



Legislative Assembly of Alberta

The 30th Legislature
Third Session

Standing Committee
on
Resource Stewardship

Ministry of Energy
Consideration of Main Estimates

Wednesday, March 16, 2022
3:30 p.m.

Transcript No. 30-3-7

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Third Session**

Standing Committee on Resource Stewardship

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Ceci, Joe, Calgary-Buffalo (NDP), Deputy Chair
Dach, Lorne, Edmonton-McClung (NDP),* Acting Deputy Chair

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Ganley, Kathleen T., Calgary-Mountain View (NDP)
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Lovely, Jacqueline, Camrose (UC)
Rehn, Pat, Lesser Slave Lake (UC)
Singh, Peter, Calgary-East (UC)
Turton, Searle, Spruce Grove-Stony Plain (UC)
Yao, Tany, Fort McMurray-Wood Buffalo (UC)

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Also in Attendance

Barnes, Drew, Cypress-Medicine Hat (Ind)
Loewen, Todd, Central Peace-Notley (Ind)
Phillips, Shannon, Lethbridge-West (NDP)

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Standing Committee on Resource Stewardship

Participant

Ministry of Energy
Hon. Sonya Savage, Minister

3:30 p.m.

Wednesday, March 16, 2022

[Mr. Hanson in the chair]

**Ministry of Energy
Consideration of Main Estimates**

The Chair: I'd like to call the meeting to order and welcome everyone in attendance. The committee has under consideration the estimates of the Ministry of Energy for the fiscal year ending March 31, 2023.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, when we get to you, please introduce the folks at the table with you. My name is David Hanson. I'm the MLA for Bonnyville-Cold Lake-St. Paul and the chair of this committee. We'll begin, starting with my right.

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

Mr. Guthrie: Pete Guthrie, Airdrie-Cochrane.

Mr. Yao: Tany Yao, Fort McMurray-Wood Buffalo.

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

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

Ms Lovely: Hello, everybody. MLA Jackie Lovely for the Camrose constituency.

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

Mrs. Savage: Sonya Savage, Minister of Energy. I have here with me today Deputy Minister Grant Sprague, Associate Deputy Minister of Natural Gas and Electricity Stephanie Clarke, and our assistant deputy minister of finance, Roxanne LeBlanc.

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

Mr. Dach: Good afternoon, everyone. Lorne Dach, MLA for Edmonton-McClung.

Mr. Barnes: Drew Barnes, Cypress-Medicine Hat.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: They always ignore you, Warren. I don't know what it is.

Mr. Huffman: Nothing personal.

The Chair: Nothing personal.

I'd like to note the following substitution for the record: MLA Dach for MLA Ceci as deputy chair.

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. Members participating remotely are encouraged to have your camera on while speaking and your microphone muted when not speaking.

Remote participants who wish to be placed on the speakers list are asked to e-mail or send a message in the group chat to the committee clerk, and members in the room are asked to please

signal to 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 three hours has been scheduled for consideration of the estimates for the Ministry of Energy. Standing Order 59.01(6) establishes the speaking rotation and speaking times.

In brief, the minister or member of Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of the minister's comments a 60-minute speaking block for the Official Opposition begins, followed by a 20-minute speaking block for independent members, if any, and then a 20-minute speaking block for the government caucus.

Individuals may only speak for up to 10 minutes at a time, but time may be combined between the member and the minister. After this, the rotation of speaking time will then follow the same rotation of the Official Opposition, independent members, and the government caucus. The member and minister may each speak once for a maximum of five minutes, or these times may be combined, making a total 10-minute block. 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 taking a break? Seeing none, we will make that announcement at the time.

Ministry officials may be present and at the direction of the minister may address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area and are asked to please introduce themselves prior to commenting.

Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery may not approach the table. Space permitting, opposition caucus staff may sit at the table to assist their members; however, members have priority to sit at the table at all times.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and the committee will adjourn.

Points of order will be dealt with as they arise, and individual speaking times will be paused; however, the speaking block time and the overall three-hour meeting clock will continue to run.

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

The vote on the estimates and any amendments will occur in Committee of Supply on March 21, 2022. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. The original amendment is to be deposited with the committee clerk with 20 hard copies. An electronic version of the signed original should be provided to the committee clerk for distribution to committee members.

Finally, the committee should have the opportunity to hear both questions and answers without interruption during estimates debate. Debate flows through the chair at all times, including instances when speaking time is shared between a member and the minister.

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

Mrs. Savage: Well, thank you, and good afternoon, everyone. I'm here today to present the highlights from the Ministry of Energy's 2022-23 budget. With any remaining time I'll outline some of the ministry's key objectives and priorities. These are included in our business plan. I've introduced my officials at the table already, and

I'm grateful for the help they've provided in pulling this all together.

The Ministry of Energy's mandate is to manage the responsible development of Alberta's energy and mineral resources to ensure that they bring benefit and bring value to Albertans. After all, Albertans do own the resources. Our ministry contributes to sustained prosperity in Alberta through the stewardship and responsible development of our energy and mineral resource systems.

Through Budget 2022 the Department of Energy will contribute to the province's economic recovery by building on Alberta's existing strengths in the energy sector while diversifying our province's energy products. The Ministry of Energy's 2022-23 operating expense budget is \$948 million. This includes \$310 million for economic recovery support, with \$297 million of that allocated to the site rehabilitation program. I'll provide details of that funding momentarily. The Ministry of Energy's expenditures also cover funding for the Department of Energy, including staffing as well as expenses for the cost of selling oil.

In addition, \$328 million of this funding was allocated to cover the expenses of regulatory agencies, including the Alberta Energy Regulator – I'll refer to that as AER from now on – the Alberta Utilities Commission, or the AUC. It should be made clear, however, that funding for these agencies comes from industry levies and fees which are collected as revenue. The government does not directly fund the ongoing operation of these organizations. The total budget for the AER is \$298 million. The AER regulates energy development in the province and is responsible for regulating the life cycle of oil, oil sands, natural gas, coal projects in Alberta and will be taking on geothermal and critical and rare-earth minerals. As for the AUC, it's responsible for ensuring the delivery of Alberta's natural gas, electric, and water utilities and ensuring that that is conducted in a manner that is fair, responsible, and in the public interest. Its expenses are projected to be \$31 million. Collectively, funding for these agencies ensures that they can continue to fulfill their duties on behalf of Albertans.

As I mentioned earlier, the ministry's budget includes \$310 million in economic support funding. The vast majority of this is funding for the site rehabilitation program, or SRP. This represents a decrease of approximately \$155 million in funding from '21-22 due primarily to the program entering its final year and receiving less funding from the federal government. To date approximately \$665 million in grant funding has already been approved and is being allocated to Alberta-based companies. The funding has created over 3,000 jobs so far. In total, the SRP is expected to create approximately 5,300 direct jobs. Since the program launched in 2020, the government has made a total of \$1 billion available in grant funding to Alberta companies. The final application deadline for the SRP is March 31, with all the work to be completed by the end of this year.

Of the \$1 billion in grant funding available, a total of \$133 million of SRP funding is available to clean up inactive oil and gas sites in Indigenous communities across Alberta. This funding demonstrates the government's commitment to ensuring Indigenous business and communities play a meaningful role in Alberta's postpandemic energy strategy. I'm very proud of the success of the SRP and its positive impact that it has in achieving the goals of job creation and environmental cleanup.

A notable change in Budget 2022 is the increased cost of approximately \$72 million related to the sale of Alberta's in-kind royalties. The cost is expected to increase to \$135 million this year in large part because the demand for oil has increased. The costs that APMC incur include pipeline tolls, crude oil and condensate purchases, trucking expenses, and marketing fees. When the volumes of oil sold increase, which is a good thing, the costs

associated with the marketing of this oil also increase. Transportation costs apply to every barrel as every barrel must move to market via pipeline or truck.

3:40

Another important update for Alberta taxpayers is related to the crude-by-rail program. We are aiming to be completely divested from this program by the end of this fiscal year. The APMC is leading Alberta's divestment process. While there are confidentiality reasons that prevent us from providing too much detail regarding any specific divestment path, we are looking forward to putting the crude-by-rail program behind us. Completing this process is expected to save taxpayers up to \$400 million compared to the cost of operating the program. We look forward to sharing more details about the completion of divestment in the near future.

The department's budget also continues to support the Associate Ministry of Natural Gas and Electricity, which is driving key initiatives such as our plan to revitalize the natural gas industry and modernize the electricity sector. This office, led by Associate Minister Nally, works to streamline regulatory processes, improve pipeline access for natural gas, and ensure that Albertans have access to safe, affordable, and reliable electricity and natural gas.

One step we are taking through Budget 2022 is to keep utility prices affordable, so we are introducing a new, innovative program to help Albertans manage costs should we experience high prices next winter. This program is part of our commitment to support Albertans through our province's economic recovery and is in response to the high price of natural gas around the world. The rebate will protect Albertans from significant upward swings in natural gas prices when prices are highest, from October 2022 to March 2023. Consumers with less than 2,500 gigajoules of annual natural gas consumption will be eligible for the program, including most households and small businesses. The rebate program is intended to help protect consumers from future spikes, providing certainty and supporting affordability. The rebate program will be triggered when and if regulated natural gas companies charge Albertans regulated monthly natural gas rebates above \$6.50 per gigajoule. The program is still being developed, and we look forward to providing more details before the program launches in October.

Our government will also continue to honour commitments for our value-added natural gas strategy and the Alberta petrochemicals incentive program, or APIP. By implementing this strategy announced in October 2020, we have already seen an increase in economic activity across Alberta's entire natural gas value chain, especially in the petrochemicals and hydrogen sectors. Over the last year we have seen numerous hydrogen-related projects announced by Canadian and international companies, including Air Products, Shell, Mitsubishi, Itochu, ATCO, and Suncor. These represent billions of dollars' worth of investment and reflect the continued growth opportunity in our natural gas system.

APIP, in particular, will help the province become a global leader in petrochemical production by enabling us to aggressively compete with jurisdictions around the world and bring long-term investments and thousands of jobs to the province. Last year Dow announced plans for a new net-zero petrochemical facility that has the potential to be the largest private-sector investment in Alberta in the last decade. Our actions continue to build upon the strength of our energy sector and seize new opportunities in the global marketplace.

Another noteworthy addition to this year's budget is increased funding to the AER. This funding will support their work in regulating two avenues of economic activity that are gaining more interest, geothermal energy and mineral resources. In the geothermal

system we are establishing, through the AER, a regulatory framework that will help diversify the energy sector and Alberta's economy as a whole. This includes a holistic approach to liabilities associated with geothermal projects, and it will encourage development while at the same time protect Albertans. This year the AER will be receiving an additional \$12.8 million to support the development of this geothermal regulatory work. The funding will also go to support a comprehensive mining and mineral development regulatory system, which was enabled through the Mineral Resource Development Act, introduced last year.

Similar to geothermal energy, under this updated act the AER will act as a full life cycle regulator for mineral resources in Alberta. This additional funding will ensure that the AER can act as a one-stop shop for companies looking to engage in mining of critical minerals in Alberta. The \$12.8 million will also support more public geoscience, a key part of both the recently released . . .

The Chair: Thank you, Minister.

At this time I noticed that Member Phillips has joined us online. Member Phillips, would you please introduce yourself for the record.

Ms Phillips: Thank you, Mr. Chair. It's Shannon Phillips, MLA for Lethbridge-West.

The Chair: Thank you very much.

For the hour that follows, members of the Official Opposition and the minister may speak. Hon. members, you will be able to see the timer for the speaking block both in the committee room, up on the walls there, and on Microsoft Teams.

Members, would you like to combine your time with the minister's?

Ms Ganley: I'll certainly make that request.

The Chair: Minister, are you amenable to that?

Mrs. Savage: No. Thanks. We'll do block time.

The Chair: Block time. Okay. Thank you.

Member, you have 10 minutes.

Ms Ganley: Thank you very much, Mr. Chair. I think I'm going to begin with the issue that is top of mind for Albertans, so with due respect to the minister these questions are for the Associate Minister of Natural Gas and Electricity. This government has stubbornly refused to acknowledge the real challenges that face Albertans. The UCP has raised tuition rates, student loans, property taxes, income taxes, that one to the tune of \$1 billion. Removing caps on electricity and insurance have allowed rates to skyrocket. With insurance, the government didn't even require them to prove that they needed a 30 per cent increase. I would love to see the profits on that one.

Anyway, the one thing that the UCP did take the time to do was to promise Albertans that in this budget they would see real relief. Unfortunately, they haven't seen it. This government brought in a program which was supposed to help folks with their natural gas costs, but I believe that the associate minister clearly knows that the program isn't going to work, because I certainly can't find anywhere in the budget where that program is funded.

So my first question to the associate minister is: where's the estimated cost for the rebate? Given this incredibly important issue for Albertans why isn't that cost broken out into an independent line? I certainly think that there must be a cost estimate somewhere. I would be incredibly troubled to discover that the government civil service has fallen to the point where they introduced a program

when no one had determined how much it would cost, no one had figured out what the estimate was.

In fact, the whole purpose of coming here today is to discuss the budget because members in this room, members in the Legislature are expected to vote on the budget. We are expected to represent our constituents and their interests, and that requires that we have the information. So I think that it is definitely incumbent on the government to provide us with what the estimated cost for that program is.

Mr. Chair, the reason I am concerned is because I think the UCP knows that the program is fake. The supposed natural gas rebate doesn't even apply until next winter, and it certainly doesn't apply at current prices. Current projections suggest that it may only apply to a very few or not to anyone at all.

My question is very simple. In total, how much do you expect this program to cost? I think that we deserve this information before voting on the budget. If the associate minister doesn't know, he's welcome to provide me with follow-up in writing, but I think Albertans deserve an answer to this question.

The other question I have on this issue is whether this government intends to introduce additional programs to help Albertans with this cost. Certainly, you know, we've obviously seen the promise of a natural gas program, which turned out to be fake. We've now seen \$150 off electricity bills into the hundreds or thousands. I mean, it's my hope that we're going to see more of that. In fact, just today we saw this government refuse to prevent utility companies from disconnecting Albertans while they're struggling. That means that in a month's time we can see Albertans having their fridges turned off.

So those are my questions there. Just to sum up, what we're looking for is whether there are any new programs, the anticipated cost of the program, what the projected cost of the natural gas program will be, and where that is located.

I see that I still have a few minutes, so I'm going to move on to a couple of questions which are actually a follow-up from the last time we met. I'd like to now take a look at line 2.3 in the budget estimates. That's industry advocacy. I think it's worth having a bit of a conversation about the history of this matter because I was, shall we say, surprised to see what the total was for last year's budget given the conversation that we had and, in fact, so surprised that I went back and reread the transcripts to make sure I hadn't misunderstood.

3:50

The line item represents, at least in part, the government's war room. This has been a concern for Albertans for a number of reasons, I mean, among others, because it provides little value and has proved to be an embarrassment. Another would be that there aren't, in fact, any metrics to measure success. I know folks are going to say that you can't measure that success, but actually when we were in government, we did advertising into other provinces on the importance of moving oil by pipelines, and those advertisements were incredibly successful. We were able to measure public opinion in other provinces before we did it and after, and it moved significantly. It moved from less than half to almost 70 per cent. That was a pretty big deal. It allowed us to get the Trans Mountain pipeline approved. So I think that this is the sort of thing precisely which can be measured and which is not being measured by this government.

I'd like to focus on the budget. Albertans are concerned about how it's spent, particularly since the entity has been set up as a corporation with ministers as the directors, which is specifically designed to avoid financial oversight. It avoids FOIP, and that's a big concern. I mean, the whole point of this process is that people

have the right to know what their money is being spent on and whether they're getting value for that money.

Last year, when we were discussing this item, the minister indicated that what was forecast for this line item was \$29 million. Now, it's worth noting that at the time of speaking, we were 15 days before the end of the fiscal year, so you can assume that there would have been a fairly good handle on how much money had been spent, past tense, that year. Now, at the time the Minister of Energy indicated that on that day the war room was going to spend \$10 million, leaving \$19 million to be spent on other advocacy. You can find those comments on page RS-556 in *Hansard*. Now, obviously, that was wrong. This year we see that the total spend in that line item for 2020-21 was \$1.6 million, which is, I would say, a significant difference from \$29 million. The projection for the budgetary spend for that organization 14 days before fiscal year-end or, to put it another way, 95 per cent of the way through the year, the projection for the war room spend, was out by at least \$8.4 million.

My first question is: what's the explanation for that? At that point, obviously, it was given in *Hansard*. It was an answer on the record, so the minister must have been fairly certain that the \$10 million was going to be spent 14 days before the end of the year. Now it turns out that it was out by 80 per cent. I'm not saying that an explanation for that can't exist, just that it's pretty curious.

Now, I think, moving on from that, we also had this sort of other advocacy. Now, at the time we sort of went back and forth about whether or not it was appropriate for the minister to provide this committee with information about how taxpayer money had been spent. She was unwilling or unable to tell us anything about how that \$9 million had been spent. I say again "past tense" because at this point we were 95 per cent of the way through the fiscal year. Now we see that nothing was spent on other advocacy, so that, too, is deeply curious.

Again, my questions are: why 95 per cent of the way through the year did we think we were going to spend \$19 million, and how was it not spent? Did the minister think we were going to spend \$19 million in 14 days? Was that the plan? I think what I'd like to know about that ultimately is: at the time of speaking, did the minister genuinely believe we were going to spend \$19 million in 15 days, or did she just not know what was going on?

Then, going forward, this time to the forecast, we've got \$17 million in industry advocacy that's meant to be spent this year. I'll ask three questions on that answer. Sorry; \$17 million on other advocacy plus the war room, which I believe was \$12 million. I'm just curious how much we're going to spend this past year, not the year before, which is what I was talking about, but this past year. You know, given that we're again 15 days from fiscal year-end, do we think that that is going to be an accurate projection? I'm hopeful that this time the projections will be a little bit closer to reality. I think it's not unreasonable for the members of this committee or the members of the public to expect that a department can explain how much money it has spent, again, when we're 95 per cent of the way through the year. It's not like we're projecting into the future here.

Thank you very much, Mr. Chair.

The Chair: Thank you very much. I'd just like to remind folks to please address your questions through the chair and not directly to the minister.

Minister, you have 10 minutes to reply.

Mrs. Savage: Thank you. I think there are sort of two questions there that have subquestions, so I'll try to get through all of them. You know, the first question was about the challenges facing Albertans and what we're doing to help address some of those

challenges. I think there are two parts of that to do with the electricity and with natural gas.

Like many of the members here, we've heard quite considerably about Albertans who are concerned with the high costs of electricity bills this winter due to a number of factors, including the carbon tax. What we're doing is that we're providing \$150 in electricity rebates, so it's \$50 per month for three months, and that'll apply to more than 1 million homes, farms, and businesses to help retroactively cover the high costs they faced this winter. It will target the bills from this winter. Its target will apply to residential, farm, and small-business customers who consume fewer than 250 megawatt hours per year. We expect that there will be over 1 million homes, businesses, and farms that will take up that offer and receive the rebates. The exact eligibility criteria is still being determined and will be announced in the future. There will be some work required with utilities and regulators to determine the exact details, and those details will be released as soon as possible.

I would just note that – I think you asked: where in the budget is this program? – I believe that's going to be part of some supplementary estimates that will be tabled along with the budget. You will see that figure for the electricity costs coming up. But to give you a sense of what that will be, we anticipate that those costs will be between \$285 million and \$300 million over the three-month period which will apply for the months of January to March. We're expecting that total cost to be \$285 million to \$300 million approximately.

I would just note a comparison. I know there's been a lot of comparison to the rate cap by the previous government, the member's previous government, on electricity. We've done a calculation of that, and for the term of that entire program, which ran for about two and a half years, from June 1, 2017, to November 30, 2019, the total amount spent on that was \$108 million. While we do acknowledge difficult times with electricity bills, this is providing nearly up to \$300 million of relief to homes and businesses and families and farms who very much need the support. Again, I think the main question is: where do we find that? You will see supplementary estimates that will have that, and that will be tabled.

The other question, I think, was on the natural gas: where is that in the budget? Now, that falls within Treasury Board and Finance in their contingency fund, so there's not a line item in the Energy department's budget for that program. It's being funded by the contingency fund under Treasury Board and Finance.

For the natural gas program, we're developing an energy rebate program for next winter that will help Albertans manage higher heating and fuel costs for natural gas. This is also part of our commitment to help Albertans, to support Albertans through economic recovery following COVID-19 as well as to address the growing costs of natural gas globally. Of course, we've seen the spike rise right around the world in natural gas. It's not unique to Alberta. In Europe, in particular, their natural gas prices are rising exponentially. It's rising right across North America, and that's why we're bringing in programs to help consumers with covering those costs.

4:00

Consumers with less than 2,500 gigajoules of annual natural gas consumption will be eligible for the program. This will include most households, small apartment buildings, farms, small businesses, industrial and commercial operations. It will be triggered if and when natural gas price rates hit above \$6.50 per gigajoule. Again, with the electricity rebate, some of the details of the program are still being worked out. Where is that in the budget? It falls within Treasury Board and Finance, in the contingency fund.

I think another question I have written down here was: do we intend to introduce additional programs? Well, of course, there is the elimination of the fuel tax, the elimination of the 13.5-cent fuel tax, that we've already announced. We'll continue listening to Albertans and hearing what their needs are. Again, this doesn't mean that these are the only programs that we're talking about, but these are the ones that were announced to date.

Just to reflect on and acknowledge the difficulty that families are experiencing, energy costs, whether it's electricity, natural gas, heating your home, fuelling your car, are rising across the entire country, across North America. It's rising across Europe. I think that reflects a broader issue that we're dealing with globally on the energy crisis and the fact that we have a supply crunch with the need to weed out Russian barrels of oil and Russian natural gas. Europe has become dependent on Russian natural gas. These are global problems. We're taking significant steps in Alberta to address the cost of heating homes and costs to consumers here in Alberta. We'll continue to listen to Albertans and to hear from constituents on whether and if more programs are needed.

I think your next question was on industry advocacy and the Canadian Energy Centre. You know, I think we can look to some of the work that the CEC has done over the past year. I can say confidently that it's matured into a very effective organization to be able to advocate for and promote Canadian energy, Alberta energy, and to help ensure that our products, our oil and gas products, our new and emerging energy projects, whether it's hydrogen, critical and rare-earth minerals, geothermal – it's a very effective agency to help promote Canada and Alberta as a supplier of choice. I think it's pretty clear that that's needed now more than ever as we've watched energy policy across North America fail, as we've seen in the United States after the inability to get both U.S. production and Canadian production into a continental, integrated North American market. We see the United States scrambling, literally scrambling, to increase the supply of oil and gas.

We are the solution in Alberta. We have the energy. Nobody produces it at a higher ethical and, you know, a lower carbon footprint than our province. I could go on and on with the statistics of the things that have been happening in our province, not just under our government but under yours as well, with methane emission reductions, with the emissions cap on the oil sands. And now, with the oil sands moving to net-zero production with the pathways initiative, we're really leading the world – we're definitely leading the world – in our energy production, and we need to get that story out. We need to get it out to ensure that we are the supplier of choice.

I think your question in there was: what kind of metrics do we look at? There's a little bit of information I can give on some metrics and on what the CEC has been doing. Over the past year there have been two national advocacy campaigns and one international campaign. The national campaign was called When We Work, Canada Works. It was presented in two phases. Polling was done, research was done both before and after those phases. What we saw was that for people that had an unfavourable view of oil and gas, that view dropped in key regions and demographics where the campaign was present. This was run across Canada. In Ontario the unfavourable views of oil and gas went from 39 per cent to 33 per cent. That's 6 per cent. In Quebec it was from 47 per cent to 43 per cent. That's 4 per cent. And among females – that's interesting. The campaign really reached out to females, and it dropped the unfavourable from 40 to 35 per cent.

The Chair: Thank you very much, Minister.

We'll now go back to the Official Opposition for 10 minutes.

Ms Ganley: Yes. Thank you very much. I think I'll start here, and I appreciate that this is a bit of a clunky process. The block time kind of results in the fact that the minister has a lot of questions to answer, so I'm just going to circle back around because we missed a couple from the first block. The first one is: what was the projected cost of the natural gas program that's included in this budget?

The second one was with respect to the war room. Last year we were having a conversation sort of two weeks before the fiscal year-end. The minister indicated that \$29 million had been spent. We see now in the budget that, in fact, \$1.6 million was spent, so I'm just curious what the explanation for that is and what the projection of the breakdown between the war room and other advocacy is now for the year that has just passed, so the '21-22 year, and whether we anticipate that being slightly more accurate than the answer we received last time.

I actually have one arising now. The minister indicated that some polling was done with respect to the work of the war room. I would ask that that polling either be sent afterwards or tabled in the House.

My next set of questions are around the sort of recent musing around the Keystone XL pipeline. Of course, this has been an issue with a long history, and I think the minister and I can probably agree that, especially in light of current global economic circumstances, the importance of that project has been highlighted. I don't think we disagree on whether it was an important project or whether it would be to the benefit of Albertans, because I think it's clear that it would have been. Obviously, I don't see projections on oil production capacity anymore, but the last time I saw them, it clearly would have been in our interest.

Obviously, what had happened was that the project was cancelled because it ran through another country. That other country sort of has its own set of politics and regulatory processes, shall we say, and there's no, I guess, sense in arguing that. Now, the Premier recently mused about becoming partners in derisking – I think that was his term – the Keystone XL project again. I'm just a bit curious. The last time this government derisked the Keystone XL pipeline, Alberta taxpayers were on the hook for \$1.3 billion, and we didn't get a pipeline. I'm just wondering how much the government plans to spend on this and where we would find that money in the budget.

Now, I know that in previous years the government had run into trouble with the Auditor General for, like, \$1.6 billion which can charitably be described, I suppose, as accounting errors, and one of those errors was failing to book \$100 million they had spent on this very project. I would like to imagine that this time the government has been somewhat more careful and that, in advance of making this commitment, they had made some sort of inquiries regarding, you know, what exactly that is going to cost. I know the public musings about this began after the budget was published, but I certainly hope that it is not the case that the Premier was out there musing to save his own political career. I certainly hope that this was a well-thought-out plan, that the Premier ran the numbers and understood what the deal might be and that, therefore, there is somewhere in this budget an estimate on how much that will cost.

4:10

The other question I have. Last time I think we suffered from what I might call bad contract-making or perhaps a lack of financial controls, but whatever the problem was, the deal made on behalf of Albertans was terrible. There was a less than 50 per cent chance of success, and it was Albertans' money that was risked, to the tune of \$1.3 billion. Ultimately, we spent \$1.3 billion, and we got no pipeline. I think that is incredibly problematic. Now, certainly, our government supported the Keystone XL pipeline as well. We supported it with barrels of oil because that didn't involve risking

Albertans' money on a foreign election and a foreign regulatory process which we couldn't predict.

Certainly, our government as well, I fully admit, was supportive of exactly these sorts of derisking activities. We took steps to ensure that the Trans Mountain pipeline was built, and that project was successful. We worked with the federal government, and we got that pipeline. It's being built right now. It will come on stream soon, and that is an incredibly important project. The difference with that project was that it runs in Canadian jurisdiction. It is not subject to foreign elections, it is not subject to foreign regulatory processes, so it was predictable. We knew what the outcomes would be. We knew what needed to be done, what the risks were, and I think it was a good deal. I think it will benefit all Albertans. I'm really proud of the work that we did on that.

But I think that with this project the concern is: how are we going to ensure that we don't have the same thing again, where we light billions of dollars of taxpayers' money on fire and we don't get anything in return? I think that that's a fair question, and I would like to assume that that analysis has been run and that the numbers are in the budget, because if it wasn't, that suggests that this Premier trotted out and just made a random, offhand statement on an incredibly important project in an attempt to save his political career on April 9.

Mr. Singh: Point of order.

The Chair: A point of order has been noted.

Go ahead, Mr. Singh.

Mr. Singh: Thank you, Mr. Chair. The point of order is under Standing Order 23(b), that the member "speaks to matters other than the question under discussion." The committee has convened for the purpose of considering the ministry's estimates, including the 2022-25 ministry business plan and the fiscal plan. The matter that's been raised by the member is not within the boundaries of the said topic. We are not here to talk about the popularity of the party leader or the Premier. We are here to discuss the estimates of the ministry with us today, and that is why this is a point of order under 23(b).

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Singh.

Would you like to rebut? Go ahead, Mr. Dach.

Mr. Dach: Thank you, Mr. Chair. This is definitely not a point of order. The topic being discussed is certainly germane to the budget. There was a lot of background on previous years and the dollars that were spent or not spent on that project, and any budget deliberation will have discussions about money that was either spent or is missing from line items in the budget. Something that is as large an item as this is certainly within the scope for discussion and, I think, fair game for debate in these budget deliberations here today in estimates.

The Chair: Thank you, Mr. Dach.

I'm prepared to rule. Although loosely tied to the budget, I would caution the member that I think it's more about repetition. I think we've dwelled on this subject a number of times in the last seven minutes, and I would encourage the member to make better use of your time, to give questions that are a little bit more relevant to Budget 2022.

You're welcome to continue.

Ms Ganley: Thank you, Mr. Chair, and I appreciate the caution though I think that whether or not we're spending Albertans' money

on something is a question extremely germane to this particular discussion.

To tie up, I think I'll just end by saying that I sincerely hope that this was a legitimate promise being made by the Premier of our province, that this was a legitimate commitment, that it was not something else to which I will not refer. I hope that someone can explain to me how much money was committed for this project in the budget. If this government does intend to derisk – i.e., provide either loan guarantees or money directly to the Keystone XL project or attempt to buy the pipeline flat out – how much is that projected to cost? And what are the financial controls in place to ensure that Albertans' money results in us buying something this time?

My next set of questions has to do somewhat with the AER, actually, which is an interesting, germane topic at this time, and somewhat with orphan wells. We know that orphan wells represent a large potential liability for Alberta. That's incredibly problematic. I know the minister and I have discussed whether or not we should sort of, in light of the high-price environment, increase the rate of cleanup, because I think that that would create jobs and also sort of get that liability off the books. But at least we are definitely seeing some cleanup as a result of the federal government's investment, and as the minister outlined, it has created a lot of jobs. I think this program is incredibly beneficial for Albertans.

My questions are: how much of that money from the federal government has been spent so far? How many wells have been cleaned up with that money so far? And how many more do we expect to clean up? Then the last question on that point is that I've been hearing from some folks in the industry – and I just wanted to verify this – that there have been challenges getting reclamation certificates because of the cuts that this government had made to the AER the first year they were in. So I just wanted to make sure that we have projections that show that all of that money will be spent in the time allocated, because it ends this year. I would just like to know what those projections are and what assurances we have that that money will get out the door. Again, I think everyone agrees – the minister agrees, I agree, everyone agrees – that that's a really good program for Albertans.

I have 11 seconds. I feel like it's not worth starting another question in 11 seconds, so I'll just cede the remainder of that time.

The Chair: Okay. Thank you very much.

Minister, you have 10 minutes to respond.

Mrs. Savage: Sure. Thank you. I'll try to get through them quickly. I think your first question was on the forecast for the cost for natural gas. I can tell you where it's been added. We've added \$250 million in the disaster contingency fund, in Treasury Board and Finance funding, recognizing that that's where this should belong. It doesn't mean that that will necessarily be the exact amount, but that's what's been added to the contingency fund to account for what that program could cost. Okay. That's projected cost of natural gas.

The costs in the Canadian Energy Centre. I can just walk through some of these costs. I think there were some more answers on metrics; you can go back to it later if you want, but I'll try to get through the costs and try to summarize it. The actual expenditures in the Canadian Energy Centre since it was set up in 2019. In 2019 from October, when it was set up, to March 31, 2020, it spent \$1.97 million. That was just getting set up; it wasn't a complete year. The expenditure for the fiscal year of 2020-21 was \$3.7 million. Remember that's during COVID, and we significantly cut the budget just because we were dealing with an economic downturn and so much uncertainty. So in that year they spent \$3.7 million. For the 2021-22 budget they're forecast to spend \$10.3 million. I believe that originally it was forecast at \$10 million.

This year we've allocated, of that industry advocacy fund, \$12 million to the Canadian Energy Centre. So that's how much has been allocated to the Canadian Energy Centre. The rest remains in the industry advocacy budget, which covers a number of things and contingencies, whether it's advocating for hydrogen, whether it's advocating for petrochemical, whether it's advocating for the industry in general. For the Canadian Energy Centre that's where their costs are projected for the year. The projected breakdown for 2022-23 – yes – is \$12 million.

4:20

I think you had asked the question about the metrics, going back to the metrics. They measure metrics both before and after. I don't have the polling information on that. I can certainly undertake to ask if that's been made publicly available. There are also metrics for a campaign in New York City on – I think we'll like this one. I was really particularly pleased with their approach to it. It was advocating Canada as a source of clean energy: Cleaner, Closer, Committed to Net Zero. That was billboards and a whole campaign set up in New York City, and they had – I'll just look at the impressions on that. They had over 12 million people that saw it, and there were 12 million impressions.

Those things are particularly important, and that leads kind of into your next question on KXL. I think a lot of that advocacy is highlighting that we're right next door. We're committed to net zero. Our energy is produced at the higher standards. Why not us? For the United States: you should be seeking production and energy supply from your closest neighbour. I think that's extremely important, and that brings us into some of the KXL pipeline.

Of course, I heard a lot about that last week down in Houston, Texas, at CERAWEEK, and I can tell you that the discussion there that week was significantly different than what it was in December when I was in Houston, because the conversation was about energy security, a shortage of supply. What are we going to do to weed out those Russian barrels that we have to weed out because every barrel of Russian oil is filled with war? So the need for the world to weed out barrels begs the question: where is it going to come from? And we're saying: it should come from Canada.

That's why we were extremely disappointed and continue to be, and the conversation was elevated down to the United States: well, why not Canada? Well, we had a pipeline vetoed. We could have been in a better position to supply into the U.S. The KXL pipeline was originally supposed to be in service in 2012 and was supposed to be under construction now, so it begs the question. We do need to get more access into the North American market. But however that looks, there's no question that we need to get more access in there. Right now the status of the KXL: the cross-border permit has been vetoed, so there isn't a cross-border permit, and the infrastructure has been removed by TC Energy. They've indicated pretty clearly that they're not interested in building it. But having something like KXL – we need more access into the U.S. market. Whether it's KXL, whether it's something that looks like KXL, whether it's a combination of utilization of existing pipelines through reversals, through twinning, whether it's optimization programs using existing pipelines to get more across the border, we need something.

I think the key point here is to have that cross-border dialogue with the United States on energy security, on a continental energy strategy to be able to look at: can we resurrect to keep KXL? Is it possible? If so, what would need to be done? Because there is an appetite on both sides of the border to do exactly that or to look at some similar types of programs to get more oil across.

We were extremely disappointed that KXL was vetoed, and I think that what's even more frustrating is to hear the Americans

now looking for a greater supply into their markets. And especially down in the United States when I was there, listening to the keynote speech from the Energy secretary, Jennifer Granholm, she spoke about, she said: we're on war footing because of the shortage of supply. And she put an urgent plea out to United States producers, U.S. producers, to: produce more oil where you can, if you can, how you can; please produce more oil.

At the same time President Biden was looking to go over to Saudi Arabia to ask the same question. They were looking for increased supply in Venezuela; they were looking for increased supply from Iran. It should be from Canada; Canada is the solution. That's why the importance of the KXL pipeline was so underlined in the last while.

Yes, we need to look again. Whether it's KXL, whether it's something that looks like KXL, we need that cross-border infrastructure. Because the resource belongs to Albertans, because the oil and gas resource belongs to Albertans, because it's used to benefit and pay for our budget, we need to find more ways to get greater access, and if that requires derisking various projects in whatever ways and forms it is, we have to do it.

In fact, in budget this year the revenue from – and as the member from Fort McMurray so elegantly pointed out today, it's \$10.3 billion royalty revenue from the oil sands alone. That funds a lot of our budget, and we need to maintain and grow that production. So that's going to require a way to look at innovative ways to get more oil across the border.

Those conversations are being had on both sides of the border, on continental energy security. Whether that's a resurrected KXL, whether that's other projects that can do the same thing, it's clear we need to get more access into the U.S., into the Gulf coast, into the west coast.

This is in the phase of continental energy security discussions. There's not going to be anything in the budget projected to have those continental energy security discussions. That's included in the industry advocacy, to stand up for our industry, for supporting the industry through cross-border dialogue, attendance at the energy council and PNWER and other forums to talk about it. That's what we're doing to support that. We're not budgeting for, in the budget, something for a purchase of another KXL pipeline. We're looking at energy security.

I think your last question was on the AER and orphan wells. I think you also mean as well as orphan wells, probably, inactive wells, but I can give you a little bit of background on both. I'll start with that because I think you're mostly interested in the site rehabilitation program and the inactive wells. Of course, you know, it's a significant issue that has been developing for decades to the point where we have over about . . .

The Chair: Thank you very much, Minister.

We'll now go to the Official Opposition for another 10-minute block.

Ms Ganley: Thank you very much. I have a couple of things arising that I'm going to start with, and I think, well, I'll bring back those other questions as well. The minister just indicated that for the 2020-2021 year – say that five times fast – the war room budget was \$3.7 million, but I'm just looking at the budget, and it indicates that the actual for that same time frame was \$1.67 million. So I'm just curious how the war room was able to spend more money than was allocated in budget, whether it rolled over from previous years, or what that was.

Then with respect to that same line, 2.3, for 2021-22: what was the other advocacy of almost \$7 million spent on? It's probably past tense now since we're 95 per cent of the way through the year.

I just want to confirm my understanding of what the minister just said, which is that there isn't actually any money in this budget allocated to the Premier's promise to derisk KXL.

Oh. The other question that I had arising was because the minister did talk a lot about market access, and I had other questions on that, so I'll just throw this one in here. We've managed to sort of get more access because of a pipeline reversal, a cap line reversal, and I'm just wondering if there's anything else we could do that's similar to that or if those options are being explored.

Then I'll just put back on the orphan well questions, which were: how much of that federal money commitment has been spent? How many wells have been cleaned up so far with that money? And how many more do we expect to be cleaned up? Then, ultimately, whether or not we expect that all that money will get spent in the appropriate amount of time. Okay.

4:30

My next set of questions centres around coal. It seems that has become a very lively topic which holds the interest of the public, so I think it's worth just sort of running through the history a little bit to frame the question: of course, this government revoked the 1976 coal policy, there was sort of a public outcry, and the government backed off, which I think was the right thing to do. But as it turns out, we kind of needed to read the fine print because some of the projects had actually gone through while the policy was lifted, because there were applications waiting in the queue while the policy was in place. I understand from the coal report that we had four projects that were in the, quote, unquote, advanced stages and that those four projects will be allowed to proceed.

What I didn't quite understand from either the coal report or the sort of subsequent discussions was whether there were any other projects besides the four that were considered in advance, because we do know that when that policy was initially revoked, a lot of projects got into the queue. So I'm just curious: you know, first off, what do we expect the total revenue from, like, rent and royalties to be for the four projects, and where would that be reflected? Also, whether there were any other projects that got through and what we expect the revenue, again, rent and royalties, to be from those.

I think this is important because I think the important thing to note with coal is that the cost benefit isn't really there. The amount that Albertans receive for what they lose, which could be access to our Rocky Mountains – it could be access to clean drinking water, which is going to become an increasingly important resource. I think the cost benefit just isn't there, so I'd be very interested to know sort of what the anticipated revenue from all those projects will be.

I have five minutes remaining here, so I have a couple of other questions to ask. I'll start my set with respect to the Redwater refinery. The UCP government bought about 50 per cent of that refinery, but it seems that many experts are continuing to have trouble understanding what the deal even is. Since, again, this is about revenues and expenses to the taxpayers, I think it's worth investigating a little what's going on there. My first question is: where is the income from this, and what is the total projected revenue?

I'm also curious, because it wasn't entirely clear to me, so hopefully the minister or the department can illuminate me: who is operating the facility? I understood that Redwater was the operator, and that is the stake that the government of Alberta bought, so that leaves CNRL, who, to the best of my knowledge, doesn't operate any other refineries. I mean, they may be the operator, or the government may be. I'm just curious: sort of who is operating the facility? More specifically, who bears the associated risks of

something like a mechanical failure or cost overruns or some sort of lawsuit?

I'm also curious: if ultimately it loses money because – I mean, depending on different shifts in the sort of relative values of dollars and the relative values of different commodities, obviously the profitability of that facility will change. If it loses money, who covers that and in what shares? Now, at the time that the deal was made, the claim was that \$2 billion in processing would be saved. I'm just curious whether the government has saved that much, where it's reflected in the budget, and what assumptions did we make in determining that particular price? Finally, the government put about \$800 million into the project, and I would like to know where that investment is reflected. Those are a series of questions.

The next set of questions I have, which I may not get through, is on the REP program. In March 2021 we saw the School of Public Policy at the University of Calgary publish some estimates on the renewable electricity program indicating that it had earned the government of Alberta about \$26 million at the time of writing. I'm curious where in the budget I can find the revenue coming in, specifically what line item. I'm also interested in whether the government has undertaken similar estimates for the program going forward and what the current net gain on the program is and, you know, what we're projecting it to be in the upcoming fiscal year.

I'm also curious about what the government is doing with the carbon offsets for those contracts, whether they're being sold or used in another way. I understand they can be used to sort of make something net zero, so it could be that they're being used, but I'm just curious if you could break down for us where we can find the value of those offsets in the budget and whether they've been sold already or what the plan is there.

We're seeing in 4.1 some increase in expenses for the REP program. I'm just curious if you can break out for us to what extent that's due to more of the projects coming online and to what extent this is electricity prices that the government is projecting and whether you can explain how the projected electricity price varies between fiscal years. Again, that's in the estimates in line 4.1.

In March 2021 the School of Public Policy – oh, sorry. I've already said that part. Yeah. I guess those are a series of questions, but I'm just really interested to know because certainly, I mean, those are the University of Calgary's projections, obviously, on \$26 million being made, and I'm just curious to know if that's ultimately what came out of it and what we're looking at going forward. I think that program was actually extremely effective, and it's a really good proof point for the fact that renewable electricity can be profitable. Those contracts came in at very good value for Albertans.

I will stop now because once again I have seven seconds left, so there's really no point in carrying on. Thank you, Mr. Chair.

The Chair: Thank you.

Minister, you have just over seven minutes to respond.

Mrs. Savage: Thank you. I guess the first question – hopefully, I'm getting this right – was another one back on KXL: was there anything in the budget on KXL? No, there's not. Any of the costs associated with the veto from last year were in last year's Public Accounts, so there's nothing in this budget. Of course, the conversation around the importance of KXL and the key, critical necessity to get more production into the United States happened after this year's budget was tabled. There's nothing, no expenses, no contemplated expenses. We are in an energy security discussion with, you know, congressmen and other officials on both sides of the border to talk about: what do we need to do to get continental energy security policy right? You're correct. There's nothing in the budget.

Back to the AER and orphan wells. Just getting to the numbers on some of the statistics, I think I had said that we had 93,000 inactive wells and another approximately 80,000 wells that have to be brought to reclamation. The billion-dollar SRP program, with funds from the federal government, I think, has been very, very successful at getting the service sector back to work and cleaning up wells. So far we have awarded over \$665 million in funding, and that's been allocated to 565 Alberta-based companies, some of which have written letters to the government saying: "Thank you. You kept me in business. I had no work. I had three employees, and we would not have had work." We kept the service sector working in a lot of cases.

The measures on what has been done to date, up to February 18, 2022, which are the latest statistics I have: we've had over 58,000 applications to the fund submitted; almost all of them have been processed – there are a few remaining to be processed – and 23,739 applications have been approved. Of that, almost 60 per cent, so 59 per cent, of those applications were for abandonment work – that's the downhole work to protect the integrity of the well – and that represents \$392.8 million in funding. The other 41 per cent was for remediation and reclamation work. That's to clean up the land, the soil. Part of that includes phase 1 and phase 2 environmental assessments. So that grant money, the \$665 million in grant funding, was approved – well, I think I said that; yeah – and allocated to 565 Alberta-based companies.

4:40

One of the things that I think has been most successful about the program was the round that was available for Indigenous and Métis groups. That was a \$100 million phase of the program allocated to cleaning up sites on First Nations reserves and Métis settlements. The Indian Resource Council worked on developing that program and working with various nations, training people to be able to compete in it. I think there were over 200 Indigenous people trained to be able to work in the industry, so we're very proud of that work that's done. The program is set to be done at the end of the year.

We are working with the federal government right now to see if there's some opportunity for an extension of the program and for the application period and for the completion period. Some of it is because it's taken a while for First Nations to be able to get capacity and be able to be trained and do the work. In other cases there's actually been a bit of a labour shortage in the more recent times where the service sector is – it's been hard to get rigs. It's been hard to get people to do the work because the industry is getting back to work, which is a good-news story. Anyways, we are working with the federal government to get an extension of that program. We should hear from them shortly, but again I think it's been very, very successful in both cases, you know, in terms of a job-creation program and for getting work done.

I think I'd said how much of the percentage of the program was for abandonment work and how much was for reclamation. In terms of the number of sites for the abandonment work, there have been 16,492 sites that have had the abandonment work done. There have been another 7,994 sites for reclamation activities. At the end of the year, when it's done, we'll be able to have a more accurate figure on exactly what's done.

Now, I think you had asked a question about the reclamation certificates, because there will be a question: well, how many sites have you cleaned up right through to the reclamation certificate? Well, in some cases, like, it takes – along the projection of cleaning up a well, there are a number of steps: the abandonment work, then the reclamation work, and then the reclamation certificate. We just want any and all of that work done – any and all of that work done – so hopefully we'll know by the end of the year how many have

gotten to reclamation certificates. But that's not the only measure of success. I think the measure of success is: how much work has been done, how many jobs have been created, how many sites have been abandoned, and how many have been at what stage of the reclamation. I'm very grateful for that program, and it has been a good example of co-operation with the federal government.

Coal is the next question. I think you had some questions about the four projects that were considered in the advanced stages and allowed to proceed and what other projects weren't. The coal policy report and recommendations: we followed their recommendations and added mine 14 to it and plugged that into the directive to the Alberta Energy Regulator on what activities, what projects were considered advanced projects and allowed to proceed through a regulatory process.

How we defined it is that an advanced project is defined as a project where the proponent, the company, has submitted a project summary to the AER for the purposes of determining whether an environmental impact assessment report is required. Under that definition there are just the four projects: Grassy Mountain and Tent Mountain, which are on existing brownfield sites, old mines that companies had applied to bring back on; there's the Vista expansion project, which is an existing mine that had an application to expand; and then there's one called mine 14 Summit Coal, which had met the requirements for the advanced project, and that's an underground mine somewhere up by Grande Cache. Those are the four projects and the only four . . .

The Chair: Thank you very much, Minister.

We will now move on to an independent member for 20 minutes of questions. Would you like to combine your time with the minister and go back and forth?

Mr. Barnes: Minister, is it okay to go back and forth, please?

Mrs. Savage: Probably, for consistency, I should say no.

The Chair: Okay. So you'll have 10 minutes, sir. Go ahead and ask the minister questions.

Mr. Barnes: Okay. Thank you, Mr. Chair. Minister, thank you to you for all the work you do for Albertans and to your entire team that's here today – it's greatly appreciated – and for your time today answering our questions.

First of all, I too want to start with the Keystone pipeline. Okay. Nothing in the budget – I heard your answer – that relates to the \$1.3 billion that Alberta taxpayers have already lost. I presume that's because the ownership is entirely, 100 per cent, TC Energy's, and we contributed that money on their behalf. Minister, I also recall that your government made a \$6 billion commitment to further funding, and, you know, when you sign a guarantee or a bond for somebody, even when it's not called on, you have to be ready to do that, and there is expense in that. So is there anywhere in your budget where this potential \$6 billion payment to TC Energy could cost the taxpayers of Alberta? Thank you for that.

Secondly, in the middle of the terrible situation in Ukraine, I thought I saw the federal government announced that they were not continuing funding any more of the Trans Mountain pipeline expansion. Of course, they're way over budget. They're way delayed. I wonder if you're aware of that, and I wonder if the impact of that on our royalties – you know, grateful to see \$10.2 billion in bitumen royalties this year, a huge increase from less than \$3 billion, but what is that going to do to royalties in the future? Is that going to change your revenue projections if that pipeline never begins to flow? Is it going to have some impact even further down the system on the Alberta government's bitumen royalty in kind

program, where we take bitumen instead of actual cash? If you have some thoughts on some impact on the budget, I'd appreciate that.

In the 10 minutes that you answer, I was a little surprised to hear that eastern Canada buys a percentage of oil from Russia rather than being proponents of Energy East and more from Alberta. If you or the war room have any plans to highlight that or change that, I'd appreciate it.

Minister, I know it's hard. It's a billions-of-dollars budget. The opposition member before me had a lot of questions on the North West Sturgeon upgrader, and I, too, would really like to hear some answers. Past Energy ministers, professors have written that this could cost the Alberta taxpayer \$19 billion to \$30 billion and that there wasn't a proper cap on what it could cost us at the end because of the tolling cost of turning our bitumen we supply into diesel fuel, so I'm very, very concerned about how much money we've lost already – us, the taxpayers of Alberta, the people of Alberta – and future obligations. I'm going to list about six or seven questions I have about it, and if you could answer or commit to get the answers to the floor of the Legislature, I would be appreciative.

Over the summer your government announced that you had purchased a 50 per cent interest in the North West Redwater Partnership even though it had lost billions of dollars, even though it was losing money, and even though I'm not sure that the continuous processing has been figured out yet. Please tell me: how many barrels per day of diluted bitumen is the facility processing on average, and what is the output of low-sulphur diesel fuel in barrels per day? I understand that the success or the reduced subsidy from the taxpayer of Alberta on this will depend on the diesel market in Alberta. If you have any thoughts on any of your budget that is related to that, marketing and the risk there, I'd appreciate that.

4:50

Under the current deal can you confirm the long-term part, which I believe is 30 years, of tolling agreement obligations for the Alberta government, the Alberta people to supply the diluted bitumen? How does this relate to the partnership with Canadian Natural Resources? The previous opposition member was asking: who's responsible for extra costs and extra issues? I'd appreciate hearing that.

Minister, I'm wondering where in your budget the money shows up. Why did we expand our financial interest in the North West Sturgeon refinery? Why did the owners decide to sell a stake? It surprised me at the time. If I'm correct, \$425 million of taxpayer money was given to North West in return for a 50 per cent interest, and CNRL, whose percentage of ownership didn't change, received a payment of \$400 million. Why? What will the corresponding reduction in tolling fees be? Is your department or the people of Alberta going to as a part owner see a reduction in tolling fees? Are we going to have an opportunity to recoup our money? Minister, I would ask you to undertake to table the tolling agreements.

Is it correct that the toll payers are obligated to pay a guaranteed rate of 5 per cent on the equity invested by North West and CNRL? Do they have no risk in their investment? Could this cost the people of Alberta money going here instead of hospitals and schools? What is our equity investment? You know, is it a billion dollars, and if it is a billion dollars, does that mean they're guaranteed \$50 million, you know, regardless of the success of taking bitumen and refining it into diesel?

Again, the agreement to 2039, I believe: are we potentially on the hook for all this money for this period of time? Shouldn't that show up in the budget somewhere? I will come back to that.

In the budget I thought at first it might be under the – unfortunately for the people of Alberta, you have a huge loss under the revenue side, net income, Alberta Petroleum Marketing Commission. The actual

last year was \$1.8 billion. This year's forecast is \$124 million. Next year's is \$329 million. But I thought I heard you say, Minister, that that relates to the crude by rail. I would like to ask you to make some contracts, some of the negotiations public to the people of Alberta on this. You know, from trying to follow it, it looks to me like the previous government, the NDP government, spent around \$2.1 billion accumulating the contracts and the infrastructure necessary to move oil by rail. If this number is entirely just your government disposing of the oil by rail, it's around a \$3 billion number. So they invest \$2 billion, you spend \$3 billion divesting of it, Albertans lose \$5 billion, and we don't move a barrel of oil. Please tell me I'm wrong in thinking that.

You know, Minister, I'd also like to – two other problems that are in the press and in the public: the Keystone money that was lost, the \$1.3 billion that was lost on the Canadian side of the Keystone pipeline, and the Redwater Sturgeon upgrader. There are a lot of calls for more transparency, some of the negotiations, more of the contracts, to be involved, and I would suggest that it's just good practice, when you're spending taxpayers' money, to get as much of that information out as possible.

Because we're doing some block time, I have to jump around a little bit, I feel. I want to talk about the competitiveness of our electric system. It is on page 37: enhancing Alberta's investment climate by enabling a competitive and adaptive electricity system. We all know that everybody's utility bills are by far and away mostly transmission charges, ancillary charges, not generation charges. Unfortunately, there was a report out yesterday that although there has been job growth in Canada, Alberta was a bit of a laggard. I'm hearing again about more renewable projects, more solar, more windmill, and all that. Of course, all that, because it's not close to population centres, is going to need a tremendous transmission line subsidy from the ratepayer of Alberta. Minister, have you figured in your numbers somewhere the actual lack of competitiveness that this may cause? We both know that it's almost every day in the Legislature of Alberta now that we go back and forth over the high cost of electricity bills.

Thank you very much.

The Chair: Thank you.

Minister, you have 10 minutes to reply, and then we'll take a quick five-minute break. Go ahead, Minister.

Mrs. Savage: Thank you. I think the starting question was on KXL pipeline. The \$1.3 billion isn't, of course, in this budget. It was in the previous budget, so it's all been accounted for in previous budgets, and that's it. That's final. The \$6 billion loan guarantee will never come into effect because the project has been terminated. It's been settled with KXL, so our full exposure, the maximum exposure is the \$1.3 billion. There isn't any further exposure. I'm not sure if there were some other questions you had on KXL. I think it just goes to – yeah; \$1.325 billion is the full and total financial exposure of the province. That includes \$384 million which was considered in the equity investment and \$941 million in loan guarantees. When the project was terminated, the agreement was terminated and stalled, and that limited the exposure, so there isn't any further exposure.

Of course, we are pursuing a NAFTA claim, a legacy NAFTA claim, in the United States for that compensation. We've retained legal counsel in the U.S. to pursue that claim and all losses associated with the investment in KXL. TC Energy is also suing a claim, as are the Indigenous partners who were investing in the projects. That will take several years to go through, but the full and total exposure to KXL has been accounted for in previous budgets, and it's limited to \$1.325 billion.

I think your next question was on Trans Mountain pipeline and the federal government's exposure on that. Of course, we all know the history there, that the federal government purchased the pipeline, that there are significant cost overruns, and that there is delay in getting together. Some of those cost overruns are related to COVID, and it's related to some additional engineering work, but we still are very confident that the pipeline will be built, that it will go in service. There has been nothing to indicate that it won't, that the delays will be any longer. We're very confident that it will come to place. It's already 50 per cent complete, the construction. Most of the construction around Edmonton is complete as of March. As of now it's over 50 per cent increased.

The project costs have increased significantly. Go figure; it's owned by the government and costs go up from \$12.6 billion to \$21.4 billion. That is what the project estimate is now. The impact of that will be increased shipper tolls for the cost of tolling to the industry. But every indication right now, so far, is that it's still going to be profitable. It is much-needed egress with the price of oil now and with the need to get it to tidewater. Once the terminus of Trans Mountain reaches tidewater, it can go down to refineries in the west coast of the United States, and it can go down to the Gulf coast of the United States through the Panama Canal. There were even shipments from the existing Trans Mountain that were shipped to the east coast of Canada through the canal. It's important that it'll proceed, and we have every confidence that it will. The federal government has indicated that Trans Mountain will have to go to market for any additional cost overruns.

5:00

We're confident the pipeline is 50 per cent built. It's needed. It's got shipper commitment, and we're very confident that it will be in service. And we need it to be in service because we're projecting that with the growth in production, both oil sands and conventional crude, we will need it. We'll need it along with the line 3 replacement, that's recently come into service. We'll need also all the optimization programs that the pipeline companies are pursuing to get additional barrels moving. So it is needed, and we're very confident that it will proceed.

Eastern Canada buying Russian oil: yeah, it's a surprise, isn't it? That wouldn't have been the case had Energy East been built. It's quite shocking, but of course the Canadian government was one of the first governments, to their credit – we don't give them much credit for much at all – in the world to ban the import of Russian products. We had pushed them pretty hard that it's insane to be importing Russian crude. It's unethical. It's atrocious. It's incomprehensible to be importing Russian crude when it's being used to fund war. Interestingly enough, Russia's largest export is in crude oil and petroleum products and accounts for – I think I read it was \$123 billion per year to fund their budget. So cutting that supply off: Canada was one of the first countries to do it, and they did extend the ban to not only crude oil but to petroleum products. The U.S. has now followed suit.

There weren't significant amounts of imports of Russian products coming into Canada. It was not significant, and there was very little crude oil, very insignificant, and that had been previously coming into the Come by Chance refinery in Newfoundland for crude oil. Of course, that refinery was shut down in 2020 at the onset of COVID, but there were still petroleum products coming in. That's all been banned now.

But that's part of the whole conversation we're having. We're right here; we're right next door. Alberta can supply that if we can just get infrastructure built. So you're absolutely right. It's shocking and it's appalling that we can't build infrastructure in this country,

that we can't build cross-border pipelines to get into the United States. That's why, just to talk a little bit about, again, what the Premier and I are talking about across North America, when we talk about the need for the KXL pipeline, we're also talking about the need for a North American energy policy that will get a more appropriate balance, that can be a very thoughtful, delicate rebalancing of energy policy to recognize that, yes, energy transition is important and that climate change is important, but it's not the only thing that needs to be in an energy policy. We have to talk about affordability, reliability, security of supply, and we need to rebalance that. That's what we're doing when we talk about the need to talk about energy security.

The Sturgeon refinery. I'll provide you some answers here, but we will agree to provide more info on Sturgeon in writing. Of course, in the budget it falls under the APMC budget, and those costs are part of the public accounts, the annual filing that APMC does each year. But just to kind of give you a high-level overview of the Sturgeon refinery, of course, it was a previous government who committed to it for a very valid policy objective at the time, and it was for trying to ensure value-added. It was to produce low-cost, low-sulphur diesel fuel in Alberta and to ensure that there was value-added. Those were the objectives on it, but in hindsight you look at it and it was a bad deal. Maybe valid policy objectives, but it was not a good deal for Albertans.

For probably six to eight months, maybe even longer, prior to announcing the optimization of the Sturgeon refinery, we had a negotiating team negotiating with the owners to try to get a better deal for Alberta. It's not perfect, but it is a better deal than what we had under the Sturgeon refinery. They were rock-solid contracts that bound the Alberta government to pay. There was no way out of the contracts. We looked at it from every possible angle on: how can we make a bad deal less bad? This has certainly improved the government of Alberta's position and secured a better deal.

What we've done through that is that we purchased a 50 per cent ownership stake in the refinery. What that did is that it reduced the risk and saved taxpayers an estimated \$2 billion over the life of the project. Is there still economic loss? Yes, there is, but it's a better deal. The deal we put together saves Alberta taxpayers to the tune of \$2 billion. What it also did is that it freed up a billion dollars in cash flow to the government over the next five years.

The Chair: Thank you very much, Minister.

We'll now take a quick five-minute break, and I can assure you that this will be the fastest five minutes in your day.

[The committee adjourned from 5:06 p.m. to 5:11 p.m.]

The Chair: Thank you, members. Please take your seats.

We will now go to a 20-minute block with the government caucus. Member, do you wish to go back and forth with the minister, and, Minister, are you amenable to that?

Mr. Turton: I would actually prefer block if that's okay.

The Chair: Block time?

Mrs. Savage: Sure.

Mr. Turton: Absolutely. I mean, this way I can actually hear a long, drawn-out answer from you, Minister, which I appreciate, and that way keep some consistency as well.

Anyways, well, first of all, thank you, Minister, for coming here today and chatting with us. Obviously, thank you very much to the rest of your team for coming out here as well. You know, obviously, it's a huge portfolio that you have, and many of the good fortunes

of Alberta all go through the Department of Energy. I'm very thankful for the work that you do there.

I guess a couple of questions. To kind of kick-start my line of questions, I'd like to talk about the makeup of Alberta's economy. As you know, Energy's business plan is devoted to growing the energy sector here in Alberta. Some believe that Alberta's economy is, you know, just focused on oil and gas and that due to that, we've failed to diversify. Obviously, I think that's completely false. I know there were a number of announcements lately showing energy diversification projects all over the province. I know that specifically in Budget 2022 Minister Toews noted that we have seen strong economic growth in all sectors, leading to the first balanced budget in about a decade.

Now, the previous government's energy policies were so bad that they saw less corporate tax revenue, with a rate that was almost 50 per cent higher than we're seeing today. Obviously, that resulted in a consequence of antigrowth policies and jobs leaving the province. Coming from an energy background myself, I saw first-hand during the previous government's tenure that there were a number of energy companies that I used to work with that started downsizing and laying off workers. I will be touching on this in one of my further questions, specifically on coal. You know, Spruce Grove-Stony Plain, my riding, is an energy town. I mean, there's a reason we have our leisure centre or recreational facility called the TransAlta Tri Leisure Centre, specifically because of its focus on coal.

I guess my first question is that I was wondering, Minister, if you could just correct the record and elaborate a little bit about your efforts to diversify our economy. Also, just to kind of touch base a little bit about coal, you know, as many people in this room know, some of Alberta's larger coal deposits are located just to the west of Spruce Grove and Stony Plain. I had the fortune for many, many years of working out at TransAlta, out at Sundance and Keephills, and was there for the expansion projects, the G3 in 2004 and the K3 in 2007. I made a lot of mortgage payments working out at the coal mines, but unfortunately, due to the accelerated coal phase-out by the previous government, there have been hundreds of workers in my neck of the woods that have become unemployed, affecting families all over Spruce Grove, Stony Plain, and Parkland county.

Now, I know that in key objective 2.1 it mentions a collaboration to talk about a sustainable approach to resource development. Specifically regarding the coal policy, it talks about that the government tried to modify coal policy a few years ago but was met with some resistance. I guess I was just wondering if you can provide an overview of the engagement that was done by the Coal Policy Committee and what their recommendations were. What are the government's next steps? I know that it is of critical importance to many of the families. Some specific stories I can remember where, you know, you hear about husbands and wives having to pick up, sell their homes at fire-sale prices, in essence work in the coal industry in B.C., just on the other side of the border, over in Sparwood. I was just wondering as well if you can touch base and provide an overview of the government's response to those reports.

Another key aspect that is of great interest to myself has to deal with geothermal power. That, obviously, provides a huge potential for baseload power to get us off of hydrocarbons in terms of thermal coal and natural gas. My question is specifically relating to objective 2.1 on balanced and sustainable resource development. My question is: has the ministry seen much interest in geothermal projects following the release of the geothermal regulatory framework? This obviously created a huge splash not just through the province but all over Canada and, I would say, probably North America in terms of our focus on being able to provide different

options for baseload power through geothermal. I know there are a number of projects already at various stages throughout the province, specifically out by Fox Creek, and some more exploratory projects in southern Alberta as well, so that's of huge interest for me.

Obviously, I'd really like to touch base a little bit about the minerals strategy. You know, in the business plan it mentions minerals as a key objective in 1.1, and in the 2021-22 budget your ministry released its minerals strategy about renewing Alberta's mineral future. Now, obviously, I believe that this was an absolute game changer when it comes to a new focus on resource development in our province outside of just oil and gas and natural gas. Just used as an example, that minerals strategy was a key reason, I know, why Fortune Minerals decided to locate here in Alberta, which will be one of the largest cobalt refineries outside of Africa, obviously, refining and processing ore from the Northwest Territories. I guess my question I have is: what other actions will your ministry be taking to implement this strategy in 2022-2023?

Then, as a result of the strategy, have you seen any increase in interest in mineral projects? That can either be processing or other types of refining projects. I know from my conversations, from talking with many exploratory companies as well, that strategy was a key reason why there is renewed interest when it comes to diamonds and cobalt, refining them from Northwest Territories, but also a huge interest in lithium.

I know that on the exploration side there's a lot of work to happen, but that I'll save for another conversation.

I think those are my main questions that I'll allow the minister to answer.

At this point I'll turn it over to my good friend MLA Lovely to ask a couple of more questions, and then you can answer after that.

Thank you, Minister.

Ms Lovely: Well, thank you so much, hon. member. Mr. Chair, through you to the minister, I would just like to first of all comment on how glad I was that you were able to come to my community during the summer. It's a small community but a very important community, and that's Hardisty. That's where the tanker farms are. A lot of the oil that comes through the province goes to Hardisty, and then off it goes elsewhere. You know, it's a very important community. They had been asking for you to visit for a long time, so it was a big deal when you came. I appreciate you coming out and spending some time with us there.

The first thing I want to ask you about is the future for hydrocarbons. Key objective 1.1 talks about opportunities in petrochemicals and emerging areas like hydrogen. Even though we are seeing a global shift in how energy is used, the energy transition will happen over decades, not overnight. With an increase in the use of renewables and electric vehicles, some say that hydrocarbons will no longer be needed. This is the hope of the Notley-Trudeau alliance, that oil and gas is a dying industry and people are making the conscious choice to shift away from fossil fuels.

Even before the crisis in Ukraine it was very clear that this NDP narrative is completely untrue. The world needs oil and gas today and for coming decades. What has become even more apparent today is that the world needs more Canadian oil and gas. But hydrocarbons don't just power cars. The petrochemical industry plays an important role in everyday life today and moving forward. There are opportunities to diversify even within the industry itself. What kind of petroleum products are made from hydrocarbons? How about hydrogen? What are the fossil fuel uses of hydrocarbons? And would you please talk about the possibilities for noncombustible use for bitumen?

I do have more if I could continue. Affordable electricity: key objective 1.2 speaks to the government's priority – and I apologize, Chair. I don't have my glasses on, and I can't really see the time.

5:20

The Chair: You've got one minute and 30 seconds.

Ms Lovely: Okay. I'm just kind of going with the flow here.

The Chair: The bell will go off when you're done.

Ms Lovely: I had another birthday. Every five years something goes.

I did want to talk about affordable electricity. Key objective 1.2 speaks to the government's priorities for electricity in Alberta. Electricity prices today are hitting all-time highs, and it's stretching household budgets to the limit. Some special interests have called for things like rate caps to help ease electricity affordability, but we know that policy hides the true cost of energy by shifting the burden from the ratepayer to the taxpayer and only provides relief for about 50 per cent of ratepayers. Now, when it comes to affordability, I understand that some people may settle for 50 per cent, but my constituents generally expect the government to serve 100 per cent of the people, which is exactly what something like the electricity rebate does. Can you please describe the electricity rebate and expand on what action the government is taking to keep electricity prices affordable for families and job creators?

Minister, I just wanted to say that when you were in Hardisty, we had the opportunity to meet with some of the elected officials. When the rest of the folks in the community heard that you were there, the whole community wanted to meet with you. I hope that you'll be able to put that on your agenda for a future trip at some point. It's just a really big deal when the Energy minister comes.

The Chair: Thank you, Member.

The minister now has 10 minutes to respond to government caucus.

Mrs. Savage: Well, thank you. I think a lot of these questions wrap in together, and I'll try to get through as much of them – I may jump around a bit because I think a lot of this falls into the whole future-of-energy conversation and where we're going as a province. I think we've taken a very strategic approach to look to where the world is going. What is the energy that the world needs, and how can we be the best at it? How can we be competitive?

It starts with MLA Turton's first question, about the importance and the focus on oil and gas. That remains important because not only does it provide a huge economic boost for our province – I think it's 14.2 per cent of the province's GDP – but every credible forecast for energy use in the future says that oil and gas will continue to dominate that energy mix. It will continue to be used even in a world that's moving to an increased portfolio of lower carbon and renewable sources of energy. As I've said earlier, we should be the supplier of choice.

Those same forecasts talk about all of the new and emerging sources of energy that are coming into the mix. Those are many of the things that we spoke about in some of MLA Turton's questions about geothermal and the minerals strategy. It's about hydrogen and petrochemicals. What we've looked at doing is making sure that we are the best at all of these new and emerging sources of energy. That's why we've proceeded pretty quickly with diversification. These are areas that previous governments didn't touch, areas that we had to move extremely quickly at to be able to be in a position to develop resources in that area.

I think your first was on geothermal. We know that with a world that's looking for cleaner energy, lower emitting sources of energy, there'll be a huge opportunity for geothermal. That's why we brought in legislation in the fall of 2020 to enable a regulatory process so that we could attract investment. We have had several inquiries and expressions of interest for geothermal. They can be challenging in terms of some of the cost structures and where the economics are, but they have a clear path forward now with legislation. We're completing the regulatory framework on it, some of the regulations. Specifically, we've heard and there is research from the University of Alberta that has said that there is a potential to develop on a commercial scale over 6,100 megawatts of thermal power from geothermal and over 1,150 megawatts of recoverable electrical power capacity. There's lots of interest if we can get the regulatory framework right. We have put together that framework.

There's interest coming from Razor Energy's coproduction project, the Eavor demonstration project near Rocky Mountain House, which we've all heard lots from MLA Smith about, about the potential for the Eavor loop project. Renewable geo resources is a project near Edson. The Alberta No. 1 project is near Grande Prairie. There is interest in this growing sector, and we proactively jumped on that so that we would be able to attract that investment.

The next area MLA Turton asked about is the minerals strategy. That's an interesting area, and thank you for all your work. You helped on that strategy. In terms of all the work you've gone out to talk to potential investors to be able to develop some investment in this area. We've never had a minerals strategy. Well, we haven't had a minerals strategy since 2002, I think it was, and then it wasn't acted on. That's because we have had such an abundance of oil and gas, and we've been focused on developing our oil and gas, but we know that the world is looking for more minerals. That's because more minerals are going to be required for electricity generation. If you want electric vehicles, you need lithium, cobalt, and nickel. If you want windmills and solar, you need critical minerals to develop it. So the world is seeking greater supply.

I think that the World Bank has said there's a 500 per cent increase in demand for some of the critical minerals, and we have them in Alberta. We just haven't had a minerals strategy. So we brought in legislation last fall after about eight months of consultation and, putting together an expert advisory panel on how to do it, brought forward a minerals strategy and regulations, legislation on how we would regulate it. We are working on the regulatory pieces with that – that's under way right now – and expect those to roll out over the year.

Again, your second part of your question is the interest. There is clear interest in the industry. We've put money into mineral mapping, which gives us an advantage. In fact, Minister Wilkinson, the federal minister, was out to see the good work that's under way in the AER and mineral mapping and commented that we are ahead of most jurisdictions in Canada in that area because of the strength of the oil and gas sector and because over the last hundred years of drilling they've collected core samples from every well that's been drilled, so that gives us an advantage.

Already we're seeing the benefits of that. We have a E3 Metals, which have a pilot project proposed and under way for lithium produced in brine. We have the Fortune Minerals announcement, and thank you for your good work, MLA Turton, in that. They announced on January 24 that they plan to purchase land in the Alberta Industrial Heartland and turn it into a cobalt refinery, where they would have mineral supplies coming from the Northwest Territories. We have more work to do, and I think you'll be joining me to go to the PDAC conference, which is the largest prospector and developer conference in the mines and minerals area in

Toronto. So there's lots of good work under way in the minerals strategy.

The next question was – I'll just jump around a bit because MLA Lovely talked about hydrogen and petrochemicals. Of course, we have huge investments coming in in the petrochemicals sector with the Dow announcement, the largest investment in Alberta in a decade. We have multiple hydrogen facilities proposed, which will enable us to compete globally in a new and emerging market for hydrogen. So, again, going back to our strategy, our key strategy is to go where the world is going, to look at the energy forecasts and be able to be the supplier of choice and to be able to compete in those areas. The hydrogen area is a perfect example of that. Captured and combined with the CCUS, carbon capture, utilization, and storage, I think we can be competitive, and we can really, really be a global leader in hydrogen production.

Petrochemical: as I mentioned, we've got huge, huge interest. You mentioned bitumen beyond combustion. That's an extremely interesting area because that's another area where we in Alberta have a competitive advantage. The oil sands production is a heavy blend of oil, and it can be used for more than just transportation and to be used for combustion. There are many uses for the heavier blend of oil, including carbon fibre. It can be used in processes to make cement stronger. It can be used in nanotubes, and of course it can be used for asphalt. Regardless of whether we have electric vehicles or gas-powered vehicles, we need roads. We need roads, and you need heavy oil for the asphalt. I can see MLA Yao looking – that's a great use for oil sands production in a long history. It's going to be needed for many, many uses beyond combustion.

5:30

Jumping back to coal, on the coal policy report they heard from over many months of engagement – this is a committee that did a lot of hard work, stepped in over the summer, and really hit the ground running. They started with a survey we did of 25,000 Albertans that helped inform their engagement strategy: who they should meet with, where, and how long they're going to need. They had 71 engagement meetings. They had over a thousand e-mail submissions, written technical submissions. They met with municipal leaders, Indigenous communities, various experts, environmental organizations, the coal companies. They toured both northern and southern Alberta in the coal communities and submitted two reports, the engagement report and the recommendations report.

We're implementing – as you've heard announced in March 4, that's what we're doing to implement their recommendations. I should note that in their engagement, because I think your questions were around the coal communities, they did tour those communities, and they did serve ...

The Chair: Thank you very much, Minister.

We'll now move to a 10-minute block with the Official Opposition. You'll have five minutes to speak and then five minutes of response from the minister.

Ms Ganley: Awesome. Thank you very much, Mr. Chair. I'd like to start with a question about where something is located. I'm just curious whether or not there's a cost associated. There is a policy that prohibits disconnection of utilities between October 15 and April 15. I'm just curious what the cost associated with that is. As we saw earlier today, we had suggested that we extend that ban on cutting people off from their utilities so that Albertans who are struggling after several years of difficulties and with rising costs don't have their fridges cut off in the middle of summer. The associate minister rejected the suggestion rather what I would

consider out of hand. I was wondering if there is a cost associated with it because it seems like a rather small thing we could do that would be a big benefit for Albertans.

Next I'm going to circle back to some of the questions I had asked previously. One of the ones that's kind of been kicking around that we haven't gotten an answer for yet has to do with the war room. Again, the minister indicated in her comments that in the 2020-21 fiscal year the war room spent \$3.7 million, but they only got \$1.6 million in the actual according to the budget. I'm just curious how that is possible.

The second question is: what was the \$7 million in other advocacy for the year that just passed, so 2021-22, spent on?

I won't reread my questions about the Redwater refinery into the record because I understand that the minister has committed to come back to that.

I just wanted to get confirmation because I think I almost heard it. But if the minister can just confirm that there are zero other projects that got through for coal besides those four in the advanced stage and what the projected revenue is for those four projects.

Now, with respect to the renewable energy program, again, as I had mentioned, the University of Calgary's School of Public Policy published a study indicating that that netted the government about \$26 million. I'm just wondering where we would see that revenue and whether that total is, in fact, correct.

I'm also wondering whether the government has undertaken a similar estimate for the program for going forward and what we expect the net gain to be on that program and where it is in upcoming fiscal years.

Also, we had asked what was done with the carbon credits that would have accrued as a result of that. We do know that there is a market for those, so we're wondering whether they're being sold, how much they were sold for, and whether you could sort of break down that value for us.

With that one new question and a couple of old questions, I guess, circling back there, I would also like to move an amendment. I should've probably removed the clip before I started here. I will leave the original stamped copy on top.

Thank you.

The Chair: Member, can you please read it into the record?

Ms Ganley: I will read it into the record, Mr. Chair. I move that the 2022-23 estimate of the Minister of Energy be reduced in the industry advocacy under reference 2.3 at page 81 by \$26,999,000 so that the voted amount at page 79 for the expense is \$524,833,000.

Essentially, what that amendment is aimed to do is to reduce by the majority of its costs that budget for industry advocacy, again, the reason for that being that while we think advocacy is important and we think, particularly, there's an ESG secretariat that's been moved in – that's all very important. I'm glad the minister is talking to the U.S. about the importance of Canadian oil. I think the challenge with the war room and the advocacy being undertaken there – and I'll admit there is some slippage between general advocacy and what is the war room because the numbers seem to keep moving – is that that is not helpful. It is not helpful to the debate going forward. It is not helpful to getting people to accept our energy products, and that is what the goal is. That is why we look to reduce that budget line.

With that, I think I am done. Thank you, Mr. Chair.

The Chair: Thank you. I'd just like to point out to members that the amendment is not debatable.

Minister, you have five minutes to respond to the questions.

Mrs. Savage: Well, thank you. The first question on the disconnection of utilities. I think you're referring to the utility deferral payments that we brought in. How much did that cost? That was a program that was brought in at the beginning of COVID-19, and it was a program where more than 245,000 electricity customers and 181,000 natural gas customers were able to defer utility payments through the program. That program was short lived. It ended on June 18. What that meant is participants of the program had a full year. Those who chose to defer their payments had a year to pay to June 18 of '21 for their deferred payments.

I think it should be noted that the majority of customers who did defer their payments paid, but there were some outstanding payments that remained unpaid after June 18, 2021. Those were added to a small temporary rate rider. There's no cost in the budget to that because it was added to a rate rider. That is really a fee paid by all utility customers into the province. There's no impact to the budget, but based on the average residential consumption that rate rider turned into 27 cents per month for electricity users, and for natural gas users the rate rider was 78 cents per month.

Again, this was a temporary measure at the beginning of COVID-19 to help suffering Albertans ensure that they could manage their utility and natural gas payment. It was a deferral of their bills. In the end, several didn't pay. After a year they didn't pay the bills, so the result on that is that it was added into a rate rider that other users paid. There's no impact, and it's not in the budget. It's in people's bills.

The next question on the Canadian Energy Centre: I think that earlier I gave a number of \$1.97 million; it should have been \$1.67 million. That was for the very beginning budget in 2019-2020 – oh, pardon me; 2020-21. The \$1.97 was in October 2019 to March 31 of 2020; that was the \$1.97 million. It was at \$1.63 million – the 2020-21 budget was just \$1.667 million spent by the Canadian Energy Centre. Those numbers: that was incorrect when I earlier said \$3.7 million. It's \$1.67 million – sorry – to provide that clarity there.

5:40

Oh, the next question was on coal. I think, first of all, you wanted clarity on the advanced projects and which ones apply for advanced projects. I mentioned that it was Grassy Mountain, it was Tent Mountain, it was Vista mine, and the mine 14. Those are the only ones. Those don't mean they get to go ahead. They still would have to go through a regulatory approval project. Of course, in Grassy Mountain it was rejected by the federal GIC, so there are challenges. But they are still allowed to proceed through a regulatory process.

They're also faced with a Bill C-69 impact assessment from the federal government. They have announced that they would review all projects to consider the impact of selenium on fish. The federal government does have jurisdiction to assess those projects, and the federal government has said that they will do that. They've also indicated that they will not permit any expansions of thermal coal.

The Chair: Thank you very much, Minister.

We'll now move to the independent member for 10-minute blocks. You have five minutes, sir.

Mr. Barnes: Okay. Thank you, Mr. Chair. Minister, thanks again for your responsiveness last time in your answers. I appreciate it. A couple that we missed, though. I did mention that I'm hearing about a whole bunch of new solar and windmill projects in southern Alberta. Every day I get a complaint about the cost of transmission on the average Albertan's utility bill, whether it's their residence or their house. I think you're going to have trouble meeting your key objective 1.2, being competitive in electricity competition, with all

these extra charges. Do you have any thoughts on that? I'd appreciate it.

I know it's maybe more under Environment, but the subsidy that's involved from the tier 1 carbon tax that, you know, makes these things possible: the renewables, the solar, and the wind farms. Can some of that money be used for transmission costs instead? Why do Alberta families have to bear that cost?

I mentioned also last time crude by rail. It looks to me like through your line item net income, Alberta Petroleum Marketing Commission, the previous NDP government spent over \$2 billion to get contracts and buy railcars, and you're spending over \$3 billion of hard-earned taxpayers' money to get rid of those contracts. Is it accurate that the government of Alberta is spending \$5 billion and we're not moving a single barrel of oil by rail? If you could answer that or commit to answering that, I'd appreciate it.

I'm so grateful to see that our bitumen royalties and our oil and gas royalties are up to almost \$13 billion. Next year you have budgeted \$11 billion, the year after that targeting it looks like \$9.5 billion. Our demand for oil has grown a lot. I know a lot of things have been done to increase capacity within the current pipelines, but as we produce more, are we going to run into an egress problem? Is that bitumen bubble going to go back to – like, I see you're budgeting at about \$14, \$15, the difference between west Texas and western Canadian select. Are we going to cause ourselves a future problem? Have you some money in the budget for that?

I want to also talk about the regulator. One of your key objectives is to streamline and reduce red tape for our hard-working and risk-taking energy oil and gas producers. Minister, I've got to be honest. I still hear a lot about how Saskatchewan is way more efficient, way quicker, way easier for existing companies to get through, how there are bottlenecks in our Alberta Energy Regulator, and how there are bottlenecks for even just getting simple answers to simple questions. What I know and what I hear is all anecdotal, so I'd like to hear something about the money being spent and the success on that while I'm there.

If the information is readily available – we lost the Teck project a few years ago – when it relates to bitumen and crude oil royalties, what could that have provided for the people of Alberta? How much in good public programs could that have provided?

I believe it was at Municipal Affairs the minister talked about some of the oil sands projects reaching their cost recovery and paying higher bitumen royalties now. Minister, please, if it's handy, what does the average oil and gas company pay in royalties? What's the percentage?

I'm also concerned about some of the abandonment projects and so grateful to see that your department had support from the federal government to abandon some of the wells, but I had a lot of small companies come into my office who were concerned about some of these contracts going federal, going to bigger projects at higher cost. I'm pretty sure I heard the name SNC-Lavalin being involved in some of these. Minister, did the provincial taxpayer get maximum value for making sure that these nonproductive wells are cleaned up properly and that landowners have that responsibility off their back, and what kind of oversight did you have in your office to make sure that that happens?

I appreciate the amendment coming forward, and I just want to tell you a little bit about the budgeted money for the war room, as it's conveniently called. In the campaign three years ago there was lots of support from Albertans to have this happen and spread the goodwill about our energy industry through Canada and through the world. But, Minister, I also want to be honest. There is a lot of feeling out there now that you haven't met expectations when it comes to this. Where's your money going to help that?

Thank you.

The Chair: Thank you.

Minister, you have five minutes to respond.

Mrs. Savage: Sure. There are a lot of questions in there. I guess the first one is on the new solar and wind. You're right. There is a lot of interest in renewables in Alberta. In fact, we've had over \$2 billion in new solar and wind and renewable projects announced since we brought back the energy-only market and are not moving to the capacity market. That, coupled with the TIER program, has made it an attractive environment for market-based renewables. These are projects coming in without subsidies.

There's also a huge interest in companies that want to self-supply for wind and solar. There is an enormous interest in it, and the challenge is in getting it right. The challenge is in getting it right and making sure that it still remains affordable and that it's not problematic for the grid. So we've seen that significant growth, and we're ensuring that we can proceed smartly, and of course a lot of that depends on how we deal with the transmission system, especially with self-supply and export.

Of course, we know the transmission system was overbuilt over the past many, many years, and there's already a struggle to keep the costs down on transmission and distribution. We're working with AESO. Minister Nally is working with AESO on the 2022 long-term transmission plan as well. That has deferred more than \$1 billion in capital spending by several years through grid optimization compared to 2020. That's giving savings of between \$275 million and \$320 million in net present value savings to customer rates. AESO is also not anticipating any additional capital spend on transmission projects in 2022-23.

We know that this needs to be done right, and Minister Nally is working diligently on a number of issues in the electricity sector, including transmission costs, self-supply, and export, working on energy storage to ensure that we have an affordable grid as we do see more renewables enter into the grid. I know it's challenging in some areas and in the rural areas, too, with the significant use of the landscape, with more renewables coming on, but we're balancing that. Minister Nally is doing a lot of work in the area to make sure that it doesn't go overboard.

Now, I'll just point out that this is a challenge right across North America. In fact, when I was down in Houston last week, I sat in on a round-table on U.S. infrastructure with the Energy secretary, Jennifer Granholm, and she had all of the utilities there, all of the regulators there, all of the renewable sector companies there. In her terms, she was trying to figure out: how does the U.S. get to a zero-carbon electricity grid by 2035, and how do they bring on all the electrical vehicles? She heard the challenges. In the United States it's the same challenges: "It's not going to be easy. We don't have the grid, we don't have the infrastructure to do it. We don't have the ability to approve projects and get them attached to the grid." So the U.S. is having many more problems with it than we are. It's not a problem that's isolated to Alberta.

5:50

I think the next question you had was on the crude-by-rail divestment program. As you know, the crude-by-rail project was something we inherited, that our government inherited. As we calculated it, the estimated cost to have operated that system and to run it, how much Albertans would have lost, would have been \$2.7 billion. That's because it was uneconomic. Every single barrel that was moved by the crude-by-rail program would be moved at a loss. We've now divested about 95 per cent of the contracts connected with the CBR, at a cost of \$2.3 billion. We believe we've saved the taxpayer \$400 million.

The Chair: Thank you very much, Minister.

We'll now move to the government caucus, and I see Member Lovely is going to be speaking for five minutes.

Ms Lovely: Thank you, Mr. Chair. I'd like to move now to questions about the site rehabilitation program. I see budget line 5.1 has \$297 million allocated to this upcoming year, which is \$43 million more than last year's forecast. How many wells are expected to be closed during 2022-23? Will the full \$1 billion be complete within this fiscal year?

Those are my questions, and I'd like to turn the remaining time over to MLA Yao.

The Chair: Go ahead, Mr. Yao.

Mr. Yao: Thank you. Minister, thank you to you and your team for all of your great work on the Energy file. It's a very complex file. God knows, previous governments have done some real huge manoeuvres with it, but thank you so much to you and your team for all your hard work.

My first question to you is on investor confidence. There is no industry that has such an undeserved reputation as Alberta's hydrocarbon industry, and the great irony is that our industry supports the most ethical oil-producing jurisdiction in the world. Whether it's our environmental standards, whether it's governance, whether it's even our very ethical labour standards and respect for workers in this environment here in Alberta, it is outstanding.

I can tell you that I have a friend who works in Iraq for Shell, and the story that sticks out for me is that he was waiting in line to get into their plant, and the vehicle ahead of them was stopped at the gate. He saw four gentlemen get out and beat the security guard senseless, and then they got back in the car and they just drove into the plant. When they got up there, they asked what happened, and the guy had gotten beaten up because he was from a different caste or a different village or something like that and he had asked them to put on their seat belts. He was the safety guy. Thank God, we don't see anything like that here, and that certainly reflects the ethics that we see in the Middle East, as an example.

It's very disappointing not only in that, but certainly in regard to investor confidence we've seen some things happen in Russia very recently, where Exxon has lost \$4 billion in their investments, Shell has lost \$3 billion, and I believe BP has lost over \$14 billion in their investments. Again, this is very reflective of what happened in Venezuela in the early 2000s, when Chávez nationalized the assets owned by Exxon Mobil and ConocoPhillips as well as several others. These are the risks that these international companies take by investing in these energy countries that do not have our standards and our morals. I'm wondering if you're able to speak to enhancing our investment climate. My question is: what initiatives will our government undertake to build investor confidence in Alberta's energy industry during '22-23?

My next question is regarding red tape reduction. Again, this is about investor confidence. Our government has dedicated themselves to reducing red tape, and I'm just wondering how far along your ministry has been in reducing a lot of the red tape. Certainly, a lot of the folks in my jurisdiction talk about a lot of the regulatory hurdles that they have to manage, and it's just very interesting to see what they have to cope with in order to get a lot of these projects built, never mind with the lack of support we get from our federal government. I'm wondering if you would be able to explain some things to us. Again, for some of these questions that I do ask, I recognize you might have answered them to a degree to others, but I'd certainly like to reiterate any of that.

I guess my last question is around carbon capture, utilization, and storage. We have environmentalists, radicals, the New Democrats, who are very out of touch when they talk about the need to reduce consumption of fossil fuels. They forget about the Earth travelling a very long distance away from the sun and the cold that we get every winter on an annual basis, things like that that really affect our need to have these fossil fuels, these energies to stay warm in this northern climate of ours. I recognize that they have some wild fantasies and goals of their Trudeau-Notley alliance that we deal with, but the reality is that the world is not going to change its oil. What are you doing in regard to carbon capture?

The Chair: Thank you very much. I'd just caution the member a little bit on, you know, some of the attacks there.

Minister, you have five minutes to respond.

Mrs. Savage: Thank you. I think the first question by MLA Lovely was on the SRP program. I'd gone over a few of the numbers previously, and it's a program that I think is fulfilling both its objectives. It's creating jobs and getting sites closed. It's been running now for approximately two years. We set it up, and the funds have been allocated during eight phases, eight tranches. Each tranche is designed differently to accomplish a specific objective. Again, one of the phases that I'm most proud of is the one for Indigenous sites on Indigenous lands and Métis settlements, that was designed along with the Indian Resource Council.

The program is finished this year, at the end of 2023. As I mentioned, we are asking the federal government for an extension in large part and in some part to help Indigenous groups be able to have the capacity so that they can realize some economic benefits and some site cleanup through the program, greater cleanup, as they've undertaken and received some training. So far we've allocated over \$665 million: 16,492 sites for well abandonment and another 7,994 sites for reclamation activity. Those numbers will be increased as we proceed through and get through 2022-23, and the final numbers will be available. We are updating the website on a weekly basis. Weekly information is posted on the SRP program website, so those numbers change from time to time. Again, I think it's a pretty successful program.

The next question was on investor confidence. This is an area that is so frustrating. I share your frustration, MLA Yao. Alberta really is one of the best places globally to invest, and we have so much that we should be proud of here. We should be proud of our natural resources. We should be proud that we have the third-largest reserves on the planet. We should be proud of the record of our industry in both that responsible energy production and producing it in the most environmentally friendly and responsible way. Yet we've seen companies divest from Alberta that are invested in Russia. We've seen Total Energy reduce their footprint in Alberta, and they're still in Russia. It is extremely frustrating.

6:00

So what are we doing about it? Well, part of it is the conversations the Premier and I are having around North American energy security.

There is definitely an interest on both sides of the border to get that policy right. We have to get it right because what we've seen in North American energy policy is a very significant focus on climate change and reducing emissions, which is important and we still need to do and we are doing, and we're doing it faster and better than any place in the world, but there's been no discussion on energy security, reliability, and affordability. What we've seen in North America is a target on the oil and gas sector. We've seen environmental activism target our industry here, which has made it very difficult to increase and maintain production, impossible to

build infrastructure. What that has resulted in is investment going to other places like Russia and Saudi Arabia, increased production over there, the emissions as well transferred over there, and it's a transfer of wealth. It is frustrating.

I think the key to starting this is starting to have that sensible energy policy and a discussion on North American energy security. We're taking a lot of steps and being very focused on that this year with a lot of cross-border initiatives and getting the story out. That includes increasing the activity in the Canadian Energy Centre so that they can get ad campaigns out and advocacy campaigns like the one they had in New York City – Cleaner, Closer, Committed to Net Zero – to establish to our American trading partner that we are right next door and this is where they should be getting their energy. We need to double down on that. It's a tragedy when we see Russian barrels on the market when it could be it our own barrels.

Next question – I'm going to run out of time soon – is red tape reduction. We're on target . . .

The Chair: Sorry, Minister.

We'll move on to a 10-minute block for the Official Opposition. You have five minutes, Mr. Dach.

Mr. Dach: Thank you, Mr. Chair. I have a couple of brief questions to address to the minister through you, sir. Many of us were able to attend the Alberta Municipalities and the Rural Municipalities of Alberta recent spring meetings at convention centres downtown today and/or yesterday. The elephant in the room in a lot of cases was similar. When we spoke to officials from various councils and communities and municipalities, they were quite vociferous in conversations that I've had with them about budget matters.

One in particular was that they wondered why oil companies saw fit to avoid paying their taxes to the municipalities. Apparently, there's about \$250 million in taxes, Mr. Chair, that's owing to rural municipalities, and they seem to be doing so because that seems to be the path of least resistance. They felt they could get away with it, just choose not to pay those taxes when their revenues turned down. Now, of course, things are changed. We've seen that royalties are up, and companies are profitable once again. I'm just wondering, given this new scenario where corporations are once again profitable, if indeed there's any money in the budget allocated to ensure that enforcement actions are somehow encouraged by her ministry to allow the municipalities to collect the owing taxes from oil companies, which now, in many cases, have returned to profitability.

The situation now: we've had increased borrowing costs imposed upon the municipalities by the province of .5 to .75 per cent; they've cut grants. Community-corporation relationships are supposedly important to the government. As it states in its strategic plan, we expect our companies to be good corporate citizens. Is there money allocated in these budgets to assist the process of allowing these municipalities to collect these taxes that are owing now that corporations are profitable? I'd like to hear some detail about that. It's an issue that came up time and time again with municipalities from one end of the province to the other, and I think that there would be thousands of their constituents also interested in knowing that their tax bill isn't going to go up because oil companies owe a quarter of a billion dollars to municipalities.

With that, I will, I think, let that be my contribution here, and that's something close to my heart. I will turn the rest of my time to my colleague and allow her to finish up.

Ms Ganley: Thank you very much. I just have a few quick questions remaining or a few that I've chosen to focus on since

we're short on time. The first. I know that \$41 million has been allocated to the AER for policy on geothermal and minerals. I'm just wondering when we're expecting that policy because I know that with geothermal we've been waiting sort of the better part of a year now. That's an important area. There are a lot of investments waiting to move in, so I'm just wondering when we're going to see that.

The next question is with respect to pore space. I know I've heard some considerable concerns about the way the government is moving forward. We sort of started with one central hub, and then there were going to be several decentralized hubs, so I'm just wondering when that's going to all be resolved because, again, there's a bunch of investment waiting to come in. We're just curious when it'll be resolved.

The final question is about the Market Surveillance Administrator. This is the organization that's meant to ensure that the electricity market operates fairly. I'm just curious: how much is in the estimate for this entity, which I understand is funded through the AESO, and how does it compare to previous years? Are there plans to increase the capacity?

One of the things it doesn't do is investigate market withholding, which is where a company essentially goes offline intentionally in order to drive up electricity prices. It doesn't investigate that unless it's combined with certain other conduct that they feel creates an uncompetitive environment. What that means is that there is a bunch of behaviour that potentially drives up electricity prices while peaking that is not investigated, which I think seems wrong to me and, I would imagine, seems wrong to a number of Albertans. I'm just curious if there is any plan to sort of beef that up and put some more money into it.

Just made it under time.

The Chair: Thank you, Member.

Minister, you have five minutes to respond.

Mrs. Savage: Thank you. The first question was about the unpaid municipal taxes by oil and gas companies. I guess, to start with, the majority of companies are good corporate citizens and do pay their taxes. This has been a growing issue that we've been watching and monitoring for quite some time, working with the – apparently, every member of CAPP and EPAC actually do pay their taxes. For the ones that don't, it's unacceptable. Mind you, many of them are bankrupt. They are not operating. They are in some form of insolvency. There are a number of others who aren't bankrupt yet, but we've found that there are over a hundred companies, somewhere between 100 and 200 companies, that have oil and gas licences but have zero production, and they haven't had production for five years. They're what we call the nearly dead, the nearly bankrupt. Those are challenging situations. Taxes won't be recovered from bankrupt companies.

But there are some companies, there are some bad actors, who are still operating and aren't paying their taxes, and that's unacceptable. That's dragging the entire industry down when they're not paying taxes. The couple of things we have done is Bill 77 last fall, which reinstated the special lien for municipal taxes. They have a lien on property, which gives them a higher priority and some more tools and levers to collect taxes. We've heard from some of the municipalities that it's maybe not doing enough, so we may have to do some more to help. We also have inside the AER, in directive 067, criteria in there now for unpaid municipal taxes to be considered as part of the overall holistic assessment of a company's financial ability. That will impact their ability on how they are granted licences and approvals, how they're treated within

the AER. That is new, that that's in the AER, that they will look at that criterion that's in directive 067.

But we're still hearing that there are some companies that aren't good corporate citizens. There are other companies that aren't paying – they're probably the same ones – landowners for the fair lease value, so that's behind there. That's particularly troubling for the companies that are good corporate citizens and are paying their taxes and treating their landowners fairly because it drags the whole industry down. I take it extremely seriously. I grew up in a rural area in Wheatland county and know how the counties and the rural municipalities are dependent on that revenue. It's unacceptable when companies aren't paying. Now, mind you, the municipalities will have to come to the realization that some of these taxes are owing from bankrupt companies, and that's going to have to be at some point in time considered uncollectible, but we'll continue to listen to them. Also, I welcome if you've got some good and additional ideas or the Member for Calgary-Mountain View has some good ideas. I am open to hearing those suggestions because it is a problem that needs to be addressed.

6:10

The next question was on funding in the AER for the geothermal and mineral policy. This is to help for a couple of things. For geothermal it's setting up the regulatory framework, getting the regulations under way, and I think that a lot of the work in there has been completed. If we look at what some of the numbers are, there's a significant number in there that's for mineral mapping as well. That's the mineral mapping, which is really interesting work because they're actually flying, doing flyovers, to map the minerals. There is some digital work that they can do within the core sample in the AER, where every single well that's been drilled has come up with a core sample. For a 100 years they can go back and look at that core sample and tell you where there's lithium, tell you where there's some of these critical and rare-earth minerals, which is a huge advantage for the province to attract investment because we know where the minerals are.

We also have in terms of the mineral mapping framework – of that amount there is in this year's budget, \$8.633 million is for the mineral mapping, \$2.578 million is for public geoscience, \$1.6 million is for the geothermal, and then the . . .

The Chair: Thank you very much Minister.

We'll now move to the independent member Mr. Loewen for a 10-minute block. Mr. Loewen, you have five minutes.

Mr. Loewen: Okay. Thank you very much, and thank you, Minister, for being here today. I guess we're doing block time, so I'll just go ahead with some questions here.

I just wanted to maybe get a response from you on the transmission costs for electricity. Obviously, that's a great concern for the residents of Alberta when they see their power bill and see the transmission costs are, you know, fairly extraordinary. I just wanted to get your comments on that and see if there's anything we can do on that issue. We know that a lot of this has been a result of the transmission lines overbuild that was done previously. I just want your comments on that.

Going to the fiscal plan on page 212, with the Alberta Energy Regulator I see an increase of 78 FTEs for that department. I'm just wondering what additional work is being done to increase the number of employees by that substantial amount.

I just heard you discussing the companies that aren't paying their municipal taxes and aren't paying their landowners. Again, that's another huge concern for my constituents in our area there. There are some municipalities that are taking a huge hit on that. I know

that there was an attempt to do something with Bill 77. Some of these companies, as you mentioned, may be bankrupt, but there are some that are still producing oil, and oil is at an extremely high price right now, so obviously it would be a great time to take action on that. I'd just like to hear your comments on that.

Then I'll go back again to the fiscal plan. On page 112 it talks about the revenue expense under the \$1 billion site rehabilitation program. It says that it's being reprofiled into future years, with \$325 million budgeted to '23-24 subject to federal government approval. I guess I thought this money was coming in a little sooner from the feds than what it actually is. I'm just kind of trying to figure out: are we a year behind having that money coming from the feds? Are we fronting the money, and then the feds are paying us after? On the comment there, "subject to federal government approval," is there still an approval process after that work is done that may lead to, I guess, uncertainty on whether we actually receive those funds from the federal government?

One last question here is on the orphan wells. I just want to ask what checks and balances are in place to make sure the process and the spending are fiscally responsive and, you know, efficient. There's obviously a lot of discussion over that in some parts of Alberta and how that money is being spent. I want to make sure that we're getting the biggest bang for our buck with that money as it's used to take care of those orphan wells.

I'll turn the time over to you now. Thanks.

The Chair: Thank you.

Minister, you have five minutes to reply.

Mrs. Savage: Thank you. I think your first question was on transmission costs and what we're doing there. I previously said that it is a concern. There's been an overbuild over the past number of years, and we recognize that that overbuild is on consumers' electricity bills each and every month. Minister Nally is very focused on enabling policy to optimize the use of the current system, ensuring that there's an efficient and cost-effective future for the system. In 2022 he and the department are continuing engagement with the entire electricity sector and the AESO, Alberta Electric System Operator, with the goal of improving policy related to the transmission system.

You know, as we're looking at self-supply and export discussions, storage discussions, and bulk system planning discussions, these are three separate blocks of work that have been already commenced, started in 2020, and continued over the last year. So there's transmission policy engagement that's part of all of those discussions and a tremendous amount of stakeholder engagement. Right now the plan is that there is continued engagement in that area.

Your next question was on the Alberta Energy Regulator and the increase in the number of employees and FTEs. That's a great question, because I wondered about it at first, too, when I saw it. What those are: it's the additional expertise and the initial people that they need to bring onboard to look after the new mandate in the AER to regulate minerals and geothermal. The number is continuing to be refined, but that's going to require some additional expertise and some additional people inside the AER to manage that new responsibility.

On the other question, I think, on unpaid taxes, I agree with you there. There's more work to be done. Municipalities are concerned that they won't get those taxes collected from the bankrupt companies, but there are companies who aren't bankrupt. It's meant to be a tool to help them. We've heard it's working in some cases, not all cases. It's new. The bill was only passed at the end of last year, so there needs to be some more time to see if those tools can

be used. In the meantime I'm very much open to suggestions on more work that we can do. I know that Minister McIver is very keen on finding some additional tools for how we can do that.

You know, in some cases, with the price of oil sitting where it is and natural gas, there's little excuse to not pay taxes. Mind you, some of those companies have very little to no production, and it's hard – even the price of oil going up to 150 bucks a barrel isn't going to help. In the province there are over a hundred companies that have well licences but have had zero production. They're just sitting there. They're not bankrupt, but they're not producing. They're zombies. That's a problem, too, because they're obviously not paying taxes.

The SRP program: the funding is in hand under the grant agreement with the federal government. We do have the full billion dollars in hand, but it's allocated. When it goes out in the budget, it's what's used in each year and how it's accounted for. So if we're using \$300 million in one year, it shows in that budget even though we have the full billion dollars. Some of the budgeting numbers: they've changed from year to year, and that just depends on the speed of the applications and the work being done by the companies. We've had some challenges, you know, in some of the various parts of the program getting the money out the door. The Indigenous tranche, for instance: there are some capacity issues as they're getting trained. We're catching up there.

Other areas. There have been some problems getting the service sector – whether it's COVID-related labour issues, there's a shortage of labour right across North America in the oil and gas service sector. We heard it down in the United States last year. They can't increase production because they can't get drillers, they can't get crews, they can't get labour, and there are supply chain issues. We're experiencing that up here as well, and there were some challenges at the beginning of the program in staging and sequencing and how the program was rolling out that have been improved continuously as it goes along. We are, you know, looking to extend the program for a period of time.

6:20

The Chair: Thank you very much, Minister.

We'll now move to the government caucus for 10 minutes. You have five minutes. I believe Mr. Getson has the floor.

Mr. Getson: Yes, sir. I appreciate it. I appreciate it, Minister, and I'm going to talk about key objective 1.1, probably get a little bit of an update on some of the capacity, existing optimization, et cetera, but to lead into that, I have a bit of preamble, just to kind of set the stage.

When I talk about my experience in the energy sector, I started out as a civil engineering technologist, worked for a construction company. We did mining projects up in the Northwest Territories. Then I jumped over to the pipeline group, the industrial group. I started up my own company in 2003, became a consultant, and then I worked for the second-largest and the first-largest pipeline companies in North America. At the largest pipeline company, in the major projects group, I was part of the construction execution teams. I was a senior manager planning execution and an acting director. At the second-largest pipeline company I was the general manager of pipeline construction and field controls.

I wasn't the person that showed up and changed your water cooler. I wasn't the person that showed up and fixed your photocopier. I wasn't the person that happened to drive around the sites. I was the one in those boardrooms trying to deal with problems and really build these things. Quite frankly, I got inspired to get into politics because of the policies of a former group that ended up hampering it. I found out that there were things out there like the Leap Manifesto, finding out the works of Vivian Krause

and, once we were over on this side, understanding the relevance of advocating for our industries. All of us felt like we had been looking into a crystal ball and screaming into the wind for years.

Everything that we're seeing take place in Russia and Ukraine shouldn't be new to anyone. Vladimir Putin sat on a stage in 2009 and declared exactly what he was doing. In 2009 he poured \$25 billion into the Yamal Peninsula to start to garner the access in the Arctic to push gas. We as a nation at one time were contemplating pouring cash into that project ourselves rather than pushing our own clean product, our Canadian product, of which Alberta, quite frankly, is the darn solution. So when I hear rhetoric talking about reducing – and even an amendment came forward – the dollars and cents that we might put in as a province to make sure that other people in these jurisdictions understand it, it is absolutely lunacy.

Minister, what I would like you to talk about and get your chance to say is on where that money is going, how we're spending it on the world stage, how we're changing that narrative to let people know that they have options out there, so they can understand that with the egress both in the North American market going south of our borders, getting into Prince Rupert, tying into Alaska, and potentially getting into Churchill, it will actually be a solution not only for Asia and Europe but our own country itself.

The second one. Minister, if you can talk about the capacity, what some of those companies that you and I were both fortunate enough to work for at one point in our careers are doing to optimize that system. How are we working on that security, on actually getting the energy to supply in North America, first and foremost, but also our trading partners? It should be of note that on December 11, 2020, I sat on a call with five brigadier generals from the Wilson Center talking about the actual homeland need for security for the U.S. in securing energy supply, communications, and transportation. All of this has fed into it. The grown-ups in the room, despite the Biden administration, despite the Trudeau administration, is the U.S. military complex, not only on securing their supply, force projection across the world, and having security in those trading partners.

Minister, with that, I'll cede my time. I'm on a rant here, but, gosh darn it, I can tell you that we're all passionate about this. I want to give you a chance to have your fair share and fair shake to talk about the value that the Energy Centre is doing to help change the narrative, to make sure investment comes back here not only for, you know, the good feelings about it. It literally has to do with national defence and security with our trading partners.

Thank you.

The Chair: Just to confirm, Member, you're ceding your time, not transferring it to another member?

Mr. Getson: I'll cede it to the minister.

The Chair: Okay. Thank you.

Minister, you have five minutes to respond.

Mrs. Savage: Sure. There are a number of issues in there. I guess, to start out, thank you for your work in the energy sector in getting pipelines built. I wish we could have gotten some more built. But if you look back over the last decade and where the divestment campaign started, the environmental activism, the efforts to hinder and stop infrastructure builds, it's really developed over the last decade. At one point we had several pipelines proposed: Energy East, Northern Gateway. We had KXL. We had the Alberta Clipper, which got built, and line 3 and Trans Mountain.

Well, it was probably never the case that all of those pipelines would have been built, because there's a competitive market

process – some of them would have been built, and others wouldn't – but what went wrong, what went terribly wrong, was interference in that. Over the last 50, 60 years the market decided. The market decided which projects were worth proceeding with and which ones weren't. That all changed in the last 10 years, when it was environmental opposition and activist campaigns and opposition and complicated regulatory processes that started killing projects. It started killing projects. So we are where we are today. It's just devastating that KXL got vetoed at exactly the same time that the U.S. is looking for an increase in supply.

But that's the past. That's the past. We can't necessarily fix all the pipelines that got cancelled and the failure of energy policy over the last decade, but what we can do is take a step forward and try to have a North American discussion on energy security and a continental energy strategy. What's really clear is that we have an integrated market on both sides of the border. What's clear is that the U.S. needs production. They need increased supply. What's clear is that the world is going to continue to use oil and gas for decades even as we're lowering emissions and moving to transition to lower forms of energy. It's going to be decades that we use oil and gas. The question is: where is it going to come from?

Our response is that it should be Alberta, that it should be Canada that should be the supplier of choice. That's why we need to double down on our advocacy efforts, and that contains multiple aspects. That includes the work that the Canadian Energy Centre is doing with ad campaigns, particularly in the U.S. market, because that's where we really need to resonate. Building on the success of their ad campaign in New York City and their friendly energy campaign – Cleaner, Closer, Committed to Net Zero – that had over 12 million viewers, we need to continue to do that, and we need to actually increase doing that.

We also have the very good work that James Rajotte is doing in Washington, DC, as Alberta's representative in DC. He knows everyone down there. He has access to the offices of senior Democrats. He knows state legislators. He has access everywhere, and he's doing terrific work. We need to ramp up that work, and we need to increase our presence and give him the resources he needs. We also have trade offices in the United States that are doing some effort in that regard.

It also is going to involve the work of every one of us. Every one of us. Not just the minister, not just the Premier, but everyone in the room that wants Canada to succeed, that wants Alberta to succeed needs to be in the conversation. There are conferences across the United States that we need to be at promoting Canada as the solution. That's what I was doing in CERAWEEK last week, and that's what the Premier was doing. I can tell you that the conversation last week at CERAWEEK was very different than just three months earlier in Houston at the World Petroleum Congress. The conversation last week was: "How can you help us? How can you supply more oil? How can Canada supply it? Also, what a mistake it was to veto the KXL pipeline."

So we have to step back and have these cross-border conversations about sensible energy policy that includes climate change, includes the need to reduce emissions but also talks about secure supply. Those conversations are happening, and they're happening at a senior level. They're happening with industry associations, companies, state and provincial governments, think tanks. We need to do more of it because we have an opportunity to be the supplier of choice to not only the United States but around the world.

Take natural gas. We don't have yet a coastal, like an LNG terminal, on the west coast or east coast to get natural gas to Europe and Russia. We need to do that. Even now we've heard the federal government talking about the importance of it.

The Chair: Thank you, Minister.

We'll now move to the Official Opposition for the remaining time. You've got half a minute or so.

Ms Ganley: All right. I guess I'll thank the Member for Lac Ste. Anne-Parkland for ceding that time to me. That's just delightful. I think it leaves me just enough time to point out that our government had the line 3 replacement and the Trans Mountain . . .

The Chair: I'm sorry to interrupt. I apologize for the interruption, but I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded.

I'd like to remind committee members that we are scheduled to meet tomorrow, March 17, 2022, at 9 a.m. to consider the estimates of the Ministry of Environment and Parks.

Thank you, everyone. This meeting is adjourned.

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

