 2 lands. I'm hoping that she will clarify that mountaintop removal in category 3 and category 4 lands is still allowable under the current policy of this government. If she could define clearly what mountaintop removal means in category 2 lands. Certainly,

we've heard from a number of Albertans concerned that mountaintop removal is not a well-defined term when it comes to coal mining and that there may be a number of activities that coal companies could undertake that would still result in significant destruction but wouldn't technically be classified as mountaintop removal.

I also want to ask the minister about the current state of the liabilities and the liability financial assurance that is held within the department. If the minister could tell us where that shows up in the budget. I know that the government collects mine security to hold against potential liabilities when mines are closed. If she could tell us where that shows up in the budget, how much is available in that program related to coal mine closure, how much the estimated liabilities for coal mine closure are, and if there is a significant gap between the amount of money available to cover the liabilities and the amount of liabilities that are estimated. What considerations are the minister and her department giving to make sure that if coal mining is allowed to go forward, those liabilities are sufficiently addressed by the companies that are undertaking the activity and that taxpayers aren't left on the hook for the cleanup costs of these significant liabilities? So I hope the minister can provide us some answers to those things.

Now, with respect to a number of changes that are going on with the liability management framework, I'm wondering if the minister could tell us this. It's my understanding that money related to the site rehabilitation program was given to the province of Alberta on condition that the government revise its liability management framework. I wonder if that condition included any kind of timeline for completion and implementation of that work. Can the minister confirm that none of that money is at risk if the provincial government doesn't complete and implement the new liability management framework? Furthermore, does the federal government have any kind of condition as to whether or not the new framework is acceptable to them, or is it entirely up to the province of Alberta what the new liability management framework will be?

Now, just to revisit a question asked by my colleague Member Ganley. Confirm for us that this new management framework is not currently in effect. Also, if she could confirm for us whether or not the new management framework is entertaining the possibility of oil and gas companies holding insurance against their liabilities. That was an issue that was related to that. I hope that the minister can answer those questions.

How much time do I have left?

**The Chair:** You have 35 seconds.

**Mr. Schmidt:** Thirty-five seconds. Well, I hope that she can answer those questions. If she can't, if she can commit to answering those in writing at the Legislature, if she doesn't get to answering them in her five-minute block.

Thank you.

**The Chair:** Thank you very much.

Minister, you have five minutes to respond.

**Mrs. Savage:** Thank you. I'll get through the questions in five minutes. I think the first question was on mountaintop removal. The member is correct. It's not a very well-defined term, but I think we should note that when we reinstated the 1976 coal policy, we reinstated every single condition and restriction in the coal categories that was in that policy. That included the restriction that surface mining would not normally be considered on category 2 lands. So not only did we reinstate the coal categories, but we reinforced it, and we hard-wired that into the AER in directives. The directive does say no mountaintop mining on category 2 lands,



but it also includes that all of the restrictions that were in the 1976 coal policy were also restored.

I think when we go out for consultation, when we commence the consultation, we'll be asking Albertans, for sure, what their understanding of mountaintop removal is: surface mining, in situ mining, and open pit mining. We want an understanding of what they consider with all of those. But to be very, very, very clear, the full categories in the 1976 coal policy have been restored and hard-wired into the AER with directives.

There are a number of questions there about the liability management for mines, the security deposits. All of that falls within Alberta Environment and Parks, so that information would be more appropriately asked of Alberta Environment and Parks. It wouldn't fall within our budget and our mandate items. So I encourage the member to ask the minister of environment those questions.

With regard to the SRP, the site rehabilitation program, and the billion-dollar funding from Ottawa, there was not a condition for us on any particular matter on our liability management framework. In fact, there was a very clear understanding that that's in Alberta's exclusive jurisdiction, under section 92A of the Constitution. With our jurisdiction over the management of our natural resources, that was very clearly understood and spelled out. So, no, there were no conditions on the funding. But there was a discussion with the federal government in terms of what our liability management framework, that we were putting forward, was. In fact, that was written into the funding agreements and part of it, so there was a clear understanding of what we were doing.

With that, I think that answers the question there on timelines. Was it contingent upon having mandatory timelines for reclamation activities for wells that were inactive and a timeline to clean it up? The answer there is no, because our liability management framework was moving on annual spending targets for closure, and that was clearly understood at the funding.

I would reiterate our gratitude for the billion dollars from the federal government. I think that's been very helpful in getting our service sector back to work. I was very pleased to do a joint announcement with Minister O'Regan on the indigenous participation parcel a few weeks ago, that we were rolling out a \$100 million tranche for indigenous participation. I think that was a very big highlight for me to announce that.

The new liability management framework that we're announcing: is it in effect? I think you were probably talking more about the annual spending closure targets. What's under way? All of that work is under way. The regulatory pieces, the directives, all of the details in the regulatory pieces are under way and being developed in the AER with specific time frames on when it's expected that those matters will be in place.

8:50

Your last question was about oil and gas companies being able to hold insurance for environmental reclamation responsibilities. That's an interesting concept and one that I think needs further discussion, and we've got the panel that's looking at postregulatory closure activities that we're also asking to look at other instruments like insurance, like qualified environmental trusts, other ways and assurance and ways to ensure that liabilities and . . .

**The Chair:** Thank you, Minister. Again I hesitate to interrupt, but thank you for those answers.

We will now move over to the government caucus. Who is up for speaking?

Member Issik, do you wish to go back and forth with the minister?

**Ms Issik:** I do, please.

**The Chair:** Minister, are you okay with that?

**Mrs. Savage:** Yes.

**The Chair:** Member Issik.

**Ms Issik:** Thank you so much, Chair, and through you to the minister. Minister, there's been quite a bit of discussion around optimism tonight, and certainly I have some optimism for an area in the energy sector, that being electricity. I'll just draw your attention to page 37 of the business plan, going to 1.3 and the third subpoint where it's discussed: ensuring Alberta's safe, reliable electricity system and providing competitive electricity rates for investors and Albertans.

It's obvious that you're stating that we want to ensure a safe and reliable electricity system, and certainly I know that one of the pieces to that is ensuring predictability for generators and for consumers through a market, the energy-only market. It's certainly something that this government recommitted to early in its mandate in 2019. I just want to talk a little bit about how that relates to providing the investment environment. I guess the question I'm asking you is: how do you know that the energy-only market is supporting investment in Alberta's energy sector?

**Mrs. Savage:** Well, thank you for the question, and I'd like to also thank the member for her work on the review for the energy capacity versus energy market review. In the summer of 2019 she worked and helped and participated in that review, where we determined that we would remain with Alberta's energy-only electricity market, which had been in place for more than two decades.

I think your question was around supporting investment, and I'll give you a few numbers. I think we can have a lot of confidence that this is the right approach. Sticking with the energy-only market was what Alberta needed. It was what Alberta needed to attract investment.

I'll give you some numbers here. There have been more than 800 megawatts of new generation developed in 2019 and 2020, and that's at a time that Alberta was already well supplied with electricity. There have been hundreds of millions of dollars in new industry investments to convert coal-fired generating assets to natural gas assets over the last two years. We continue to attract strong investor interest, and that's shown and has been evidenced in reports from the AESO that are regularly published. Based on the latest long-term adequacy report published just recently in November 2020, there are over 2,000 megawatts of new generation capacity under construction.

Further, there are more than 7,000 megawatts of projects proposed or in receipt of regulatory approval and over 10,000 megawatts of generation projects that have been announced for future development or are currently seeking regulatory approval. For context, our total installed generation capacity is currently under 16,500 megawatts. So, you know, while some of these projects may or may not proceed to construction, I think these numbers show the confidence in Alberta, in the electricity sector, and in Alberta's energy-only market.

Again, thank you for your participation in that review.

**Ms Issik:** Well, thank you, Minister. I am excited about our electricity sector. One of the conversations that you hear fairly often in the province is around affordability and reliability of electricity for Albertans, for ratepayers, for consumers. I'm just wondering if

you can comment on what we're doing as a government to ensure affordability for consumers and job creators.

**Mrs. Savage:** Thank you. Rising electricity costs are always a growing concern in the province. We're looking for better ways to manage costs for business and consumers: our commitment to maintaining the energy-only market. It's a fair, efficient, and openly competitive market, providing a stable regulatory environment that invites investor interest in the supply of electricity in Alberta. This type of vigorous, fair, and open competition to supply electricity ensures that we get it at the lowest cost to electricity consumers, and that, in turn, will support provincial economic growth and prosperity. The benefits of this approach show more than \$2 billion worth of generation projects. We're doing these types of things to ensure – and if you remember in the review, one of the key questions we asked was: what type of electricity market will support, you know, keeping costs low for consumers, and, by far, we heard from everyone that it was the energy-only market. So that's what we're doing.

But in terms of ensuring that electricity is affordable to consumers, Member, we've got a wide range of fixed contracts available for consumers. We have the Utilities Consumer Advocate, and of course during the pandemic we had the utility deferral program.

**Ms Issik:** Well, I'm glad you brought that up. You know, any energy system, particularly electricity, requires governance and it requires oversight. I know that we have several mechanisms in place, but perhaps you can just speak a little bit about where we're at with the various agencies and what governance and oversight looks like today in Alberta.

**Mrs. Savage:** Well, sure. This is probably one of the more boring questions we're asked tonight, the governance and oversight. The policy framework with – this comes in with the mandate and roles document of the regulator. The policy framework in there provides governance and oversight structure that enables three arm's-length electricity agencies to ensure the delivery of electricity to Albertans. The AESO is responsible for the safe, reliable, and economic operation of Alberta's interconnected electric system. It has to promote a competitive electricity market through its rules and conduct. The AESO plans the transmission system, designs the electricity market, creates the electricity market rules, and operates the market.

The AUC, the Alberta Utilities Commission, is a quasi-judicial agency that regulates the utility sector as well as the natural gas and electricity markets to protect the interest of Albertans where competitive market forces do not. The AUC's role is to provide oversight by delivering fair, open, and transparent decisions.

Finally, the Market Surveillance Administrator is the market watchdog. It's responsible for surveillance, investigation, and enforcement.

**Ms Issik:** I want to really thank you for that, Minister. I didn't want to drag anybody down a rabbit hole there. But I think it's important – you know, often we hear that the electricity system is complex, and I think it's important for Albertans to hear from the minister what our various governance agencies are and how they work. I think creating that understanding with Albertans is really important. So thank you for that.

I'm going to cede the rest of my time, actually, to MLA Singh.

**Mr. Singh:** Thank you, MLA Issik, and thank you, Mr. Chair. Thank you, Minister. I would like to go back and forth if it's okay with you, Minister.

9:00

**Mrs. Savage:** Sure.

**Mr. Singh:** In reference to key objective 1.3, what else is government doing to create conditions for future investment in electricity generation?

**Mrs. Savage:** Sure. I touched upon this a little bit in an earlier question from MLA Issik. Really, here I'd probably mention the role of government in this. We need to ensure continued investment so that we can create and maintain a stable and predictable political and regulatory environment. We have to do that to attract investment.

If we go back to when we first became government, in 2019, our first step in the electricity file was to cancel the then pending movement towards a capacity market in favour of retaining the existing energy-only market. After cancelling the capacity market, at that time we directed the AESO to review whether there were any concerns with the market power and market power mitigations in the market and whether we needed any changes to the pricing parameters. Following those reviews . . .

**The Chair:** Sorry. I hesitate to interrupt again, Minister.

We will now move on to the Official Opposition, I believe, Member Ganley. Would you like to go back and forth with the minister?

**Ms Ganley:** Well, hope springs eternal.

**The Chair:** Minister?

**Mrs. Savage:** I think you know the answer. The answer is no.

**The Chair:** Go ahead, Member Ganley. You have five minutes.

**Ms Ganley:** Thank you very much, Mr. Chair. I'll begin by circling back to where we began and talking about the Keystone XL project. As we discussed previously, last year the Auditor General insisted that the government properly account for the cost of Keystone XL in fiscal 2020. At that time they had insisted that the government make changes to include that in the booking, and the government did that. Once again this year we see that the government has chosen not to book those costs anywhere, merely to account for them sort of randomly on a page. What we're looking for is whether you sought advice from the Auditor General before you made that choice not to book, and could you possibly table any correspondence between the ministry and the Auditor General on his advice on how to book these costs appropriately and how to account for them?

Next, on page 57 of trans-Canada's annual report it indicates that on January 4, 2020, they "executed a US\$4.1 billion project-level credit facility that is fully guaranteed by the Government of Alberta and non-recourse to us" and, further, that cash draws were made on January 8. Minister, how much of that has been spent to date?

Also, through you, Chair, to the minister: does she believe that the government of Alberta should perhaps be at least as transparent with its citizens, whose money it's using, as trans-Canada is being with its investors?

In addition, I will ask one more time because apparently I, too, am optimistic today although not about certain things. I will ask one more time if the minister would provide an additional sort of accounting of what potential future liabilities exist with respect to that project.

Mr. Chair, as we discussed earlier, I think we have canvassed the war room and its budget at excessive length. We have canvassed

this sort of other industry advocacy that falls under that line. I continue to take the position that given that it's in the budget and that what we are here today to discuss is the budget, it is the minister's responsibility to provide an accounting to Albertans of how that money is being spent. She has chosen not to do that. As such, I have an amendment to move.

**The Chair:** Go ahead, Member.

**Ms Ganley:** I will read that into the record. I move that the 2021-22 main estimates of the Ministry of Energy be reduced for industry advocacy under reference 2.3 at page 81 by \$26,999,000 so that the amount to be voted at page 79 for expenses is \$1,595,957,000.

What this amendment is doing is, essentially, reducing the budget of the war room to \$1,000, or, arguably, just enough for Mr. Olsen to pack up his things and move elsewhere.

I think the reason for this, again, is that, as I've stated, I believe that if we are going to spend Albertans' money, then we should measure what the outcomes are. After being asked repeatedly, the minister has been unable to indicate any way in which outcomes are being measured, any particular success that the war room has had. She has certainly indicated that there is success, but I think, again, you know, the 1,000 job losses we saw at Cenovus today do not suggest that that success is real. While, as the minister has highlighted many, many times, I believe that Mr. Olsen is in fact trying, I think that when we're talking about spending this kind of money and it's the money of taxpayers, trying is insufficient. We ought to have success.

With that, I will move that amendment.

**The Chair:** Thank you very much for moving that. Just to caution the member, naming people that aren't here to defend themselves would be not out of order but, you know, close to it, just in consideration of respect to them.

I believe that Mr. Ceci has seconded your motion, too, for the amendment.

**Member Ceci:** Yes.

**The Chair:** We will now move on to the minister for her five-minute response.

**Mrs. Savage:** Well, thank you. I'm going to start with the last question on the Canadian Energy Centre. Look, the NDP are very quick to criticize the Canadian Energy Centre and, in fact, any effort our government has taken to counter the opponents of the energy sector. Now, of course, they want to remove any and all funding, not only for the Canadian Energy Centre but for the industry advocacy in our budget for the Department of Energy. In that respect there would be no ability for the government or the Canadian Energy Centre to combat a negative narrative about our energy sector.

Basically, Mr. Chair, they want us to do nothing. Imagine that: no funding, no funding within the Department of Energy, no funding that could be used to counter the type of false narrative that's been developing over the last decade and that's amplified today. There'd be nothing. No funding for a narrative around line 5 advocacy, nothing for line 3, nothing for TMX. There would be nothing in the budget for the Energy department or the Canadian Energy Centre to promote a natural gas strategy. Nothing for hydrogen. Nothing for hydrogen. Can you imagine that? Nothing to counter the narrative that's growing out there about the difference between blue and green hydrogen. There'd be nothing for carbon

capture, utilization, and storage, nothing for geothermal, nothing to help support our critical and rare-earth mineral elements.

Mr. Chair, that is not surprising to me because that's the way the NDP have done things. They talk about metrics and measures. I guess, for me, as I'm thinking about this, first and foremost, the measure of success that matters most to me and the Canadian Energy Centre and in our industry advocacy is to ensure that what happened under the NDP and for the last decade will not repeat itself. What happened there? Well, the type of narrative that allowed our oil sands to be branded dirty oil because nobody contradicted the lies is what happened. When you don't stand up for the energy sector, you say that it doesn't matter . . .

**Mr. Schmidt:** Point of order.

**The Chair:** Sorry. A point of order has been called.

Go ahead, Mr. Schmidt.

**Mr. Schmidt:** Thank you, Mr. Chair, for recognizing me, as I raise a point of order concerning some of the statements that the minister has made. I, of course, am making this point of order under Standing Order 23(h), (i), and (j). I think the minister is clearly using insulting and abusive language with an intent to create disorder at the meeting. I can appreciate that she's very significantly emotionally invested in the Canadian Energy Centre's work. However, that's not justification at all for attacking us personally or as a member of the previous government.

**9:10**

It's quite clear that her intent is not to defend the track record of the CEC or to meaningfully address the motion that we brought forward; her intent is really to derail the meeting and to make sure that we can't have a productive discussion about the Energy estimates, the business plan, or the elements of the fiscal plan that relate to her ministry.

Mr. Chair, I respectfully submit that as my point of order. I would ask that the Minister of Energy retract her statements, apologize to my colleague from Calgary-Mountain View for the insulting and abusive language that she's used, and then continue on. There's a significant block of questions that my colleague has addressed, and I hope that she would skip over the abusive language and get to addressing the questions that my colleague asked.

**The Chair:** Thank you.

A rebuttal, Mr. Getson.

**Mr. Getson:** Yeah. Obviously, Chair, this is not a point of order. We've had wide latitude in the conversations all tonight. I haven't heard anything that's been insulting by nature. It's maybe the context of how the other side is taking it. I mean, for example, if I said the word "platypus," they might pull up the same type of language and point out 23(i), (j), and (k). The fact that the amendment was brought forward – I think the minister was articulating, quite frankly, some of the reasons why the CEC is very valuable, and that's been brought out here today. I think this is a matter of debate and, obviously, not a point of order, nor do I find that anything the minister has said in defence and talking about the budget items and what the CEC does for the province, for the industry, et cetera, is insulting. In fact, I believe it's been an advocate for a long time and defending the energy sector and showing that on the record.

**The Chair:** Thank you.

We'll continue with the point of order. I'm prepared to rule on it. I'll just briefly read Standing Order 23:

(h) makes allegations against [a] Member;

I did not hear any specific member being mentioned there.

(i) imputes false or unavowed motives to another Member;

I did not hear a member singled out there at all.

(j) uses abusive or insulting language of a nature likely to create disorder.

I will say that we definitely did see some disorder created, so I will agree with the member on that point although the language that I heard would be up to a matter of debate whether you consider it abusive or insulting. I would say that although this did cause some disorder and some discomfort for the member, obviously, I don't see it as a point of order.

We will move on to the government caucus.

**Mr. Singh:** Thank you, Mr. Chair, and thank you, Minister. I will circle back to my question, which was in reference to key objective 1.3. What is this government doing to create conditions for future investment in electricity generation?

**Mrs. Savage:** Well, thank you. I think one of the things that's most important for our government to enable electricity investment is to create a stable and predictable political and regulatory environment that can attract investment, that can give the investors enough certainty and predictability that when they invest money, they can see a project through to completion and development in a predictable period of time. Our first step was in 2019, in cancelling the pending capacity market and sticking with an energy-only market, and I think that's one of the things that we have done to make sure that we have a predictable environment, a stable environment to attract electricity investment. As I had mentioned in questions from Member Issik, there's been significant investment in this province as a result of sticking with the energy-only market. I would also note in there that we are taking steps to reduce red tape to ensure there's regulatory efficiency, to improve performance within the AUC and all of our regulators.

**Mr. Singh:** Thank you, Minister, for answering. In reference to key objective 1.3, what renewable generation options does Alberta have, and how do they support a safe, reliable, and affordable electricity system?

**Mrs. Savage:** Well, thank you. Renewable electricity is an area I'm very interested in. Surprising to some, it's an area that I did work on in my previous private-sector experience, working on wind projects primarily. What our government is absolutely welcoming is market-driven renewables, renewables like wind and solar and hydro, geothermal, biomass. We're welcoming those forms of energy that can compete with other forms of power production.

Again, our decision to retain an energy-only market for electricity is a deliberate part of a market-driven approach to renewables, and it's working. We've seen over \$1.9 billion worth of utility-scale renewable generation projects announced since 2019, and the growth in renewables funded by private interests and not government subsidies means that there's no government debt and public debt associated with this.

Our electricity system. Although it's going to continue to rely heavily on natural gas generation for many years to come, we are looking forward to welcoming renewables: hydro, geothermal, biomass, wind, solar, a mixture of all of those. We would also note with this, as we're talking about emission-free sources of electricity, that we're looking to reduce emissions from natural gas generation through carbon capture, utilization, storage as well as production of hydrogen.

**Mr. Singh:** Thank you, Minister.

In your business plan, the plastics circular economy is noted under key objective 1.2. What is the plastics circular economy? We were discussing this question in the morning, but you were not able to complete it.

**Mrs. Savage:** Okay. Thank you. Yeah. It seems like we had been through this. The morning seems like it was probably a decade away. By 20 after 9 at night, it seems a decade ago.

The plastics circular economy. I recall that our time ran out just as I was answering the question. This is where the full value of a plastic product is used across what's called multiple life cycles. It's not used just once and then discarded and thrown into landfills or waterways. It's a circular economy, where it's reused and avoids waste and environmental concerns.

**Mr. Singh:** Then, Minister, what is the government's plan for plastics in Alberta?

**Mrs. Savage:** Well, thanks. This was part of the natural gas strategy that was announced in October 2020. It's an important part of our natural gas strategy. The goal for Alberta is to be established as the western North America centre for excellence for plastic diversion and recycling by 2030. We see the potential for increasing recycling. We see the potential that it could create 13,300 jobs and be a \$1.4 billion economic activity to the province, plus it's good for the environment.

**Mr. Singh:** Thanks for answering all the questions, Minister.

Mr. Chair, with that, I will turn it over to MLA Todd Loewen.

**Mr. Loewen:** Okay. Thank you very much, Minister. If I can jump right in, I just want to change gears a little bit here, and we'll talk about the Alberta Energy Regulator, AER. Now, with reference to key objective 2.2 of the business plan, regarding the Alberta Energy Regulator, optimizing regulation and oversight to ensure the efficient, effective, and environmentally responsible development of Alberta's energy resources, is the AER review fully implemented, and what is the ministry doing over the coming year to make sure that the AER is becoming more effective in regulation and oversight?

**Mrs. Savage:** Well, thank you for the question. In the summer of 2019 we announced a review of the Alberta Energy Regulator. At the time we appointed a new board of directors, and we have a new CEO. The review of the Energy Regulator took place over the fall with stakeholder engagement, hearing the perspectives of multi stakeholders, and the outcomes of the AER review have now been implemented. That includes the new board of directors. We've made amendments to the Responsible Energy Development Act, which came into force in June 2020.

**9:20**

As well as that, and part of the review, is red tape reduction. The AER continues to take initiatives in reducing the regulatory burden on industry, and there is an active red tape reduction panel within the AER, which includes the oil and gas industry red tape reduction panel. So that work continues under way to find unnecessary regulatory steps or duplication.

Of course, the government is part of the AER mandate, and the review will continue to implement the new liability management framework with key pieces, as mentioned previously in a number of questions, that we'll have the key things in place this year, hopefully by June of 2021. We have the whole framework for the liability management piece expected to be implemented this year.

**Mr. Loewen:** Okay. Thank you very much. I appreciate that.

Now, with the application processing, with reference to performance measure 2(a), timeliness of AER application processing, I have a three-part question. Now, the first part is: what work is under way to improve timeliness of AER's application processing during the upcoming year?

**Mrs. Savage:** Well, thank you. That work is already under way in the AER, and there are a number of things that are happening in there, starting with regulatory efficiency initiatives. We've also got the red tape reduction action plan, which I mentioned earlier, the red tape reduction work within the AER. We've got the ongoing delivery of what's called OneStop, a process to create a one-stop place for applications to be processed. We have under way the implementation of the integrated decision approach. Of course, the AER continues to explore ways to reduce application timelines. There's a lot of work under way within the AER. All of those things together are creating efficiencies and ensuring that we get timelines in order so that we can compete with jurisdictions like Texas and Louisiana and Oklahoma, that have provided more certainty than what we've had in the past here in Alberta with regulatory matters.

**Mr. Loewen:** Okay. Thank you, Minister.

Kind of along the same lines as where you were ending there, the measure speaks to turnaround targets. How are targets set for each application, and what makes an application routine versus nonroutine?

**Mrs. Savage:** Yeah. There are targets for both types of applications. Routine applications . . .

**The Chair:** My apologies, Minister, for interrupting again. Maybe we can address that question in the next round.

We'll now move over to the Official Opposition. Member Ganley has the floor. Do you wish to go back and forth with the minister?

**Ms Ganley:** I do.

**The Chair:** Minister?

**Mrs. Savage:** I think that you know the answer. The answer is no.

**The Chair:** I have to ask. I'm sorry.  
Go ahead, Member Ganley.

**Ms Ganley:** Thank you very much, Mr. Chair. I wanted to talk a little bit about renewables. Certainly, we have heard discussion from this government about hydrogen. My first question is why we aren't seeing financial support. My follow-up is actually: the minister had indicated in her response to my amendment that money to support the development of a hydrogen strategy is actually under industry advocacy, so I'm just curious why it would be there, how much of that money is devoted to hydrogen, and what precisely the program looks like. I ask that because, you know, initially it appeared to be a strategy to develop a strategy, so if in fact there is money to specifically support the development of hydrogen in that line, I'd be interested to know what it is.

The next question I have is about the government's mineral strategy. That's under 5.3 on page 81. I'm just wondering if you could break down that mineral strategy. I understand that it includes geothermal. I'm hoping that the minister will be able to speak to how much of that is dedicated to geothermal.

I'm also wondering if any of that money – or if there are any regulatory steps that will be taken to create incentives for companies who own the mineral rights to deal with geothermal companies. Certainly, what we've been hearing from geothermal companies is that one of the barriers for them is that there's no

financial incentive because there's no sort of developed plan in terms of companies that own the other mineral rights – and the geothermal, of course, under the act, follows those other mineral rights – to deal with the geothermal company so they can start extracting. I'm wondering if there's a plan to deal with that.

In addition, certainly, the minister has indicated that there's no intention to sort of support additional renewable programs, like programs to bring online additional renewables on the electricity grid. I'm wondering if there's any plan to support development with respect to energy storage. I think that's kind of a big move. Certainly, as well, initially when the REP program was brought on, I think no one thought that we would be able to incent those kind of low-power prices in terms of renewables, but that was the case and, in fact, that program worked so well that we now see a self-sustaining industry that has come up in Alberta as a result of that investment. I'm just wondering if there are any plans to make similar investments in the future to sort of continue that process forward.

Since I have a few extra minutes, I'll move on to some other questions. On line 5.2 I see that we're forecast to spend \$113 million in 2020-21 on levy assistance to the Alberta Energy Regulator. Now, I understand that \$113 million was essentially, you know, a rebate on people's fees. I'm just curious if the government has an accounting of how many jobs were created as a result of that.

Further, with respect to the mineral strategy, I did notice that the minister had mentioned lithium. I'm wondering specifically sort of how much of that money is directed at that and how it will be directed and, again, if you're willing to provide a sort of full breakdown of how much of that money goes to which of the various strategies. I think that would be helpful.

I think I will just use the remainder of my time to renew my question with respect to the Keystone XL pipeline, which is to say, the question of, you know: in light of the fact that in previous years you were asked to book that money . . .

**The Chair:** My apologies, Member.

Minister, you have five minutes to respond.

**Mrs. Savage:** Well, thank you. This is a broad range of questions, but I think there are some very, very good questions. Talking about hydrogen, I think your question was for some general context around renewables and then some discussions about hydrogen and whether there would be financial support and how do we incentivize it. I would point out that there actually is. Hydrogen would be eligible for the APIP program, the Alberta petrochemicals incentive program, to accelerate investment. Hydrogen qualifies for that, so it would be eligible, and we heard from the industry that it was important, that they needed that type of incentive.

Secondly, we're working with the federal government on carbon capture, utilization, and storage because for hydrogen in Alberta, for blue hydrogen made from natural gas, to take the emissions out of it and to make it low emission, zero emission, you need to couple it with carbon capture, utilization, and storage. We're working with the federal government to have policies in place that would complement our policies with APIP plus some of the incentives and money that's available from the TIER program, the technology innovations emissions fund, so there is funding available. I would point that out. Hydrogen has huge potential, and we can't afford to miss that opportunity as a province and a country, so we're actually working closely in alignment with the federal government on this to ensure that our road map aligns with theirs. We do have funding.

9:30

I think your second question was on industry advocacy and how that would relate to funding for hydrogen. Well, it doesn't, because

it relates to – funding for hydrogen would be the APIP. For advocacy, we know that we do see a growing opposition to what's called blue hydrogen. Blue hydrogen is made from natural gas, which, of course, is a fossil fuel. There's a huge, huge, growing movement in the United States and globally – and we're seeing it here in Canada – that says: green hydrogen is fine as it's made from renewables, but blue hydrogen is bad. We see a narrative potentially growing very similar to the dirty oil narrative that started over a decade ago and labelled and branded our oil sands project as dirty. Those are the types of things that we know we need to do advocacy on because we can't let that narrative get away on it.

We can't let people brand our hydrogen, our blue hydrogen, as being dirty, as being not part of the energy solution, as being not part of what the world needs for its energy future. We can't let that happen. That's where it would be relevant, and those were my comments on the industry advocacy budget. When you take that budget entirely away from not only the Canadian Energy Centre but away from the Department of Energy, we don't have a budget to combat and to counter that narrative that labelled oil sands as dirty oil and that is going after the heart and soul of our hydrogen industry.

The next question was about the mineral strategy: does it include geothermal? Well, no. Geothermal is a separate strategy. What we have in the budget is \$25 million for mineral mapping under the mineral strategy, and then we have I believe it's \$3 million for regulatory development for geothermal. So the two are separate.

Your question on the geothermal barriers is: do they need financial incentives? We continue to work with the geothermal energy industry, with the regulatory pieces, on understanding what they need to move forward to be competitive. That work isn't complete. We're still finishing the regulatory pieces, and we're still continuing to work with the industry. We know that there's remarkable potential there to incentivize it.

The next question was: any intention to support additional renewables? Well, I think we've heard and we've seen that these, to, I think, use your words, are self-sustaining industries now thanks to earlier investments. What we've seen is that renewables can compete on their own in the market. They don't need subsidies. They don't need government support. You're right that some of the . . .

**The Chair:** My apologies, Minister, for the interruption. We can, hopefully, address that later on.

We'll now move to the government caucus. I believe Member Issik was last on the line. No? I'm sorry. Mr. Singh.

**Mr. Loewen:** Actually, Chair, I think it might have been myself.

**The Chair:** Sorry about that. It just shows that I'm really paying attention here. It's been a long day.

Go ahead, Mr. Loewen.

**Mr. Loewen:** You were on strike 3 there, so I'll take over.

**The Chair:** The intent is to go back and forth with the minister?

**Mr. Loewen:** Yes, please.

**The Chair:** Minister, are you okay with that?

**Mrs. Savage:** Yes.

**The Chair:** Mr. Loewen.

**Mr. Loewen:** Okay. Thank you very much. I appreciate that. Back on to the AER and the application process. As far as the performance measures and timelines, what does this mean for the

actual amount of time it takes for applications to be reviewed by the AER?

**Mrs. Savage:** I think that when time ran out, we were talking about the difference between routine and nonroutine applications. Routine are those that just have a baseline review. The nonroutine applications have a higher or undetermined risk, and they require additional review.

For the routine and nonroutine processing timelines, there are key performance indicators for the board, and you'll see in the business plan that these have key performance indicators. I'd note that, significantly, the AER is meeting the nonroutine applications 96.5 per cent of the time, and for routine applications it's meeting the target 98.1 per cent of the time. So there are some significant initiatives within the AER that are allowing them to be able to meet those application timelines. I spoke of some of those matters earlier, some of the things they're doing with OneStop and integrated decision management with the regulatory efficiency initiatives. All of those things are coming together to ensure that timelines are being met. Also significant, over 95 per cent of all applications within the AER have seen the timelines reduced by 50 per cent.

That's the kind of thing we need to do, and we need to see if we're going to continue to attract investment to Alberta. When our government came in, we couldn't compete with other jurisdictions like Texas, Louisiana, Oklahoma. It was difficult because of our inefficient regulatory processes and our red tape. Obviously, very significant improvements have been made within the AER, and I think we're online to be one of if not the most competitive jurisdictions in all of North America. That's going to be extremely important coming out of the pandemic and as we recover in prices, price recovery for our oil and gas sector. We're going to need that to attract new drilling and to ensure that we create the types of jobs that we need.

So we need to be competitive, and I think there's some very impressive work happening within the AER.

**Mr. Loewen:** Okay. Thank you, Minister. Thank you for answering both those questions together there. I appreciate that.

With reference to the AER, initiatives supporting key objectives, outcome 2 of the business plan, how much less is industry paying for the AER in 2021-22 compared to the previous years, and how did you achieve those savings?

**Mrs. Savage:** Well, thank you. I think this came up earlier in the – what have we been here now? A decade? It seems like a decade. But I think it came up this morning, on some of the industry levies to the AER. To be clear, the government doesn't fund the AER. The industry funds it. It flows through our budget, but the levies are recovered and assessed on the industry.

To be clear, the AER has reduced its industry levy by \$46 million, which is 18 per cent, compared to the 2018-2019 fiscal year. Those savings have been achieved through reorganization, workforce reductions, and reductions in nonessential spending. There's a continuation to reduce nonessential spending, review all labour requirements to ensure that the AER can deliver everything within its mandate while achieving necessary savings.

I should also point out that in doing this, there have been no implications to environmental or safety oversight. That's of utmost importance in the Alberta Energy Regulator. These cost savings have been achieved through reorganizations and workforce management. Most notably and as part of our AER review, looking at the mandate of the AER, the AER is now staying within the scope of its mandate, focusing on energy regulation and not pursuing the types of expensive pet projects that were done in previous years

under the previous government, that led to three separate independent investigations into the conduct of the AER during those years. All of that has been cleaned up.

The AER is focusing on its mandate. It's achieving efficiencies and reductions and savings. It's doing exactly what a good regulator does, is supposed to do.

9:40

**Mr. Loewen:** Okay. Thank you very much, Minister.

I'll cede my time now to MLA Turton.

**The Chair:** Go ahead, Mr. Turton.

**Mr. Turton:** Yes. Thank you very much, Mr. Chair.

Can I go back and forth with the minister?

**Mrs. Savage:** Yes, you can.

**Mr. Turton:** Excellent. Well, thank you very much, Minister, for being here tonight. As you know, for many years, almost 15 years or so, I worked at petrochemical sites all over the Edmonton area, specifically north of Fort Saskatchewan. Good rabbit country up there. One of the key aspects north of Fort Saskatchewan is the Sturgeon refinery. I guess my question really has to do with the Alberta Petroleum Marketing Commission. I guess my main question is: in reference to the ministry organizational chart, can you speak to the overall role of the APMC as well as their specific role in relation to crude by rail and the Sturgeon refinery?

**Mrs. Savage:** Well, thank you. The APMC is the commercial arm of the government with respect to the energy sector. It's responsible for marketing the Crown's conventional oil royalty in kind received and for setting prices used in the valuation of the Crown royalty share of natural gas, liquids, and sulphur. Further, the APMC is responsible for adding value to Alberta's energy resources and expanding access to global markets. The APMC, on behalf of government, is also leading the divestment process of the crude-by-rail contracts. Its involvement in the Sturgeon refinery is principally financial in nature, managed by the Alberta Petroleum Marketing Commission. It's responsible for the government's commitment to the Sturgeon refinery.

With respect to that, Alberta has a binding, 30-year commitment to provide bitumen that will be processed into refined products, primarily ultra-low-sulphur diesel, and in return pay a cost-of-service toll to the North West Redwater Partnership. The refinery is a project developed under the bitumen royalty in kind initiative. I would note that the APMC has been extremely busy this year managing a number of initiatives, managing them efficiently, on budget, and doing a miraculous job over there in the number of files that it's managing.

**Mr. Turton:** Excellent. Thank you very much for that answer, Minister.

Mr. Chair, how much time do I have remaining?

**The Chair:** Thirty-five seconds.

**Mr. Turton:** Okay. Well, instead of passing it over to my colleague MLA Yaseen, I just want to say thank you very much, Minister. It's been incredible listening to your answers for the entire day. I also just want to take this opportunity to say hello to my wife, who is actually watching these estimates from upstairs because I'm in the basement here tonight as well. So I'd take this opportunity. But thank you very much, Minister, for spending your entire day and the last six hours with us.

Thank you very much, Mr. Chair.

**The Chair:** Thank you.

Any response, Minister? You still have a minute if you would like to.

**Mrs. Savage:** I would just say in my final response: good on your spouses for watching these estimates. I highly doubt that my spouse is watching. I highly doubt it. There are probably other things on TV, but good on the ones who are watching.

**The Chair:** Very good. Thank you.

With that, we will move over to the Official Opposition. Mr. Ceci.

**Member Ceci:** Thank you.

**The Chair:** Would you like to . . .

**Member Ceci:** I'll just wing it.

Minister, related to the oil and gas industry, are there any other liabilities beyond the two areas we talked about earlier this evening; namely, the orphan well area and the inactive wells area? In the orphan well area you talked about 1,973 wells, 4,348 sites, and 3,556 pipelines. I imagine that's kilometres of pipelines, but I think the short form for the industry is pipelines or something. That's my question. Are there other liabilities beyond those that you've identified in these two areas?

Just following up on the orphan well abandonment line, that's on page 39 of your business plan, it's at \$74 million. You talked about the industry paying that levy and that the AER estimates the cost of that levy. I presume that's the cost of cleaning up orphan wells and other things related to orphan wells that come into the hands of the Orphan Well Association in the year 2021-2022, or perhaps you can clarify. My question around all of that is: are we sure that the AER is not taking on further liability that the industry is passing on to the public purse by the identification of the amount of that levy? Is the amount of that levy adequate to address all of the environmental liabilities that are coming into the orphan well public hands?

I wonder how you're making your assessment that that amount of money, \$74 million, is adequate, and if you can outline what that is. With respect to inactive wells owned by licensees, of which today you're saying there are 97,000, how do we know that those inactive wells are going to be properly cleaned up? What assessment are you making that that's going to happen? I think it may get back to this work that the panels are doing with regard to postclosure sites or the five-year spend targets or the liability management systems, of which you seem to have three panels working on different aspects of those things. When will those be completed is another question I have, because there's a great deal of work that's been undertaken that industry and the AER are responsible for, but I haven't heard when that is going to be delivered and implemented. So those are the questions I would have on that.

Let me just check my notes once before – how much time is left?

**The Chair:** One minute, 45 seconds.

**Member Ceci:** One minute, 45? Okay. I'll just go back and look at my notes again. Yeah. So just on those advice panels – I think you were identifying ones on the liability management system – who's going to be making up those panels? When are they going to be delivering their advice to government on the five-year spend targets? You said that AER is working with industry on this at this time. What do you anticipate seeing as a result of that work? Postclosure sites: where there is environmental liability but nobody is the owner of it and it's not in the orphan well basket, it is still

there and needs to be addressed. How much money does that potentially put Albertans on the hook for to clean up over time? Those would be my questions.

**The Chair:** Thank you very much, Member.

Minister, you have five minutes to respond.

**Mrs. Savage:** Thank you. There was a lot in there, but hopefully I can get through it. You'd asked whether there were any other liabilities beyond the OWA and the inactive wells that still have licensees. I would just point out the comments around postclosure legacy sites, sites that have been reclaimed decades ago to industry standards at the time that may not meet industry standards today. Some of those well sites: you look back, and they go back to the early 1900s when they were closed; some of them probably closed by stuffing an old boot down the hole to close it. So there are some legacy sites that need to be considered.

Another thing here that I think will help you is to understand the provincial well inventory of all the inactive and orphan wells. As well as the orphan wells I noted, we have 172,000 active wells in the province, 91,000 inactive wells. These numbers change from time to time. We have 73,000 wells that have been abandoned, 80,000 that are reclamation certified, and 37,000 that are reclamation exempt. Those last numbers that I mentioned are wells that have been reclaimed, some of them maybe reclaimed long ago. The site – 3,556 pipelines. I don't think it's kilometres; it's actual pipelines. Some of those are very tiny and very small. They connect to a very close facility, so they're not the great big transmission pipelines that you think of. They're very tiny, very small, producer-owned pipelines.

9:50

The other question was on the OWA levy, the \$74 million and the costs. Just to reiterate, all orphan wells that don't have, you know, a licensee, a producer, their licensee has gone bankrupt or is otherwise insolvent, all of those are the responsibility of the Orphan Well Association, and the OWA sets an annual levy with industry, with CAPP and EPAC, consultation. The levy represents the amount that the OWA intends to spend in a given year. Inventory will fluctuate up and down, and I know in recent years we're seeing a high inventory of wells go into the Orphan Well Association as some producers that have gone bankrupt in the last two, three years are now – some of their assets are percolating into the OWA, so it fluctuates, but that number is set to represent what the OWA intends to clean up in a year.

On top of that, don't forget that there have been loans provided by both your government and our government to do additional work in the OWA. I guess in long and short of it, the OWA builds an orderly strategy to effectively do all of the abandonment work and reclamation. Not everything is completed in one year, but it's in sync with what they think they can get done.

I think your question was: is the levy adequate to address all of the liabilities? Well, what the levy does is what they intend to do in a year. Some years there may be more work than what that assessment will cover. That'll carry over to future works. The assessment: is it made by our government? I think you had that question, but it's not. We don't impact that assessment. It's made by the OWA. It flows through our budget, but it's not set by us.

You asked, finally, on the liability management framework, the work of the panel on postclosure legacy and the five-year spend, when we anticipate having that in place. All that work is under way in the AER. The panel work will come. We expect the five-year

spending targets and the LCAT and the LMR, that process is expected to be in place by the end of 2021.

I think I'm done early.

**The Chair:** You had three seconds to spare. Thank you, Minister.

We'll now move over to the government caucus for about six minutes and 20 seconds. I believe Mr. Yaseen has his hand up, so go ahead, Mr. Yaseen.

**Mr. Yaseen:** Well, thank you very much, Minister. This has been a very interesting morning and evening for those who are interested in energy in Alberta, so thank you for your hard work and the information that you have provided to all of us. I have a couple of questions here. There may be time at the end of it. Last but not least at all, I would attract your attention to objective, directive 1.3, which refers to environmental stewardship. There is a common misperception that Alberta's heavy oil, particularly oil sands, is emission intensive to produce, far more emission intensive than any other oil. Can you please, Minister, clarify what the emission intensity of Alberta oil sands is and how it compares to that produced elsewhere? Also, what kind of modelling is used for greenhouse gases?

**Mrs. Savage:** Thank you for that question, and I think it goes to the crux of a lot of the questions that we've been dealing with tonight on everything from ESG to industry advocacy to the whole conversation, the narrative that got set decades ago that oil sands is dirty oil. Nothing could be further from the truth. Nothing could be further from the truth. That's the kind of false narrative that we have to continue every single day to dispute and to dispel, because the reality is that the technical innovation in our province by our energy sector, by our oil sands producers has steadily over the past decade reduced their carbon intensity.

In fact, a number of our producers in the oil sands are committed to net zero production by 2050, so their carbon intensity is coming down. They're committed to net zero. We're working on carbon capture, utilization, and storage to help those producers move forward and get their production to net zero because we know that there's no pathway to getting to net zero without carbon capture, utilization, and storage. Those are the things that we have to talk about every single day, about what our energy sector is doing, and there is a lot to be proud of in there, a lot to be proud of in what they're doing.

We're helping, our government is helping through work from Emissions Reduction Alberta and Alberta Innovates. They're not only doing research activity, but they are helping with projects to actually reduce emissions. In December 2020 a study funded by those two organizations concluded that the GHG intensities from oil sands projects are 14 to 35 per cent lower than even previously published, so already the good metrics and the good measures that our industry is taking and doing, they've already exceeded that, because new information has come forward that their emissions are actually lower.

I think that some other activity to talk about of why we should be so proud of what our industry is doing is that not only have they decreased their emissions intensity and they're moving to net zero, but they are taking leadership in innovation. The GHG intensities of North America, of both U.S. and Canada, crude falls on a range based on properties and production methods. We're exceeding those averages here in the oil sands. I think that the continued leadership is going to be important, because we know going forward that to ensure that our oil sands remain competitive and that we can maintain and grow production, we not only have to be competitive in low cost and low risk, but we also have to be low carbon, and the work happening up in the oil sands right now is going to position our industry to be successful.



**Mr. Yaseen:** Thank you, Minister, for that information and clarification. I move on to another question here, now on LNG. Your objective 1.2 talks about capitalizing on liquefied natural gas opportunities. The government has said that increasing Alberta's international LNG exports could contribute to emissions reduction by reducing emissions from thermal coal. Some critics say otherwise though. What is the emission intensity of LNG compared to coal, Minister?

**Mrs. Savage:** I think that the best statistics for that are when we look at what we're doing in exporting LNG from Alberta, from western Canada to China, for power generation to replace coal-fired power generation in China with natural gas. When you look at that, the total life cycle of GHG emissions from Canadian LNG is 34 to 62 per cent less than coal, so you can imagine the significant emissions reductions globally by replacing coal-fired electricity in China. The second point here is that we're already doing that in Alberta, and as a result of supplying natural gas to replace coal-fired electricity production here in Alberta, we are reducing GHG here. So we're not only reducing GHGs in Asian

markets; we're reducing it here, and, to point out, our electricity sector has moved up by seven years the estimate of when they'll be off coal-fired, and that's because of natural gas and the ability to move off coal.

**Mr. Yaseen:** Thank you very much for that information, Minister. If we go to objective 2.2 . . .

**The Chair:** My apologies, Mr. Yaseen.

Thank you, everyone, for your indulgence. It's been quite a day. We've actually had references to rabbits and Bigfoot and even the lowly platypus. I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded. This also concludes the consideration of the 2021-2022 main estimates by the Standing Committee on Resource Stewardship. I thank you, all, for your indulgence.

Please remember to take your drinks and any other items with you as you leave. Thank you, everyone.

[The committee adjourned at 10 p.m.]





