

## Legislative Assembly of Alberta

Title: **Tuesday, September 28, 1993**

**8:00 p.m.**

Date: 93/09/28

head: **Committee of Supply**

[Mr. Tannas in the Chair]

MR. CHAIRMAN: Would the members of the committee please come to order. Before we begin, we would speak to the gallery for a moment to let you know that this is Committee of Supply stage, which is an informal stage of the Legislature. You can tell that by the fact that people wander around and may sit in places other than their own, although they must stand in their own place if they wish to speak. They can engage in very quiet whispers and can have coffee, tea, and juice in here.

head: **Main Estimates 1993-94**

### Energy

MR. CHAIRMAN: We are gathered here together to consider the estimates of the Department of Energy. With that preliminary, we would call now upon the Minister of Energy to make comments on her estimates.

MRS. BLACK: Thank you very much, Mr. Chairman and Members of the Legislative Assembly. I am pleased to be with you tonight and to submit for your review and approval the 1993-94 estimates for the Department of Energy and the four related agencies for which I have responsibility: the Alberta Petroleum Marketing Commission, the Alberta Oil Sands Technology and Research Authority, the Alberta Oil Sands Equity, and the Public Utilities Board. One other agency: the Energy Resources Conservation Board reports to the Executive Council through me. Their budget is included as part of the Executive Council estimates.

Let me begin, Mr. Chairman, with a brief overview of the oil and gas industry and the role played by the ministry. In the past year we have seen a strong turnaround in Alberta's energy sector. For several years the industry was in a depressed state brought on by a combination of factors including a sharp decline in oil prices, increased operating costs, and burdensome debt loads, but now the picture is much brighter. Drilling activity has reached a level we have not seen in years. As of June 30 this year oil licences were up 141 percent, wells spudded increased by 120 percent, and land sale bonuses increased by 170 percent when they are compared to the 1992 levels.

Again, several factors contributed to this resurgence. Low interest rates and exchange rates have certainly helped and so did royalty holidays and the strengthening of gas prices. In addition, Mr. Chairman, companies became leaner by trimming staff and restructuring operations. Another factor came into play in the latter part of 1992 when the government announced major revisions to the oil and gas royalty system. Those changes, worked out in full consultation with industry, brought the royalty system into the 1990s making it more responsive to changing economic conditions. The turnaround in the energy sector is good news not only for the oil and natural gas companies but the whole province and all Albertans.

This industry, Mr. Chairman, remains a powerful part of our Alberta economy in investment, exports, employment, and many other areas. Sometimes it's necessary to remind ourselves of the critical importance of the energy sector to our province. This sector and its associated activities contribute over 25 percent of

the provincial gross domestic product. It produces almost 70 percent of our exports and is responsible for more than one-quarter of all of the jobs in the province of Alberta.

The government of Alberta is determined to do what it can to keep the industry strong and vigorous. The royalty changes are one example of this. At present, however, we are focusing on another area; that is, the easing or removal of regulatory and administrative burdens on industry. We anticipate this action will save money and time for both industry and government.

Mr. Chairman, one of my priorities in becoming Minister of Energy was to meet with as many representatives from the oil and gas industry as possible and with other groups to learn firsthand their views and their concerns. This approach was in keeping with the philosophy of the Klein government to be open, accessible, and responsive. I have been very pleased with the willingness and the interest of industry people to meet with me and to discuss the difficult and complex issues facing us today. Our sessions have been mutually beneficial, and it is my intention to continue with them in the future.

Mr. Chairman, I am pleased to report that the estimates for the entire Energy ministry including agencies as well as the Alberta heritage savings trust fund projects have decreased slightly from the comparable 1992 estimates. However, it is important to note that included in the 1993-94 estimates is \$6.1 million directly attributable to the development of the mineral revenues information system, which will provide for more effective reporting and collecting of royalties under a new, simplified administrative procedure. Excluding this project, the overall ministry budget decreased by \$6.3 million, or 8.2 percent.

I wish to emphasize, Mr. Chairman, that over the past five years the Energy ministry's general revenue fund budget has been reduced by almost one-third, from \$110 million in 1989-90 to the current figure of \$75 million. This truly significant reduction has been achieved despite the growing demands that have been on our department and on our agencies. While these savings are being achieved, the entire ministry is maintaining an exceptional level of service to both the industry and the Alberta public.

Mr. Chairman, I would like hon. members to recognize staff members from my department, up above, who have come tonight to listen to the estimates of the Department of Energy. I'd like to welcome them.

MR. N. TAYLOR: Point of order, Mr. Chairman. Maybe the hon. minister could get them to stand so that we could see them too.

MRS. BLACK: Would you please stand.

Mr. Chairman, the number of permanent positions in the Department of Energy in 1993-94 will be reduced to 500 from 544 last year. This reduction arises primarily from the government's early volunteer options program. Most of the staff reduction takes place in three areas of the department: finance and administration, mineral revenue, and mineral resources. A further nine positions were eliminated in the agencies with manpower authorization. Additional manpower reductions also occurred in our grant-funded agencies, whose manpower complements are not reflected in the government estimates.

I wish to take another opportunity to commend the officials and the staff of the department and the four agencies for their dedicated efforts. They are to be congratulated, Mr. Chairman, for maintaining the highest standards of service during these very difficult times of restraint, and I sincerely mean that I am very honoured to represent this Department of Energy.

The estimated revenue from nonrenewable resources in 1993-94 is \$2.5 billion, which represents about 20 percent of our total provincial revenue. While the revenue figure is \$75 million less than was forecast in March, it is still \$120 million above the five-year average used in the budget. As the Treasurer said in his recent budget speech, this figure is a cushion against future weaknesses in energy prices.

Mr. Chairman, permit me to provide such additional information on energy revenues. The current forecast for oil prices for 1993-94, as noted in the provincial update of September 8, stands at \$18.75 U.S. a barrel. This is \$1.50 lower than forecast earlier, reflecting continued OPEC overproduction, weak demand, the possibility of Iraqi oil exports, and growing competition within OPEC for a bigger market share. According to the news reports today, OPEC has agreed to production limits over the next three months. However, member countries still must decide on production quotas for each state, and this is an issue that will be an important factor in determining oil pricing.

### 8:10

Mr. Chairman, there are other factors working in the other direction. Natural gas prices will help boost revenue, for example, as will increased sales in production and natural gas rights. The uncertainty over future prices and what they mean in terms of revenue for Alberta underscores the importance of the government's determined effort to bring spending under control so that we again are living within our means.

I turn now, Mr. Chairman, to make some specific comments of the four agencies that report to me.

**AOSTRA.** The Alberta Oil Sands Technology and Research Authority participates with industry to develop technology related to oil sands, heavy oil, and enhanced oil recovery. Operating expenditures for 1993-94 have been reduced \$4.2 million to \$15,800,000, or a reduction of 21 percent. Many of the projects undertaken by AOSTRA are funded to a large extent by industry participation in joint venture arrangements. Reductions were made, however, in several areas including technology transfers, commercialization, basic research, pilot programs in heavy oil and in situ recovery, and mining extraction technology.

**Alberta Petroleum Marketing Commission.** Mr. Chairman, the APMC acts as an agent of the Crown in gathering, transporting, and marketing the province's royalty share of crude oil under the Petroleum Marketing Act. The commission also represents Alberta in national and international regulatory hearings. For the 1993-94 budget year the agency's operating budget has been reduced by \$240,000 to \$7,045,000.

**Alberta Oil Sands Equity.** The AOSE group manages Alberta's participation in the oil sands in heavy oil projects. It represents Alberta's equity participation in Syncrude and the OSLO project as well as the province's interest in the biprovincial upgrader at Lloydminster. Mr. Chairman, estimates for the agency in 1993-94 total \$2.6 million, up 7.9 percent from last year. This is due to an increase in interest costs to cover the operating shortfalls of the biprovincial upgrader.

**Public Utilities Board.** Mr. Chairman, the PUB exercises general supervision over all investor-owned public utilities. It conducts investigations and holds public hearings to determine the fairness of utility rates. The board may prescribe minimum prices for milk at the producer and processor levels. It also carries out other regulatory duties. For 1993-94 the operating estimates have been reduced 10.5 percent to \$985,000. It should be noted that the remaining two-thirds of the Public Utilities Board's budget is funded directly by industry. Their reduction has been achieved

through the early volunteer options program, attrition, and general administrative savings.

Mr. Chairman, this concludes my opening remarks on the estimates for the Energy department and the four agencies. I want to thank you for the opportunity to make these remarks, which I hope have been useful. I now look forward to hearing the comments of the hon. members, and I will be pleased to answer any questions they have regarding these estimates. I undertake to review *Hansard* in the morning and to promptly respond to any questions that I may miss this evening.

Thank you.

MR. CHAIRMAN: Calgary-West.

MR. DALLA-LONGA: Thank you, Mr. Chairman. We've got several of our caucus members who are going to be asking questions this evening. I understand that the hon. Energy minister has a bit of a sore throat, so we'll accept answers tomorrow promptly. In that regard I would like to first bring up another little order of business. I've got about five or six letters where I asked some questions, some dating back to July 6. If you would be kind enough to respond to them, I'll pass them along. That way I'll be able to shorten my questions this evening. You all know that I'm brief.

I'd like to start off by responding to some of the issues or some of the points that the Energy minister made. Yes, there is an increase in activity in the oil patch. Things are looking pretty good for the economy as a result of that. I don't think the dollars have started to flow into the economy yet. This winter there should be an increase in drilling activity. We've got new problems starting to crop up. We've got a shortage of skilled labour in oil field services. Probably we'll have a shortage of skilled labour in the areas of geology, geophysics, and the like. The government shouldn't be so quick to grab credit, to grab the mantle for that increased activity, because I think the oil patch, left alone, given a reasonable chance, will flourish. This is a sunrise industry.

AN HON. MEMBER: Is this a question?

MR. DALLA-LONGA: I'll get to that in a minute. It's nice to have your chance to heckle, isn't it? [interjections] Anyway . . .

MR. CHAIRMAN: Hon. members, if you could let the Member for Calgary-West ask his questions of the Minister of Energy on the estimates.

MR. DALLA-LONGA: Okay. So these next few years are going to be good years, just like they were back in 1976 to the early '80s. This Liberal Party is here to make sure that we don't squander those profits again, like we did in those years, to make sure that we try to keep some of that money this time regardless of the NEP.

I'd like to speak a moment to the issue of the federal Liberals and the NEP. The hon. Energy minister began her career with a company that started up during the NEP days. As a matter of fact, the Treasurer worked for a company called Dome Petroleum. I'm not sure if that's what you mean by getting out from under the dome.

### Point of Order Clarification

MRS. BLACK: Mr. Chairman, a point of order. I did not start my career with a company that started during the NEP. I started

my career with a company that had been around a very long time before the NEP, and it was very successful. It was called Sun Oil.

MR. DALLA-LONGA: Thank you for the clarification. I guess maybe it was your second job; I'm not sure. All I know is that in the case of the Treasurer it's probably the last good job he had.

#### **Chairman's Ruling Decorum**

MR. CHAIRMAN: Hon. member, the custom of the House, and there are good reasons for this, is to speak through the Chair, not engage each other in cross fire, accurate as that may be, but to talk to the Chair. I'm over here willing to nod at your wise questions or counsel. That would avoid some of the barking back and forth. That's not just to you, hon. member, but to all members on both sides of the House. If we could engage in this discussion through the Chair, that'll work.

Calgary-West.

#### **Debate Continued**

MR. DALLA-LONGA: Thank you. Let me start by saying I'd like to offer my congratulations to the minister as a member of the Treasury Board for acknowledging the new reality which exists within the energy industry. I've known her for a while, and she's a person of great integrity. I just thought that I had to get some of my comments in about this federal Liberal business.

Anyway, Mr. Chairman, after seven years of failing to listen to the experts and indulging in unrealistic expectations, Albertans should be grateful that the government has adopted a sensible approach of basing its projections on a rolling five-year average of the previous years' figures. Unfortunately, the past seven years of creating unrealistic expectations of price and royalties have contributed significantly to the seven consecutive budget deficits and \$25 billion of accumulated debt. The minister may claim that the government is under new management, but the majority of her colleagues around the cabinet table have been here for over four years, and not once did they question the government's course.

8:20

We need only examine the record over the past four years on nonrenewable resource revenue. Over the past four years since the minister has been a member of the government, the nonrenewable resource revenue shortfall has amounted to \$1.62 billion on a cumulative basis, or \$405 million per year. Over the past four years the revenue shortfall from natural gas has amounted to \$537 million on a cumulative basis, or \$134 million per year. So we've missed our targets a little bit. The revenue shortfall from crude oil has amounted to \$365 million cumulatively, or \$91 million per fiscal year.

The government talks about prudent budgeting and not depending on energy revenue to deal with the budget deficit. You would have thought that by being out by an average of \$405 million per year, the government would have realized much earlier than now that prudent budgeting means acknowledging the fact that these revenue sources are too volatile to predict with any reasonable degree of certainty. Instead, it took eight years of structural deficits and a \$25 billion debt for the message to sink in. This fiscal year, the minister has given herself a \$197 million cushion in order to reach the \$2.3 billion projection – well, I guess it's now \$2.5 billion; we're shooting at a moving target here – for nonrenewable resource revenues.

While I agree that the government is finally taking a wise course on its projections, I'm concerned about a couple of areas.

I'm concerned about the precipitous decline in crude oil royalties as presented in the first quarter update for '93-94. The indication is that oil royalties might be out by as much as \$280 million on the May 6 budget. Perhaps the minister can provide an indication whether there may be a further downward adjustment in these numbers, given soft oil prices over the past three months. I would also appreciate some indication as to the future direction of synthetic crude and bitumen royalties, given the price spread with crude oil. I must say that I share the optimism of the minister in such areas as natural gas royalties and bonuses from the sale of Crown leases. These are indications of an industry which is enthused about future prospects.

On the price side of the equation, the government has been notorious for indulging in self-serving prophecy; this is the past government. That was then; now is now, I'm told. We only need recall the phantom balanced budget of '91-92 – I know it hurts, but we've got to revisit it – in which the government projected \$23 per barrel for crude oil. Instead, oil prices averaged \$20.17 over the year. On the natural gas side we were never quite sure what the discrepancy was between the projected and actual prices, since the government never provided – and this is a common problem – an underlying price projection in budgets prior to '92-93. However, what we do know is that the government usually missed the boat. For instance, in '91-92 the government predicted \$1.3 billion in natural gas royalties and ended up with only \$840 million. I guess we've got some of the similar problems occurring this year. With regard to crude oil prices, the government has acknowledged that the \$20.25 per barrel west Texas intermediate prediction as presented in the May 6 budget will not be reached and has revised the forecast downward to \$18.75 per barrel in the first quarter update.

It should be noted that the Canadian Energy Research Institute in its August '93 world market analysis noted that the continued overproduction from key OPEC nations, the revival of Russian crude oil exports, prospects for an increase in the level of North sea crude led to the recent downward trend. [interjections] You should pay attention. That way you'd get it right. My question to the minister is: can the minister indicate, based on department studies, whether she envisions a further correction of oil price projections in the next quarterly update? I realize that at the theory conference yesterday they were talking about \$30 a barrel for oil but not for another 10 years, I think.

Finally, I am extremely concerned, as all Albertans are, about the lack of specifics provided by the government regarding its four-year plan to balance the provincial budget. This extends to predictions for price and royalties received on our nonrenewable resources. I know these are difficult to come up with accurately, but at least we can tell when we're off course. While I'm aware that the department is committed to using the five-year rolling average in projecting total royalties from the nonrenewable resources, I would expect that the department must have prepared some four-year projections on prices and royalties for individual elements such as crude oil, natural gas bonuses for the sale of leases, synthetic crude, and coal. If the government is actually serious about giving Albertans all of the facts . . .

AN HON. MEMBER: Sounds like a question.

MR. DALLA-LONGA: . . . I think it is imperative for the minister to give us some long-term projections for these commodities so that we can ascertain that the government's plan is actually achievable. Will the minister give Albertans that commitment?

DR. WEST: A question.

AN HON. MEMBER: They're alive.

MR. DALLA-LONGA: It's a good thing. Pretty soon they'll start crawling over the benches here. At least they're not asleep.

First area, royalty simplification. As part of the royalty regime restructuring announced in October of '92, the government also proposed to simplify natural gas royalty administration effective January 1, '94. The current natural gas royalty administration system is extremely complex. We all agree on that. With the deregulation of gas markets and prices the system has imposed a large paper burden on both the government and the industry. Changes to the regime will significantly reduce filing requirements, government auditing, industry compliance, and costs. Natural gas royalty simplification is the major component of phase 2 royalty reform, which also includes efforts to simplify enhanced oil recovery royalties and natural gas liquids. Details are contained in a document which was circulated to the industry entitled Gas Royalty Administration Program Design 1994. My question to the minister is this: can the minister provide an update on the natural gas royalty simplification initiative and indicate whether it will be up and running on the target date of January 1, '94?

My second question. The minister talks about the positive impact of the automated royalty revenue collection system on both industry and the government. I would appreciate if the minister could provide further information on the nature of the system itself, installation costs, and maintenance costs on an annual basis. I guess one of the things of concern to me, as an aside, is that I see that we have a budget of \$5 million – and we'll talk about that a little bit later – provided for in the budget. I was somewhat concerned to know that the people that were bidding on this royalty simplification program, the development of the system, already knew what was in the government's budget and that they were working towards that \$5 million figure.

The second area is royalty reform. On October 13, '92, the provincial government announced major changes to the royalty regime in Alberta to stimulate exploration activity and enhance the recovery from existing wells. The major objective was to create a royalty regime that was more price-sensitive and could be adjusted for the impact of inflation.

The government estimates that phase 1 royalty reform, designed to create a regime that is more price sensitive, will result in forgone royalties to the province to the tune of \$43 million in '92-93, \$195 million in '93-94, and \$250 million per year through '96-97. Now, this royalty reform is important because, as the minister indicated in her presentation, it was responsible for some of the increased activity which we had. However, these forgone royalties will be recovered through increased activity due to enhanced cash flow. Increased cash flow to the industry is estimated to be \$60 million in '92-93, \$368 million in '93-94, \$566 million in '94-95, and so on.

**8:30**

Now, the Alberta Liberal Party's position is that we support the royalty reform package as a step towards restoring the energy sector in Alberta to economic health, and it seems to be well on its way. The principles of price sensitivity and boosting production from low and marginal wells and simplification of the royalty system are ideas that our party advocated for over one year before the government finally decided to take action. However, we feel that a number of industry concerns were not addressed in phase 1 royalty reform. While we acknowledge that the changes to the royalty regime announced in October '92 have a positive effect on

industry operations such as increases in the bonuses from the number of drilling rigs in operation . . .

#### Point of Order Questioning a Member

MR. CHAIRMAN: We have a point of order. Excuse me, hon. member. You have a point of order, Deputy Government House Leader?

MR. DAY: Under our rules of debate I just wonder if the member opposite would entertain a very brief question at this point.

MR. CHAIRMAN: That is up to the member.

MR. DALLA-LONGA: I believe I'm here to ask the questions. [interjections] Sure I have. You haven't been paying attention. I was watching you. You were busy talking.

#### Debate Continued

MR. CHAIRMAN: Three minutes.

MR. DALLA-LONGA: I have three minutes left? Okay.

To be allowed to continue, we've been informed that the government's preliminary estimates for phase 1 royalty review will result in a 6 percent increase in drilling activity and the creation of approximately 2,500 person-year jobs. However, we feel that such evaluations are only credible when the program has been in effect for an extended period of time. Can the minister provide us with a one-year assessment of the impact of royalty reform?

Happy now?

Cash flow projections must be examined in further detail before an actual assessment of the increased activity can be made. While the government estimates that cash flows will increase by 2 to 6 percent under the new regime, some industry officials have suggested that the changes to the gas cost allowance, for example, will reduce total industry cash flow by \$30 million. In addition, termination of the one-year royalty holiday program for crude oil development wells will reduce cash flow by nearly \$60 million during the calendar year. I wonder if the minister could give us some indication as to whether the department has any recent studies to examine the impact of phase 1 royalty reform by size of company in terms of increased cash flow, job creation, and drilling activity. I wouldn't take these questions lightly, because these are questions that I've been asked by people in industry.

Recently the chamber of commerce natural resources committee offered some further suggestions for royalty reform. In particular the chamber recommended that the royalty regime could be structured to encourage greater reinvestment by tiering deferrals more closely to exploration development. Perhaps the minister could comment on the suggestions by the chamber of commerce.

Surface rights access. Now, the issue of surface rights access to private lands and Crown lands has been an issue for some period of time, and the process and compensation rates levied to gain access have been a matter of concern in the energy industry for the past five years. At a time when the energy industry is attempting to cut costs – as was mentioned in the minister's opening comments, it has become as efficient as possible in order to adopt the new dynamics faced by the industry – there is concern that the fees levied are excessive. On September 3 in question period I asked a question on surface rights leases, and one of the responses that the minister gave me was, and I quote: "Mr. Speaker, had the hon. . . ."

[Mr. Dalla-Longa's speaking time expired]

MR. DALLA-LONGA: I'll be back.

MR. CHAIRMAN: The hon. member is reminded that he does have unlimited opportunities, as do all members, to stand up as many times as they can get themselves on the list.

May we have unanimous approval of the committee to revert to Introduction of Guests?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Opposed? Carried.

head: **Introduction of Guests**

MR. CHAIRMAN: The hon. Member for Innisfail-Sylvan Lake.

MR. SEVERTSON: Thank you, Mr. Chairman. It gives me great pleasure to introduce to you and through you to the members of the Assembly over 75 representatives from the Parent Finders organization. They took part in a vigil being held outside the Legislature this evening. This vigil is being held to bring together people who have been touched by adoptions in Alberta and to celebrate the upcoming roundtables and public hearings on adoption records to be held around the province later this fall. I am proud to have worked with the Parent Finders organization in the development of Bill 208. I'm proud to have been able to speak to them earlier tonight. They are seated in the members' gallery and the public gallery. I'd ask them to rise to receive the warm welcome of the Assembly.

head: **Main Estimates 1993-94**

**Energy** (*continued*)

MR. CHAIRMAN: So that our guests may understand the procedures, this is the informal part of the Legislative Assembly. We're in Committee of Supply considering the estimates of the Department of Energy. Members are able to be a little less dressed, and they are able to wander around. They are not allowed to be speaking out except in their place, but it is less formal.

The Member for Lethbridge-West.

MR. DUNFORD: Thank you, Mr. Chairman. I'd like to just make some comments this evening regarding the estimates of the Department of Energy but would like to begin by congratulating the minister on her reappointment to this very important portfolio.

As far as any specific questions, I'll leave those to perhaps speakers from Calgary and some of my colleagues from northern Alberta. The immediate vicinity that I represent in the city of Lethbridge has not been particularly blessed with oil and gas, but I want to say that I consider myself a friend of the industry in the sense that the revenue that it has brought to this province over the years has certainly contributed in a large way to the standard of living that Lethbridge-ites enjoy as we move into the '90s.

One of the things, though, that we do have in Lethbridge, if we can't have oil and gas, is wind. So in the Department of Energy I want to speak and project the interests of people in the south in alternate energy modes, and one of those, of course, would be wind energy. The project that's under way right now in the vicinity of Pincher Creek is, I think, quickly becoming a tourist attraction. I realize it's there for reasons of research and development into alternative energy means, but the structures that are currently under construction are really quite phenomenal.

I would invite any member in the House this evening if they're going to come down to the south to visit us to take a little time to head out to Pincher Creek and just look at some of the fantastic designs that are now available in wind energy. I don't know the names of some of these particular structures, but it is absolutely fascinating. We are now in the process in Lethbridge of taking little day tours out to my colleague the Member for Pincher Creek-Macleod's . . .

**8:40**

AN HON. MEMBER: Vertical axis.

[Mr. Sohal in the Chair]

MR. DUNFORD: I'm informed that it's vertical axis. So that's VA for the acronym. I'm sure we're going to hear a lot about VA in the future.

Once again, it's just a fascinating concept. I want to encourage all of the members to come south and take this in, especially our members from Edmonton, because it is just unbelievable, thinking about economic multipliers, how a dollar from an Edmonton pocket will really multiply in Lethbridge. It's just phenomenal. I would encourage them to visit as often and as long as they would wish to.

We don't have a lot of water in the south, and I would like again to thank past members of this House for providing us with the Oldman dam. It has been a lifesaver in the south. It is going to allow the south to be able to partake of the Alberta Advantage as we move into the next century.

The motivation behind the push for the Oldman dam in years past, however, was because of drought. I would want all of the members of this House to understand and empathize with us that thanks to that dam that you provided us, you saved us from flooding this year. This is a very welcome occurrence that took place in the south this particular year.

Thinking about, then, the amount of precipitation that we've had is the situation as to how we've been able to fill the reservoirs. As late as last evening we were offered an opportunity by the Alberta Irrigation Projects folks, a little look at the tremendous advantages that irrigation has brought to the south. They did not talk about one very important aspect, and again this will get into the alternate energy area. I'm speaking now particularly of electricity in the sense that there are now projects in place and proposals for additional projects for the generation of electrical power from the irrigation canals. We were offered an opportunity some time ago to take a tour with the irrigation people, and we went to the Chin Coulee reservoir and also to the Raymond reservoir and saw the power plants that are currently under construction. Again, I'm not exactly sure of the minister's responsibility in this area, but certainly we'd want to encourage that more of these projects be brought on stream.

Somewhat of a tenderfoot – it's not that I lack courage, but I lack a full understanding to talk about the Electric Energy Marketing Agency. I don't think there's anyone from southern Alberta who would be allowed to stand in this House whose constituents wouldn't want to be reading in *Hansard* that EEMA was brought up when we talked about energy. The national energy program has been bandied about in this House today, and I just want people to understand that EEMA is to Alberta what the national energy program was to Canada. It is a very serious situation, certainly on the part of constituents in Lethbridge. I am aware that the city council of Lethbridge and chambers of commerce and other groups have sent north to this government and previous governments all kinds of submissions about electric-

ity rates, and I simply wish to inform the minister this evening that we're not likely to be backing off from that in the future.

Some of my colleagues in northern Alberta have wanted to use the fact of oil and gas as . . . You know, I should be happy and perhaps should shut up about this particular area. But again, it's of such extreme concern to us, what we see as a diminishing of what we would consider a natural advantage. Despite the potential, I guess, to raise controversy not only on both sides of the House but perhaps even within our own ranks on this particular matter, we simply have to keep bringing it up and bringing it up.

After having mentioned EEMA, it's almost ironic that I would appear to switch hats and then talk about milk pricing, but I have to make the minister aware that I've had representations from some of the smaller grocery owners that reside in my particular riding. While there isn't a price war or a milk war under way at the present time that I'm aware of, in Lethbridge we just had a very, very serious situation where two grocery conglomerates seeking market share just beat milk pricing to the ground. While the consumers benefited from it for some period of time, it was absolutely ridiculous. I say it was ridiculous on the one hand, but on the other hand, maybe it wasn't. Certainly milk is a renewable liquid. It has always interested me how we can have an economy where it is cheaper to fill a barrel with gas than with milk, thinking in terms of the gas being a nonrenewable substance.

So if there's any guidance the minister could provide me with in the sense of the Public Utilities Board and how they would deal with milk pricing, I would appreciate it. I want to be able to assure constituents I have that the previous . . . [interjection] Had the member opposite been listening when I rose, I said I was going to comment tonight; I didn't make any promises to have any questions. I want to repeat that the two companies, as they attempted to grind each other's turf in the grocery market in Lethbridge, almost carried with them a number of small independents, and I think somehow within a spirit of free enterprise we still have to care and nurture the small businesses in our communities.

The last area, again under Public Utilities Board, would be the area of telephone rates. Again, I'm not sure if the minister is able to provide me with any resolution or satisfaction on this, but many of my constituents – and I have to say myself included – are very, very frustrated that in this day and age of touchy-feely telecommunications, we just cannot pay a telephone bill to a real person. Lethbridge is the largest city in Alberta, with the exception, of course, of Calgary and Edmonton, and we do not have real people to carry on these transactions with. This situation became exacerbated by the fact that at the same time that AGT was hauling their people out of the community, they were asking for an increase in rates. So I want to assure the minister that we heard lots about that.

I think I've probably covered the areas I was concerned about, Mr. Chairman. Thank you very much.

**8:50**

**MR. ACTING DEPUTY CHAIRMAN:** The hon. Member for Redwater.

**MR. N. TAYLOR:** Thank you, Mr. Chairman. I could have listened to the Member for Lethbridge-West all night. I think he was doing a better job beating up the cabinet minister than any of us were able to do. He did it with such finesse that I'm not sure her head is missing yet. She'll have to turn it a couple of times.

Before I get into something general, I notice the minister's taking credit for the oil business being better than it was a year

ago. That's one of the intriguing things about being both a politician and an oilman for some years: when things get better, the government takes credit for it, and when things get bad, the oil companies give the government credit too. You can't win. I can assure the minister that after she's been around as long as I have, you might as well take credit when it gets good because you'll sure catch hell for it when it goes the other way.

I think it's wise to remember that the reason we're doing so well, Mr. Chairman, really had nothing much to do with the provincial government. The federal government put through a change in income tax rules so that what we call flow-through shares – which allows somebody to sell a share and then pass to the buyer of the share the write-off – can apply to proven wells or development wells. So what we've had in Alberta is a high splurge of development wells. We're putting more straws into the same bottle all the time. Unfortunately our reserves aren't growing at the same rate, but probably we'll think of something down the road. It's a little false to say our oil industry is growing up fast, because our reserves aren't. Due to a combination of being able to sell gas a little faster and the write-off of being able to drill development wells, what we're getting is a lot of people putting more straws into the same old pools and unfortunately not enough new drilling going on.

I notice at least eight up there. I've never seen so many in my life. It makes me wonder whether I should be speaking with that many behind me. I hope they put their minds to work on how we can get more reserves to sell down the road rather than selling the reserves we have faster.

Along that line, the low productivity wells, I was wondering how that project is going. The low productivity wells . . . That's right, shut him up, because he never has anything interesting to say anyway. Mr. Chairman, I was referring to the Treasurer, not you. The Minister of Energy was trying to put a hush puppy on our Treasurer and not succeeding too well.

I'd be interested in the minister's opinion or some report on how we're doing in the selling of low productivity wells. I think you were just grouping together the gas wells – it's been a pet of mine for some years – but I was wondering if there's any work going ahead on the oil wells. What I'm talking about, Mr. Chairman, is that basically when a well gets down to producing only a barrel or two a day and you have to spend an hour or two a day filling out government forms for your royalty, it's rather silly. Maybe we'd be a lot better off putting those wells in a little parcel and selling them for cash to somebody and saying, "You don't pay any more royalty." The minister is working on a project that way, much to her credit, and I want to know how it's going and also whether she's going to try both the oil and gas sectors, because I think it's a good idea. It might be a thought, though, to put a bit of a caveat on it, Madam Minister, because if suddenly they were to horizontally drill some of these tight, declining oil wells and come up with a huge one, we'd want to get in on the gravy there. So maybe we could put something in that way.

While we're on that . . . Well, just wait a minute. I made a bunch of notes to myself, and I'm not sure I can read them. With respect to the royalties and low productivity wells, I notice in one of her votes she is voting a \$5 million expenditure on royalty investigation. I think it's vote 2.5. I'd be interested in knowing whether the minister is also looking at another favourite of mine. I've always thought we are very antiquated in our royalty system. I like the European or most of the world system where you're allowed to recover one and a half, one and three-quarters, whatever it is, times your capital investment on an almost infinitesimal royalty; then it switches over to a high royalty. Particularly now that we have small oil companies rather than

large oil companies – small oil companies love to get their money back. If I can get my money back in a hurry, I'll go and drill again. There's one thing about small oilmen: they have a tremendous ego, and as soon as they get their money back, they go and spend it again. So the worst thing the government can do is put on too high a royalty in the initial stages. It would take them too long, because a lot of us die before the well gets paid off. Let us pay it back to the well in a heck of a hurry and, just like shooting crap, you'll be sure we'll be back out there putting it into another hole quickly, finding more oil, and so on.

I think the system we have was tailored, if you'll pardon the expression – now that there are two of us in the House, it's probably something that will gain some currency – to the large companies, not for small companies, who are interested in big reserves over a long haul. It wasn't tailored to small companies. I'd like to see what the minister says. If we're spending \$5 million looking into it, what exactly are we looking into?

The other area I'd like to get into is another near and dear to me: the Lloydminster upgrader. Now, that's not because I was the first engineer on the Syncrude project so many years ago that the minister probably was just going around holding her mother's hand. Nevertheless, I've always been suspicious about upgraders and how they go ahead. This particular upgrader, I think, has proved the point. I've always thought that smaller upgraders, individual ones, would be a lot better than the grand idea. But as you recall, it was something like the national energy policy, where our Premier, a Tory, and the Prime Minister, a Liberal, drank champagne. We had the same thing happen in the upgrader. I think the present leader of the Liberal Party and the Premier of the day invented the upgrader. It was going to solve everybody's problems. But the upgrader looks like it's a heck of a pain in the neck. We've got significant cost overruns. As a matter of fact, there's been \$145 million . . .

#### Point of Order

#### Questioning a Member

MR. DAY: Point of order, Mr. Chairman

MR. ACTING DEPUTY CHAIRMAN: A point of order.

MR. DAY: The previous opposition speaker was quite closed-minded on this point. I wonder if the member opposite, known for his open-mindedness and tolerance, would entertain a very brief question at this point in time.

MR. N. TAYLOR: I'm sorry, Mr. Chairman, there was an election on June 15. We won the right to ask questions; they lost. They've got to answer. This side won the right. If you want the right to ask questions, I suggest you get 30 seats next time around. There have to be winners and losers, and I guess some people can't take it.

#### Debate Continued

MR. N. TAYLOR: Back to the issue again. Mr. Chairman, we wrote down the upgrader by \$145 million. That's a heck of a lot of moola in anybody's question. I was just wondering whether the minister was prepared to allow a full public investigation of this matter by the Public Accounts Committee rather than sweeping it under the rug. One hundred and forty-five million dollars doesn't rank in the area of NovAtel and some of the others, but it's still a lot more money than the average MLA is going to make on their car allowance for quite a while. I wonder whether you could refer it to the chairman of the committee.

SOME HON. MEMBERS: How about your housing allowance?

MR. N. TAYLOR: Yes, the housing allowance might do it.

The minister also released copies of the joint venture agreements between the equity partners in here. We've never been able to get a look at it. So there's government money in an upgrader which a lot of us never did like. We've lost 145 million simoleons on it, so all we'd like to do is see what the joint-venture agreements are. You can't get it. They argue: well, they're private people. Well, naturally they're private people on the other side, but it's the government's \$145 million that went down the drain.

Will you release the documentation on a \$30 million loan that you just advanced recently to a numbered company? The numbers are 540540. That shows the imagination of some bureaucrat: 540540. Maybe it was the Treasury Department; I should have figured that out. There was a \$30 million advance given to 540540, a numbered company, and I would be very interested in knowing what happened to that. What is the retainer fee that you're paying to 540540? That's five-four-zero twice. Okay. Now, that's very interesting; \$145 million plus another \$30 million has gone the way of I don't know what.

9:00

Now, we leave that one and go on to better news. I'm getting a little bit intrigued with coal bed methane. I've been involved in that in Washington state and in B.C. They call it CBM for short. I think that I haven't seen much in the estimates on coal bed methane, but I am bothered, being a bit of an environmentalist, too, and a bit of a hayseed, as to what happens when CBM development hits rural areas. You end up getting wells every 10 to 20 acres; as somebody said, all over hell and half of Georgia. You get lots of wells, and they create quite a traffic noise, and I see problems. I see coal bed methane permits being given out with no recognition as to what will happen to the surface when those people come to develop it.

While we're on that, Mr. Chairman, what bothers me, too, is that I see conventional oil and gas permits being given out around parks and timber reserves and such – south of Moose Mountain, I think, Mrs. Minister, if I could give an example – without any thought being given that if these companies are successful in finding coal bed gas or oil or natural gas, whatever the licences are for, we're going to run into huge environmental problems. Then what you get is the company on one side arguing, "I spent \$10 million or \$20 million finding this; you owe it to me to let me develop it," and you've got the environmentalists on the other side.

I feel that the Department of Energy should not be letting a permit out until the department of the environment – and I must admit that he has to be one of the slowest ministers I've encountered in my lifetime. They don't call him glacial Evans for nothing; I mean, he moves at the same speed. Nevertheless, the department of the environment should probably have to approve any permits before they go out to see if there is an environmental problem, so that if they do find oil and gas or whatever it is, we're not into a big rhubarb. After all, I know most of the Tories have been taught that God put the oil and gas in the ground, but He didn't choose to reveal it till you got elected. This is the thing to remember, that that oil and gas is not likely to disappear even in your time or our time or anything else. So the idea that you're giving out permits where it is environmentally sensitive – I'd like to see the environment department put in that.

We move on to another area, and this is the Sarnia to Montreal pipeline, Mr. Chairman. That was put in in 1973. Now, you hear a lot about national energy policy, but I haven't got time to go into it. The fact that the government is involved in the oil

industry is like finding out that banks charge interest, because the government has been involved in the oil industry since 1921 in North America and always was, in one shape or another. The first national energy policy, and it was called that in Canada, was put in in 1962 by a good westerner by the name of Diefenbaker, who said: By God, nobody's going to bring in foreign oil west of the Ottawa River or east of Vancouver. It all had to be native oil, and there would be no federal leases granted unless you were at least 75 percent Canadian owned. Back before that, of course, we were tied to the national oil policy of the United States put in by Teddy Roosevelt in the '20s. And today we're tied. We have a national oil policy whether we like it or not, because we tie ourselves now to the policy that's set out in Baghdad and Damascus and Cairo. They're the ones that set the oil policy now. There's no such thing as a free market in oil; they should know that.

So when they start jumping up and down saying, "Oh, the NEP is here," and this and that, the government has always had their dirty little fingers into the business. The point is this, that most of us Canadian oilmen would starve to death if it wasn't for the government having their fingers in the business, because they can take oil out of Egypt and Saudi Arabia. I produced oil in the Middle East myself. I still have some interests there, and I can tell you, it's a hell of a lot cheaper than it is here. If we didn't have government interference and government intervention, the oil business would almost disappear except for the natural gas side.

Now, to get back on the Sarnia-Montreal pipeline, and that's one thing we wanted to touch on. I've still got five minutes to go, I think. [interjection] I'll get you later on. What bothers me here, and maybe you people on that side of the House are not aware of it, is that it is now cheaper to take North sea or Moroccan oil into Montreal and put it down the pipeline and refine it in Toronto and sell the products in Winnipeg. It's cheaper, but we Albertans are subsidizing them, stopping that. We said: "Ah, ah, ah. Don't let them reverse that line." We are putting oil into the thing. It's expected to be around 20,000 to 30,000 barrels a day that we're selling cheaper than the world market in order to hold on to the Quebec and Ontario markets.

Now, my question to the minister is this: number one, do you expect the deliveries to stay at 20,000 to 30,000 barrels a day? Number two, what are the nominations by the companies? In other words, how much are they coming under the current price in order to do it? Or if they're not coming under the price, how much less in proper royalties is the Alberta government cutting the oil to the Montreal market in order to retain the Montreal market at 20,000 or 30,000 barrels a day? We can't retain it on a free market condition, or we're not able to, obviously. Government, I think, has been getting away with a bit of a secret, because I don't think even most of your back bench know that we would be putting that kind of oil into the pipeline in order to hold on to a market that Diefenbaker claimed for us. Not Diefenbaker; it was Diefenbaker in '62, west of the Ottawa River. In '73, was that Liberals? Yeah, I think it was the Liberals. Liberals got the Montreal market for you. Now you're spending all this money to hold on to a market that Trudeau got you. I mean, what's going on here? Who's a Trudeau pal or who isn't? But your 20,000 to 30,000 barrels a day: do you realize that at \$3 a barrel, that would be what? A hundred thousand dollars a day they're spending to keep Pierre Trudeau's dream alive. It's interesting, you know, how the wheel turns.

Now we go on from there. I'm moving very fast, but I know the minister is alert and quick and keeping right up to me. The next area I'd like to talk about is clean energy. That's bothering me a bit here. I think the Member for Lethbridge-West touched on it. He talked about wind energy down in the deep south.

What I'd like to know is how much money you are spending on clean coal technology. Coal right now is a dirty fuel. Yeah, here it is: clean coal technology. Also, is the minister prepared to move off this policy dictated to you by the big power companies who use coal that we can only have a certain percentage of the total electricity manufactured in the province go to small generators? I forget; there's an initial for that. Can somebody help me out?

AN HON. MEMBER: Small power producers.

MR. N. TAYLOR: Small power producers; that's it. Only a certain percentage goes to that. Also, could the minister tell me if she's willing to increase the percentage, which would, I think, still be quite safe. Would she separate the difference between small power producers and clean power producers? In other words, instead of SPP, how about CPP, clean power producers? See, we lump them together. The fellow that is burning wood or manure, taking methane gas, is treated the same as a gentleman down in Lethbridge that's using wind energy or somebody that's using solar, and I don't think it's right. I think in the modern-day world we should be looking at pollution by not only sulphur but carbon dioxide generation, which is the warming effect. Those people that produce energy and do not produce sulphur and carbon dioxide should get a better deal than anyone else.

Now, Mr. Chairman, I learned long ago to feed the animals only a small bale at a time, so I'll sit down and come back in another 10 minutes.

Thank you.

9:10

MR. ACTING DEPUTY CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HLADY: Thank you, Mr. Chairman. First of all, I'd like to start off by congratulating Madam Minister in regards to running such a great department. [some applause] Not everyone at once.

This is a very important department to the province of Alberta. We need to keep and maintain and increase our revenues as we're trying to work with a budget that has not been the best in the past. I think while we're trying to cut our expenditures, we must also try to increase our revenues. Through the energy reserves that we do have in many different areas, including wind and our oil and gas reserves, we must continue to expand these industries.

I think some of the areas of expansion that we need to look at again in the future, and we are seeing this worldwide, are the technical advances that we have developed here in Alberta and to continue to expand and export our people and our technology to other parts of the world. There are certain parts of the world that are seeing greater growth than Canada and need the energy expertise that we can provide to them. We see this in southeast Asia. We see it in the former Soviet Union: Russia, Ukraine, Kazakhstan. We have many junior oil and gas companies that are going around the world at this time, taking the expertise from Alberta and taking it to other parts of the world and accessing the reserves that are already there that have not been dealt with as efficiently as we have learned to deal with them here in Canada. So I think this is a major area that we can continue to work on. We have this expertise, we have great people, and we need to go to the worldwide markets and provide our technology and keep bringing the money back in as an import of funds coming from these other areas.

The value in these small junior oil companies that we're seeing in Alberta is fantastic. They are mainly equity driven. There is no funding for these companies at this time, and I think that equity



position is very important. We have been in a stagnating position in North America for quite a period of time, and without growth in industries across other areas of our economy, we still happen to see growth in energy, a base resource. These companies being equity driven, not having to worry about debt financing, interest payments, means that they're set up in a really good position as we see the growth in our economy in many other areas.

Madam Minister, the other areas that we are seeing as expanding are our pipelines and the ability to export. As we have seen a slowness in the economies all across North America, we are still increasing and getting set up for the recovery cycle that we are slowly seeing happening. The expansion in the ability to pump our oil and gas across North America will be an advantage as we see the economy start to roll across North America.

One of the concerns that I do have follows along with the hon. Member for Lethbridge-West. I share his concerns over EEMA. I believe that what we have to do is look at seeing how we can deal with the problems that exist there in the controls of production of electrical energy. I think the restrictions that are put on in some areas and how we're balancing this and trying to create equality in different parts of this province is hurting other areas. I think the wind energy possibilities that we do see, especially in the southern parts of the province, are almost limitless, but because of the limits of the current EEMA situation, we are limited on what they can produce. I think in the future that's going to become a major energy resource for us, but we have to allow them to produce as much as needed.

I think the idea of having cheap energy would attract industries to Alberta, and it's something for us to consider and look at. If we can provide free energy at times, if necessary, to attract new industries for short periods of time as we're making that happen, I think that if we have the free electrical energy, that would be something to look at in the future, if that's something we could see happening and if there was a surplus because of the high-production possibilities.

Looking at a couple of the programs under program 4 in petroleum marketing and research, I was interested in seeing if you could give me a little more detail in regards to the specific areas of market research that we are looking at and a breakdown of how we are expanding to other parts of the world. As I had mentioned earlier, I was concerned about exporting our technology, exporting our experience, how our market research is applying directly to these areas.

Also under program 2, Minerals Management. In some of the other mineral resources I know we have large coal reserves around the province. I am interested in the research department. Are we at a point now where we can continue to have coal energy and make it a very clean producing energy as well, and at what level would we do that? I don't know that personally.

Madam Minister, I think that's about all the questions I have for you today.

Thank you.

MR. ACTING DEPUTY CHAIRMAN: The hon. Member for Fort McMurray.

MR. GERMAIN: Thank you. The members of the House, Mr. Chairman, will appreciate that the hon. Member for Redwater has taken me under his wing and has promised to teach me everything that he knows. On top of that, I want to say that he's indicated that if I keep my remarks this evening very tight, very crisp, and very fast moving, he will rise yet again tonight, and I want to hold that promise out. I see that the minister is encouraging me to be

loquacious, to expand my comments. Thank you, Madam Minister; you talked me into it. So I will do that now.

I want to tell you tonight that there's folklore in Fort McMurray. There's folklore in northern Alberta in the tar sands. The folklore is this: they say that when this House talks about energy, any aspect of energy whatsoever, the two stacks that produce wealth for this province go cold in northern Alberta. On a clear full-moon night like tonight they say that you can see those two stacks go clear, and everybody stops. This is folklore, Mr. Chairman. Please understand that. I've been told this, and I repeat it in the House. They say that for a moment in time you can hear the heartbeat of every single employee that works in northern Alberta in the heavy oil industry, and you can hear and you should hear the heartbeat of every single Albertan in this province, because when we talk about energy in this House, it is serious business. It is serious business in Fort McMurray, Alberta, and it is serious business in the Athabasca tar sands. [some applause] I appreciate that, Mr. Chairman. You can see there's a whole lot of clapping going on here.

I want to say to you tonight that one particular project in that northern area that perhaps does not get as much attention as it should get on some occasion is the steam injection process that AOSTRA, a government-funded agency, is operating with nine private operators. I want to make my comments tonight, in starting my portion of this debate, on the third element of the minister's budget. I want to talk about AOSTRA, and I want to set the stage in this House as to the significance of that project. There is lying deep in the ground in northeastern Alberta in the Fort McMurray area, way deeper than conventional bucket wheels and conventional scoop shovels can find, the economic engine to pull this province out of its economic mores, to pull this province back to prosperity so that we don't have to tell people on social assistance that they are cut off. How much? I know you want to ask me, but the rules won't allow you to. You want to ask me: how much is there? There is enough deep, buried bitumen crude in that area to satisfy all of North America's needs – all of North America's needs – for at least the next century. That's how significant that oil is.

9:20

This government a few years ago supported AOSTRA, and I'm informed and I have some understanding that the government in its enthusiasm wants to wean itself from the AOSTRA project and turn this back over to the private sector. I want to ask the minister, in her comments and in her answer to the House in this budget debate, to indicate to the House and to indicate to those two silent stacks in Fort McMurray that go silent when energy is discussed here that she will go to bat for AOSTRA and she will not forsake AOSTRA if the private-sector operators will not take it over and will not operate it. Because for the last two years, Mr. Chairman – for the last two years – AOSTRA has in fact generated revenue for this province, and it is a project that is worth supporting. When I say that it's worth supporting, it is worth supporting. I felt some sympathy for the member for Lethbridge a week ago when he had to stand up in this House and indicate that in his community they had lost 200 jobs. There are that many jobs that could be created in his community through spin-offs, more than that many, by simply getting behind these deep oil projects and these deep extraction projects. I would like very much to be able to send *Hansard* back to the residents of Fort McMurray with the minister's comment saying that this project will be supported.

Now, in element 3 you will note, Mr. Chairman, that there is about a \$5 million AOSTRA cut. That's really what the cut is.

I would like the minister to assure the House and to explain to the House the significance of that cut in the long-range AOSTRA project.

Mr. Chairman, I want to move on. As I mentioned to you earlier, I'm still learning from the Member for Redwater, so I'll want you to forgive me if I don't move on quickly enough.

#### Point of Order

#### Questioning a Member

MR. DAY: A point of order.

MR. ACTING DEPUTY CHAIRMAN: A point of order. The Deputy Government House Leader.

MR. DAY: Mr. Chairman, I'm appealing. I believe here opposite we finally have somebody who's open minded and nondefensive. I am wondering if he would entertain one brief question.

MR. GERMAIN: You know, Mr. Chairman, I don't want to diminish the impact. I won't be answering any questions, because I want to continue with the points that I want to make: important points for the residents of Fort McMurray, important points for the residents of Athabasca-Wabasca, and important points for all of Alberta. [interjections]

MR. ACTING DEPUTY CHAIRMAN: Order.  
The hon. Member for Fort McMurray.

MR. GERMAIN: Thank you. Of course, the Chair correctly observes that no member is obliged as a private member to answer a question in this House. The member appreciates that. The minister obviously hasn't understood that.

#### Debate Continued

MR. GERMAIN: I want to move on, if I might, and continue my dialogue with the Minister of Energy and to this House. I want to move on to the issue of program 5, which allows me an opportunity to talk about the Syncrude and Suncor projects and deal with some of the meaningful concerns that those oil companies from time to time have as it relates to the regulatory regime in this province.

Now, to set the stage on this issue, Mr. Chairman, no member in this House must ever forget that Syncrude Canada, as an example, creates 4,200 jobs. They create another 1,200 jobs for outside contractors, and they create approximately 16,000 spin-off jobs in the rest of Canada, many of them in Alberta. Suncor, on a slightly smaller scale, has similar numbers and similar ratios, and they create 2,500 jobs. Suncor has recently taken on two new leases. So my question to the minister – and it's important to the residents of Fort McMurray, and it's important to the residents of Athabasca-Wabasca, and it's important to the many native peoples who are employed in those oil sands plants, and that's why I couldn't take a moment out of my commentary to answer a question from the Minister of Labour. The very important question that I want to ask through you, the Chair, is: will the minister support a royalty regime for those oil sands plants that will allow them to move on with future development and future upgrading and do what she has to do to get those oil sands plants creating jobs for all of Alberta?

[Mr. Clegg in the Chair]

There are many royalty issues, but there is one issue, for example, that comes to mind, and it allows me to drift a little bit

and talk to the minister about the co-operative upgrader in Regina, Saskatchewan. Now, the interesting thing about that upgrader is that when they process oil they don't have to pay a royalty because that royalty has already been paid by the producer who takes the heavy oil out of the ground. When Syncrude and Suncor produce oil, they are effectively upgrading into a better quality of crude oil the oil that they produce. I would like the minister in her deliberations on the issue of royalties, Mr. Chairman, to give some thought to whether it is appropriate for value-added royalties to be charged in this province or whether we should go back to a ground zero level for the heavy oil industry and base the royalties on the very lowest common denominator.

Now, we know what the problem is in this province. The problem in this province is that our natural resource revenues have dropped by about 50 percent, from about \$4 billion to \$2 billion. To get those revenues back, we in this province will have to collectively have the will and the backbone to stimulate the heavy oil industry in Fort McMurray, Alberta, and in Athabasca-Wabasca so it can create jobs that we desperately need in this province for people who are unemployed and for natives. So when the minister is dealing with the answers to the House, I would like her to specifically focus on the issues of the heavy oil sands in northern Alberta.

I want to move on, Mr. Chairman, to the issue of the OSLO project. Most of the folks up in Fort McMurray accept the fact that the OSLO project is probably dead. I hesitate to use the word "OSLO" in this House for fear that it will set off another frenzy of speculation in Fort McMurray. The oil industry in Fort McMurray has been so fickle that I must tell you that a hiccup at one end of our main street of town is perceived as a hurricane at the other end. As a result, I hate to use the word OSLO. I would like the minister to tell the House in connection with her budget – because there does seem to still be some OSLO tailings twirling around here in these expenditures – whether in fact there is any more hope for the OSLO project or whether, if I could use the vernacular from southern Alberta, we are simply blowing smoke up a dead gopher's nose. On my comment about the dead gopher I've been told that by members from southern Alberta. I have no personal knowledge.

#### 9:30

I want to say that there is a new player in the Athabasca tar sands. The new player is a smaller mining company – an example is Fording Coal, that is well known to the minister – who is prepared to play in that sandbox by extracting the oil sand and shipping it down to Syncrude and Suncor to upgrade in their facility. They have the megadollar facilities, Mr. Chairman, and if the minister can find a way, working with her executives that she brought here tonight to receive the accolades of this House, to get those small players doing the extraction of oil, why again, Madam Minister, my prophesy of the Athabasca oil sands pulling this province out of its economic doldrums will come true in a very, very short time, and we won't have to worry about whether or not the walls in hospitals are being washed as frequently as they should be because they will all be washed every day.

Now, I want to conclude, Mr. Chairman, by talking about EEMA, because several members in this House have commented about EEMA and the speaker, in fact, early in the session commented herself in answer to a question about EEMA. I want to say to the Member for Lethbridge-West, who has spoken so eloquently, and I want to say to the Member for Medicine Hat, who previously spoke, and I want to say to the Member for Calgary-Mountain View that the EEMA issue will ebb and flow, but we must preserve the equality of electrical rates in the north.

I recognize, Mr. Chairman, the concerns of southern Alberta. We are not dead from the neck up, you know, in northern Alberta. We hear them in southern Alberta; we hear their concerns about the fact that one group is paying the cost of an equalization program. We hear their concerns, Madam Minister, that they want to be more competitive, but I can assure them that they do not experience high electrical rates in relation to other parts of this country or the United States, and they certainly achieve now lower rates than those companies and industries working in northern Alberta to create the jobs that will pull this province out of its doldrums.

So I want to urge all members of the House to get behind a concept, some concept. Let's work for fairness, and let's work for equality but get behind some concept to resolve the EEMA problem that does not destroy development in northern Alberta, because if we destroy development in northern Alberta, and in particular the energy development in northeastern Alberta, we will indeed destroy the economic fibre of this province, and I do not believe that to be an overstatement.

Thank you.

MR. DEPUTY CHAIRMAN: The hon. Member for Cypress-Medicine Hat.

DR. L. TAYLOR: Thank you, Mr. Chairman.

MR. N. TAYLOR: Down with all hell for a basement.

DR. L. TAYLOR: Down with all hell for a basement; that's correct. I would talk about that all hell for a basement perhaps in a minute, but I would like, first of all, to congratulate the minister on the fine job you're doing. I am impressed, and I think many of us are impressed, and I do sincerely congratulate you.

The comment I would like to make is that the energy business is very important to my constituency as well, as mentioned by the honourable, I shall say, member across the way there. We do have all hell for a basement, and he's referring to our natural gas reserves. Well, I sometimes wonder if we have as much natural gas reserves as do the members across the way there.

The industry is very important to our community. In fact, our community economic hub has two main sectors. One is the agricultural sector. The other is the energy sector. Most of the energy sector, until recently, has been natural gas and the development of natural gas reserves. In fact, the city of Medicine Hat is one community that owns its own natural gas fields and its own power supply, as a matter of fact. It generates its own electrical power supply. As such, because of the nature of the generation – in fact, they seem to be able to produce it considerably cheaper than EEMA – the city is not interested in being part of the EEMA naturally, and I would certainly support the city's wishes to not be part of EEMA and to be able to stay out of EEMA, and that's important to the community. So energy is important to our community, and recently oil development, oil drilling has become more important in our community as well as we find more oil in the Medicine Hat area.

To be more specific, Madam Minister, I was just looking at Departmental Support Services. For instance, I notice that most things have gone down, but I see that Deputy Minister's Office doesn't seem to have declined. In fact, it's about the same in 1992-93 as compared to 1993-94. Minister's Office has gone down substantially. Energy Communications as well has gone down substantially. I was just curious as to why Deputy Minister's Office has maintained about the same level. In fact, it's gone up a few dollars, not substantial.

The other happens to do as well if we look at Senior Assistant Deputy Minister's Office. Once again, most of the other things: General Services, Financial Services – although it's gone up somewhat, not substantially – Human Resources, Automated Information Services down, Internal Audit down, and Legal Services down as well, yet we see the Senior Assistant Deputy Minister's Office has increased substantially. Once again I was curious as to the specific reason why the deputy minister's office and the senior assistant deputy minister's office expenses either maintained the same or have gone up in their cost to the department.

As well I'm concerned about the overall administrative costs. Roughly 16 percent of the budget appears to me as going to administrative costs. Now, in private business we keep our administrative costs well under 10 percent. In small business we probably run from 5 to 8 percent in administrative costs. It's a great concern to me when I see any administrative costs above 10 percent. It usually means to me that we have too big a bureaucracy involved with any area, whether it's a private business, a corporation, or a government area. Once we're above 10 percent, it seems to me that bureaucracy has grown, and I would like, if possible, for the minister to comment on the fact that about 16 percent is going to administration.

I've noticed not just in this minister's department but in many other departments that we've looked at, not only departments but Crown corporations and other foundations associated with the government, that 15 to 16 percent seems to be quite a standard area of administrative costs. So a concern that I would raise with you is that we are spending that much on administration, and I'm wondering if we can reduce that cost down to a level that would be more appropriate for the business sector, of under 10 percent.

The one other area I would like to mention has to do with program 3, which is Oil Sands Research Assistance. I as chairman of the Alberta Research Council obviously am quite interested in that area. We have a one lump sum budget there. It has gone down, of course. I'm not arguing about the size of the budget, \$15,800,000, but I'm curious if we could have some bit of breakdown on how that \$15,800,000 is spent. Where do the dollars go? I assume that's almost all AOSTRA and so on. How is AOSTRA spending the money? What percentage of that is administration for AOSTRA? What are their administrative costs? Perhaps their administrative costs are low. Perhaps they're under that 10 percent level where they should be, but perhaps they're much higher than that as well. So I'm just curious as to information in that line and how that \$15 million is spent.

Once again, I believe AOSTRA does an excellent job and will continue to do a good job for the oil business, the energy business in Alberta. We do need agencies like that developing and experimenting with very creative technological development and very creative ways of cheapening the cost of oil. I think it's vital that we can reduce the cost of this heavy oil and tar sand oil so that we can make it more competitive on the market. It's my understanding that we have one heavy oil sands area in northeastern Alberta that really has not been developed, that has I think more reserve than Saudi Arabia does.

I think that's important to recognize for people who are concerned that we're depleting our natural resource too quickly. I don't think we are at all. In fact, probably we will have new sources of energy and better sources of energy long before we deplete our natural resource, and if we do not develop this natural resource, we will be left with a product that is not marketable. It's important that we continue to develop this natural resource and sell the product, but at the same time it is important that we reduce the cost of this natural resource so we can be competitive on the

market. So perhaps we could have some elaboration in terms of how AOSTRA is helping us in those areas as well.

That concludes my comments, Madam Minister, and, once again, congratulations on a really fine job.

9:40

MR. DEPUTY CHAIRMAN: The hon. Member for Edmonton-Roper.

MR. CHADI: Thank you, Mr. Chairman. I'm going to make my comments very brief in light of the time. I'm sure everybody's going to be happy. I first want to join everybody else in congratulating the minister on her appointment. I'm sure you're going to serve your department well, Madam Minister. I'll be very, very precise in my questioning.

Over the years the industry has pointed out the regulatory burden of dealing with a whole group of different agencies with conflicting mandates and regulations. For example, the ERCB, the Energy Resources Conservation Board, the Public Utilities Board, and the Department of Energy all have contributed to an increase in administrative costs experienced by energy companies. In conjunction with the May 6 budget the Minister of Energy launched a comprehensive review of all regulations affecting the industry in order to streamline operations and reduce the regulatory burden on the industry. Regulatory review is a joint initiative between the Minister of Energy and the industry to identify those areas where overlap and duplication and redundancy may occur. My questions to you, Madam Minister, are: can you provide an update on the regulatory reform process conducted by your department, and could you also indicate whether or not steps are being taken by the department to reduce the regulatory burden on industry? For example, what regulations are under review and that sort of thing? Can you also indicate the cost savings that will accrue to the industry and the government as a result of regulatory reform?

Another issue that concerns me, growing up in northern Alberta, relates to the timber damage assessment fees. This is of course related to the surface rights access in that the compensation rates are paid by the energy industry to the forestry industry for timber damage as a result of industrial activity on FMA lands. This has been a long-standing dispute. Progress has been slow, and there's still no resolution in sight. The energy industry has claimed that the fees charged by the FMA holders are excessive and higher than those charged by the Crown. The issue revolves around the timber damage assessment tables, the formula for compensation. The energy industry has claimed that lost gross profit is a more reasonable basis for compensation.

I understand that the departments of Energy and Environmental Protection have acted as facilitators in attempting to break the impasse between energy and forestry sectors on timber damage compensation. Peat Marwick has been employed by the government since early 1992 as a consultant in an effort to establish basic principles for compensation as to operationalize these principles into actual numbers.

Now, there's been an agreement as a result of the Peat Marwick report between the energy and the forestry industries on the use of lost gross profit as a basis for compensation. However, there's still contention as to how the lost gross profit principle will be applied and calculated. The energy industry would like to see lost gross profit based on the value of the wood at the roadside before going to the mill, and the forestry industry, of course, would like to see the lost gross profit based on the finished product once it leaves the mill. My question is then: it's been my understanding that the energy industry would like to see this issue resolved

before the onslaught of the winter drilling season, which is probably going to be sometime this October. Can the minister give some indication as to whether this time schedule is feasible, given the impasse over the past three years? Given the energy industry's long-standing concern about the compensation rates that are levied by FMA holders for timber damage, is the minister prepared to work with the Minister of Environmental Protection to make this issue a priority if Peat Marwick is unsuccessful at arriving at a compromise solution in its discussions with the stakeholders?

Something else just comes to mind when we talk about compensation. Why couldn't we somehow maybe find a mechanism whereby the oil industry or the energy industry could perhaps give some kind of a blueprint to the forestry industry and say, "This is the area that we want roads, and this is the area that we want a lease site cleared"? Why couldn't we have the forestry industry go in there and log it first? It would appear to me that it's a terrible waste of our natural resources just to have that timber brushed away and perhaps burnt. It seems to me that we always are under the premise that we've now got an abundance of these natural resources, these trees. Maybe a few years down the road our thoughts will change. We should be looking into that now. Maybe the minister could address those comments in her answers.

I'm concerned about the coal royalties, Madam Minister. The international coal market has been tough on Alberta's coal industry and has impacted on Crown royalties received from coal. The international market has been affected by depressed prices, very high competition, and new technological innovations. In 1991 the prices for metallurgical and thermal coal fell by 3 percent from the previous year. On the other hand, the prices for – a tough one; this one I have difficulty with – I'm going to say bituminous coal, which is used by Alberta electric utilities, increased by 6 percent over the previous year's. [interjection] I always thought it was bituminous.

The way we responded to these difficulties being experienced by Alberta's coal producers in export markets: the Alberta government announced changes to the coal royalty regime in September of '92. The new regime incorporated mechanisms which made bituminous coal more price sensitive in order to allow Alberta to better compete in foreign markets. The new regime also simplifies the administrative process for royalties filings for coal producers. Due to the price sensitivity of the new regime, Alberta's coal royalties are projected to be \$2 million less than the \$18 million estimate in the 1993-94 budget.

Given that coal prices on the export market continue to remain depressed despite the more price-sensitive royalties, will the minister be taking additional action in this area, particularly on such matters as allowing exploration and development expenses to be allowable cost deductions from royalties and an allowance for construction in progress where there are no immediate investment returns? It seems to me that promoting research and development and reinvestment will help increase the competitiveness of Alberta's coal on the export markets.

That's all I have for you today, Madam Minister. Thank you very much.

MR. DEPUTY CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Thank you very much, Mr. Chairman. It's been a very enjoyable evening listening to the comments of the members on both sides of the House. Obviously both sides recognize the importance of the energy industry to the well-being of our province, so I appreciate your comments and your concerns raised.

Mr. Chairman, I hope to cover most of the questions that have been asked so far. I will undertake, as I said in my opening comments, to address any of those that I may miss by reviewing the *Hansard*.

I want to explain one other thing, Mr. Chairman. My door is open, and so is that of my department. So if there are questions that do arise that don't get asked tonight, I would hope all hon. members on both sides feel free to come forward and ask those questions. If I don't have the answer, I'll get it for you.

9:50

Mr. Chairman, the Member for Calgary-West started off the questioning tonight. He gave an overview of his opinion on the energy industry. He talked about an increased drilling activity and a shortage of workers, et cetera, and he's absolutely correct. The activity level has increased dramatically this last year, and there is in fact a shortage of people to work within the fields and to help out.

He then talked about – actually I found it kind of amusing – a 1976 to '80 Liberal policy to protect the revenues of the provinces. Well, they protected them in a big way: they raped and pillaged the province of about \$60 billion, but who's keeping track of it?

Anyway, he talked about crude oil royalties on a decline and a readdressing of the revenue numbers from the May budget through to the August update. In fact, he's correct. There has been an adjustment, and that is why this government has adopted a process of opening up the books and putting out quarterly report cards to reflect the reality that exists within the marketplace. On the other side, there was an increase in our gas revenues and on our land bonuses that were reflected in the quarterly update so that we have an ongoing update as we go through the fiscal year.

He also asked a question on the gas royalty simplification initiative. I believe the question was: is it on schedule? Yes.

He asked a question on the new gas simplification project and what is in the budget for the system. Well, the budget is in vote 2.5. If he would turn to that, \$5 million is sitting there. This includes all the funds: the department staff, the hardware, the software. These numbers were in fact published in the May budget that was presented. That's made public so people would be aware of what the budget numbers are for the current year.

He also mentioned surface access. When I first became the Minister of Energy, I met with industry players and identified certain priorities that we would look at together and try and address. One of those priorities was surface access. It's been a problem for a number of years. As a result I think a question came from the opposition side, Mr. Chairman, as to what was happening with surface access to deal with the problem. I alluded to the fact in the question period – and I don't have the date; I'm sorry – that I had put together a task force group between the energy industry association and the Cattle Commission to try and address the issue and see if we can come to some resolve.

One of the other members, I believe it was the Member for Edmonton-Roper, mentioned and asked about the task force that was going on with the FMAs and the co-ordination between the minister of environment and myself to try and have a resolve there. In fact, several members mentioned that the minister of environment and the Minister of Energy do work very closely together in a co-operative fashion to bring all the players to the table. So we are working on that to see if we can resolve it quickly.

We then went to Lethbridge-West. I appreciated your questions and your comments on the renewable energy programs that we have in southern Alberta. For all hon. members, there is a

program called SWAREI; it's funded through the heritage trust fund program. Then of course we have our small power producers program. Some of your comments would fall in line with the small power program that is there. It's a program that was put in place to allow small power producers to get into the grid. It's a program that is in fact oversubscribed today, and there isn't any more room in the program for new initiatives. However, those that are in the program that do not complete their projects by next year, their megawatt allocation will come back into the program.

In the SWAREI program there are some tremendous initiatives down in the southern Alberta region. In fact, I had the opportunity this summer to drive down through Lethbridge and Pincher Creek, and I would highly recommend that hon. members take that trip and look at some of the initiatives. There are windmills. They look like gigantic eggbeaters. They are a different kind of windmill going up, and they are on the SWAREI demonstration location. We're anxious to see the completion of those programs and see how they test out and some of the results that will come forward. It's certainly an alternative source of energy. Down in southern Alberta it's a prime area because of the supply of wind, which you must have and of course is very important. So we're anxious to see those programs come forward and see what happens. There was a conference down there this last week that the hon. Member for Pincher Creek-Macleod attended. I think it was a very positive conference, and it certainly showed that there was interest in that area.

The hon. Member for Lethbridge-West and several others commented on EEMA. EEMA's a very important topic to all Albertans whether you're in the northern part, the southern part, the eastern part, or western part. Let me spend a minute, Mr. Chairman, on EEMA. EEMA was developed in 1982 at a time when we were looking for diversification and development throughout this province, at a time when we were saying: how would we encourage development throughout Alberta, whether you were down in the very southeast or southwest corners or up in the northern part of the province? One of the things that was detrimental was not having electricity available to industrial players and residential players to encourage them to move throughout this province. The Electric Energy Marketing Act and the agency were developed to provide for a vehicle that would take away the disparities of the cost of electrical generation and transmission within the province of Alberta. What in essence happened is that the electrical was pooled into a thing called EEMA pooling. At that point everybody's cost was equalized. Those from the south helped those from the east, the west, the north, and vice versa. Involved in that also was the city of Edmonton through Edmonton Power.

As we got along in years, a new generation came on. The questions started to be asked: do we really need EEMA any longer; is the approach effective; if it is not, is there an alternative that would accomplish a fairness throughout Alberta but do it in a different fashion? There was a review panel to set the question out to the communities throughout Alberta and to the stakeholder groups about two and a half years ago. They reported back to the government about a year and a few months ago. Last February I released that report to the people who had participated in the public process and asked them to comment on the recommendations that the review panel had put forward. I then gathered together the stakeholder groups who had also been involved and are in fact involved in delivering electricity to Albertans, and asked them to comment on the report. They suggested that they were not happy with it. I said: "Don't tell me you're not happy; that's not good enough. Here's a report. If you have a better

suggestion, bring it forward and let's talk about it, keeping in mind that there must be fairness in this province."

**10:00**

The stakeholder group met from approximately March until August, in fact the start of September, to try and come up with a new structure or scheme for the delivery of electricity within this province. They did not reach agreement; therefore, they each submitted to me individual recommendations. I have been spending the time, because of the importance of this issue to all of us, whether you're an industrial player or a residential player, looking at a restructuring. I will come forward with some recommendations, but I will not rush into coming up with something that is not fair for people within this province. Whether you're in the south or you're in the north, yes, EEMA is a very important question that has to be looked at and dealt with in a logical, rational, fair manner. That's exactly the commitment you have from this minister.

Milk pricing. The Public Utilities Board does in fact look at the issue of monitoring, dealing with milk prices. Your particular question: I'll review the particulars on it and see what happens there.

We then move to Redwater. He asked a question on a low-productivity gas pilot project which I'm pretty keen on. This was a project that came forward as a result of a meeting with a natural resource group from the chamber of commerce from Calgary. I thought it was a dandy idea. I didn't realize that the Member for Redwater was keen on it as well until I got back to the House and announced it. So to let you know where we are on it, we actually just had another set of meetings with SEPAC and CAODC, the chamber of commerce group, and CAPP to try and finalize the framework for the project and look at it. I think it's quite exciting. I think it could in fact streamline the reporting requirements and cut down on the GNA costs, as you suggested. So as the pilot unfolds, I'll be talking about it quite a bit.

You also talked about the flow-through share issue as it helped to increase production and development and exploration in this province. You're quite right. That was one of the elements along with the royalty holiday that we had put in place along with the price increases and the low dollar. All of those elements helped to encourage investment and development within this province. No one can claim total victory, that "I did it," and no one would intend to on this side of this House. Through a co-operative fashion, we can look at it.

I'm pleased to report that on new reserves we're looking at some of the deep rigs that are going out on the exploration side now, and it's rather encouraging to see the fall drilling program being taken up and some exploration taking place. The development side was very heavy, and now we're seeing the exploration side go up.

You asked a question on the coal bed methane gas on the Environmental Protection side: should they review a rights application before the licence is granted? They do. They do do that.

You started to talk about the Sarnia refinery, line 9. I think you'd be well aware that that was put in under Pierre Trudeau as a little giveaway during his years. [interjection] Well, think of the implications of that line 9.

You talked about co-ordinating the development on exploration. You mentioned Moose Mountain. Keep in mind that in Alberta there is an integrated resource plan that has been developed through the co-operation of Environmental Protection, parks, recreation, tourism, culture, and Energy. Before a parcel of land is put up for bid, it goes through the Crown Mineral Disposition

Review Committee and the Integrated Resource Planning Committee to see if there are in fact sensitivities there that allow or disallow the development of the property. That is before the postings for the land sales take place. Once that has been determined through the Crown Mineral Disposition Review Committee and any kinds of addendums that need to be attached to the postings are noted, then the posting goes out so everybody knows the requirements. In some cases like in the Kananaskis Country areas you were talking about, there will be addendums to the posting that will say surface access, as an example, is not allowed. So the players know before they bid on that property that they are not going to have access, and they will have to go through a horizontal drill or a directional drill on that program.

Then after that, as you know, when they apply for a well licence, there is a further review by the ERCB, and in fact concerns can be expressed to the ERCB before the licence is actually issued. Of course, those licence applications are registered again for the public to have a look at. So there's an awful lot of criteria companies go through and review before they actually get a licence to go out and drill a well. I think it's quite good.

You asked the question: how much is spent on clean coal technology? If you look in the budget, 2.4.4, Coal and Hydrogen Technology Research, you will see that there is almost \$3.6 million in the elements for this year. That's coal and hydrogen. Coal has \$2.6 million and hydrogen \$1 million.

Calgary-Mountain View asked a question on foreign opportunities, sort of alluded to that. He's quite right; there is tremendous interest by other countries in the type of technology and enhancements we have developed in Alberta, a lot of them through our research programs. They have come over, and I have met with many of the delegations as courtesy calls and information gathering as to where they can look at some of our technologies and what kind of expertise we have. We are recognized. To be very clear, for a small population we are recognized worldwide as having some of the best technology and the most highly trained expertise in the province, people you can find in any jurisdiction. Our technical people and our researchers worldwide are very well respected, and I think it's something we can be very proud of. We've had interest, and we have joint venture arrangements that are taking place with Russia, with Kazakhstan, with Siberia. There's interest from people in Korea. There are people interested in India and of course the United States, Mexico. There's interest from all over in the types of technologies we have developed right here in our own backyard. I've often said to this industry: one of the biggest failings I think we have is that we haven't told the people next door to us, our neighbours, what it is we're developing here and how we can be very proud of what we are developing right here in our backyard. People all over the world know about it, but your next-door neighbour doesn't know about it. I think it's really quite a shame that we don't do that.

The hon. member asked about the pipeline expansion opportunities. Certainly the Iroquois line that came on last year, the northeast link, was a tremendous boost for Alberta producers. The gas line that's opening up November 1 to go down to the Pacific Northwest and California again is a tremendous boost for Alberta producers. We've got 110 trillion cubic feet of gas we know of that's sitting there waiting to go down a pipeline. This California expansion has a opportunity for a bcf gas a day to go down that line.

The other thing that I think is very important is oil pipelines.

MR. DEPUTY CHAIRMAN: The time is up.

MR. DAY: Mr. Chairman, we regret very much to hear the sound of the bell. We were intrigued with the remarks, but given the time, I would move that the committee rise and report.

MR. DEPUTY CHAIRMAN: Thank you.

[Motion carried]

**10:10**

[Mr. Deputy Speaker in the Chair]

MR. DEPUTY SPEAKER: Order. The hon. Member for Dunvegan.

MR. CLEGG: Thank you, Mr. Speaker. The Committee of Supply has had under consideration certain resolutions of the Department of Energy, reports progress thereon, and requests leave to sit again.

MR. DEPUTY SPEAKER: Does the Assembly concur in this report?

HON. MEMBERS: Agreed.

MR. DEPUTY SPEAKER: Opposed? Carried.

[At 10:12 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]

