

Legislative Assembly of Alberta

Title: **Monday, February 28, 1994**

8:00 p.m.

Date: 94/02/28

head: **Committee of Supply**

[Mr. Tannas in the Chair]

MR. CHAIRMAN: I'm now calling the committee to order.
I'll call on the Government House Leader to begin the evening.

Designated Supply Subcommittees

Moved by Mr. Day:

Be it resolved that pursuant to Standing Orders 56(2) and 56(2)(a) and (b), five designated supply subcommittees be appointed comprised of the following members:

1. Advanced Education and Career Development: Mr. Richard Magnus, chairman; Mr. Wayne Jacques; Mr. Al Zariwny; Dr. Don Massey; Mrs. Jocelyn Burgener; Mr. Victor Doerksen; Mr. Andrew Beniuk; Mr. Murray Smith; Mr. Ron Hierath; and Mr. Michael Henry.
2. Education: Mr. Richard Magnus, chairman; Mr. Rob Renner; Mr. Michael Henry; Mr. Duco Van Binsbergen; Mr. Mark Hlady; Mr. Wayne Jacques; Mr. Nick Taylor; Dr. Don Massey; Mrs. Jocelyn Burgener; and Mr. Victor Doerksen.
3. Family and Social Services: Mr. Ty Lund, chairman; Mr. Roy Brassard; Mrs. Bettie Hewes; Mr. Gary Dickson; Ms Pearl Calahasen; Mr. Gary Friedel; Ms Alice Hanson; Mr. Peter Sekulic; Mrs. Heather Forsyth; and Mr. Moe Amery.
4. Health: Mr. Ty Lund, chairman; Mrs. Bonnie Laing; Mr. Grant Mitchell; Mr. Howard Sapers; Mr. Ed Stelmach; Dr. Lyle Oberg; Mr. Julius Yankowsky; Dr. Ken Nicol; Mr. Murray Smith; and Mrs. Yvonne Fritz.
5. Municipal Affairs: Mr. Barry McFarland, chairman; Mr. Glen Clegg; Mr. Percy Wickman; Mr. Len Bracko; Mr. Clint Dunford; Ms Carol Haley; Mr. Sine Chadi; Mrs. Muriel Abdurahman, Mr. Gary Severtson, and Mr. Don Tannas.

MR. DAY: I will file those right now, Mr. Chairman.

MR. N. TAYLOR: The leader may have gone too fast for me, but I may have missed two. One was Al Zariwny in Advanced Education. Was that on there?

MR. DAY: Yes. I believe I read it out, Mr. Chairman.

MR. N. TAYLOR: The other was Mr. Dickson in Family and Social Services.

MR. DAY: He's on the list. I may have inadvertently passed him over, but it's on the list, and the name is read into the record.

MR. N. TAYLOR: It could have been me.

MR. CHAIRMAN: Calgary-West, do you have a comment on this?

MR. DALLA-LONGA: No. I'm just getting ready.

MR. CHAIRMAN: All right. It has been moved by the hon. Government House Leader that pursuant to Standing Orders 56(2),

56(2)(a) and (b) the five designated supply subcommittees be appointed.

[Motion carried]

MR. CHAIRMAN: Hon. Government House Leader, now that it has been approved, would you recommend that it be reported?

MR. DAY: I so recommend, Mr. Chairman.

MR. CHAIRMAN: All right; it's been moved by the Government House Leader that this be reported when the committee rises. All those in favour, please say aye.

HON. MEMBERS: Aye.

MR. CHAIRMAN: Those who are opposed, please say no. Carried.

Just to confer again with the committee with regard to the procedure, it has frequently been the custom of the committee to have the minister lead off with a few comments if the minister so desires. Various members are then invited to make their comments and ask questions. Somewhere around 25 to 10 or 20 to 10 the minister would then endeavour to reply to the questions. Is that acceptable, or would you like some other kind of arrangement? If there are no comments to that, we'll just proceed along.

head:

Main Estimates 1994-95

Energy

MR. CHAIRMAN: Are there any comments by the Minister of Energy leading up to her estimates tonight?

MRS. BLACK: Thank you, Mr. Chairman and hon. members of the Legislature. I'm very pleased to be here tonight to present the estimates for the Ministry of Energy for 1994-95. We're very pleased to be the first ministry to come before the Assembly with our estimates for the upcoming fiscal year.

The Ministry of Energy has a reputation for always having a very professional contingent of senior officials in attendance when we present our estimates. It's our ministry's way of showing respect for the legislative process and to the men and women who sit in the Chamber and ultimately who are accountable to the people of Alberta for how public money is spent. I follow a long line of ministers, Mr. Chairman, who have been so very aptly served by the Ministry of Energy staff. I would like to ask my officials here this evening to now stand so that they may be acknowledged for their tremendous service to this province.

Mr. Chairman, fiscal 1994-95 will be a year of tremendous change in the Ministry of Energy as we proceed with implementing the major restructuring I announced on February 11, in fact the biggest restructuring in the history of this ministry. The human aspects of whole-scale organizational change are always the most difficult to deal with. Senior officials throughout the Department of Energy and the five affected independent agencies were active participants in the planning that preceded the February 11 announcement. This process of consultation will continue as we move into the implementation stages. Later in my remarks this evening I will comment in greater detail on the new organizational structure and why it's so integral to the ministry's spending plans over the next several years.

When presenting the ministry's estimates, Mr. Chairman, it is customary for the Minister of Energy to provide hon. members

with an overview of the energy industry's performance and level of activity. This year will be no exception. The energy industry in Alberta is what economists refer to as a motor industry. It provides an engine of growth for the entire provincial economy. The energy industry accounts for about 69 percent of our total provincial exports, in other words approximately \$11 billion. Along with the associated pipeline, petrochemical, and mineral industries the energy industry accounts for nearly 29 percent of the province's gross domestic product and between one-quarter and one-third of direct and indirect employment. Royalties and other direct payments to the Provincial Treasury total about \$2.5 billion annually.

Yes, Mr. Chairman, our energy industry is an engine of growth, but it is also an industry that must constantly maintain its competitiveness to remain successful and growing. Our energy products – oil, natural gas, natural gas by-products, and coal – are international commodities whose prices are set in the international marketplace. Our industry's future depends on its ability to attract investment for exploration, development, and the expanded transportation infrastructure. When an industry is competitive, it attracts investment.

8:10

This past year, 1993, was a year of recovery for the industry, as was evidenced in the number of wells spudded: 7,219 wells, the second highest in our history. Another positive indicator of industry activity in 1993 is the dramatic recovery in land sales. These sales netted the Provincial Treasury \$575 million, a 243 percent increase over 1992, but I must emphasize, Mr. Chairman, that that recovery is fragile. We must remain vigilant in ensuring that the right environment exists for the industry to remain strong and growing.

Mr. Chairman, I will now comment briefly on the Ministry of Energy's three-year business plan, which was made public on February 24. The business plan is important because it outlines a longer term vision for the ministry, a vision that will enable the ministry to make an orderly transition to having fewer staff and a reduced budget.

We started working on the business plan in June. We involved staff from across the ministry, and we consulted extensively with the energy industry and other stakeholders that we deal with on a daily basis. It was a process that produced stimulating discussions and excellent debate. Yes, there were differences of opinion, but we expected there would be. In fact, as the minister I would have been concerned if there hadn't been. By and large, Mr. Chairman, there was a remarkable degree of consensus on what the future shape and direction of the ministry should be. That consensus is reflected in our business plan and in our ministry's 1994-95 estimates, which are before you this evening.

The business plan calls for a leaner and more tightly integrated ministry. That is what we are going to create. We are going to be more businesslike, and we are going to be more collaborative in our decision-making process. Over the next three years the ministry's spending will be reduced by 23 percent, which means our current budget of \$94 million will drop to \$73 million in fiscal '96-97. That \$73 million figure represents a decrease of 43 percent from the ministry's '89-90 budget year. In year one of the plan, 1994-95, the ministry's budget is set at \$88.1 million. That is the amount we are asking you to approve this evening.

On the staffing side 281 permanent positions will be eliminated in the ministry over the next three years. Our permanent staff in 1996-97 will total 1,114, down from the present level of just about 1,400. These numbers include 618 positions reflected in our estimates as well as the positions in the Alberta Energy and

Utilities Board. The budget of the board is also funded by industries which it regulates, so the associated staff complement has never been included as part of the staffing complement of the public service.

The Department of Energy has already notified 29 employees that their positions will no longer exist at the start of fiscal '94-95. Additional positions will be identified during the year as our restructuring is implemented. As for the Alberta Energy and Utilities Board, 41 positions have thus far been identified for elimination in 1994-95.

Mr. Chairman, the business plan identifies two primary goals for the Ministry of Energy. One is to maximize the value of Alberta's energy and mineral industries to provide greater benefits to Albertans. The second is to achieve greater efficiency and productivity in the ministry's internal operations. I'd like to expand on these for a moment or two and tell you how we propose to achieve the two goals.

To achieve the first goal, the ministry will concentrate on three main strategies we believe will help us obtain the most value for our mineral industries and the best possible return to Albertans. First, working with industry and other governments, we will develop a vision and action plan to develop Alberta's oil sands. We will refocus oil sands and research to emphasize industry partnerships and applied research that meets economic objectives. Secondly, we will develop a co-ordinated energy research strategy, again in consultation with industry and other stakeholders. Thirdly, we will strive to provide an attractive investment climate, a stable competitive royalty structure, and a streamlined regulatory framework, all designed to encourage further exploration and development in the energy field.

Mr. Chairman, a few moments ago I spoke about why these conditions are so critically important for the future growth of our industry. A number of other strategies will be employed to achieve our business plan's second goal: greater internal efficiency and productivity. For example, we will continue to review all legislation and regulations so that we can make regulatory processes smoother. We will also rework our business processes. Simplification of our royalty administration is one example of this.

In our estimates you will notice that we are seeking approval to nearly double our capital investment expenditures. This increase represents an investment in automation and re-engineering, an investment that will result in significant savings in future years. Over the next year we will assess the feasibility of alternative financial vehicles. This includes taking another look at cost sharing between the ministry and industry.

Our key strategy, however, Mr. Chairman, is to proceed immediately with the restructuring of the ministry. This restructuring is an essential component of our three-year plan. What we are striving for is a smaller, more integrated, and more businesslike organization that would work well with industry but still protect the interests of the resource owners, the people of Alberta. We are committed to be open, accessible, collaborative, and accountable, and we want to ensure fair and efficient regulatory processes.

Mr. Chairman, the new structure reduces the number of reporting agencies from five to one. That one agency is the Alberta energy and utilities board to be created from the amalgamation of the Energy Resources Conservation Board and the Public Utilities Board. With this combined agency, we streamline the regulatory process and reduce overlap and duplication. The estimates identify a budget of just under \$20 million for the Alberta energy and utilities board. Two of the former reporting agencies – the Alberta Oil Sands Technology and Research

Authority and the Alberta Oil Sands Equity – become a part of a new division in the department called the oil sands research division.

The fifth agency is the Alberta Petroleum Marketing Commission. Its regulatory and policy responsibilities are being transferred to a new policy division in the Department of Energy. Over the coming year APMC will report to the deputy minister and continue marketing Alberta's Crown royalty share, but during that period the government will move to turn that marketing function over to the private sector. Mr. Chairman, this is another example of government getting out of operations that can be done just as well, if not better, by private business.

The restructuring also calls for creation of a volunteer panel of industry experts to be called the energy research council. It will advise the department on priorities and strategy for government funding of energy research. Under the new organizational structure most of the activities now carried out by three divisions will be brought into one new division called operations and support. By creating another division, strategic resources, we will eliminate duplication in data bases and industry reporting.

Mr. Chairman, I am confident the new ministry structure will benefit government and industry alike. The estimates before you provide the budgetary requirements for the various divisions within the department.

To conclude my remarks I will focus on some of the spending reductions that may be of particular interest to members. I am very pleased to be able to say to you that in making the difficult decisions on where to reduce costs, my officials and I agreed that we would achieve our budget reductions through efficiency and less administration, as opposed to cutting services and programs. We have succeeded, Mr. Chairman. Of the \$21.8 million reduction in the ministry's budget over three years approximately \$16 million or 74 percent will be achieved through lower administration costs, greater efficiency in operations, and the elimination of duplication.

8:20

On the program side, Mr. Chairman, we have had to discontinue the energy efficiency audits, our energy efficiency publications program, and the energy efficiency toll-free telephone line. We are, however, now engaged in discussions to find private-sector or not-for-profit organizations who might be interested in delivering these or similar services. I want to be clear that the ministry's environmental affairs branch will continue to exist, and that part of the budget previously allocated to the energy efficiency branch has been transferred to it. As a ministry we will continue to do energy efficiency policy work. Our ongoing involvement in the clean air strategy for Alberta is not affected by budget cuts.

Our budget for research in 1994-95 has been reduced by \$2.2 million, primarily in coal and basic research in oil sands. However, please keep in mind that in 1994-95 our budget for research in the oil sands division is \$20.7 million, which is almost one-quarter of our total ministry budget. Over the next year we will be working with the coal industry to assess our ongoing contribution to coal research, and we will also engage in consultations with industry to look at oil sands research funding. We are a strong supporter of a co-operative and collaborative approach to oil sands research, Mr. Chairman. That is what industry wants, as is proven with the recent formation of CONRAD, the Canadian Oil Sands Network for Research and Development, of which we are a partner.

Funding for the southwest renewable energy initiative, better known as SWAREI, will end on schedule on March 31, 1994. However, the estimates provide funding for other renewable

energy activities. The SWAREI program, which was launched in 1989, has succeeded in meeting its goals of attracting private-sector investment in wind, solar, and small hydro renewable energy development. In fact, for every government dollar invested in the project, the private sector has invested \$12. It is an appropriate time, Mr. Chairman, for government to reduce the level of funding now that projects led by the private sector are up and running. Our continuing funding will be used to monitor these projects and to support the Renewable Energy Test Site and to privatize the information centre in Pincher Creek.

Mr. Chairman, this concludes my opening remarks. I look forward to both comments and questions. In the event that I cannot deal with all of the questions tonight, we will review the *Hansard* and provide written comments back to you in the next few weeks.

Thank you, Mr. Chairman.

MR. CHAIRMAN: The hon. Member for Calgary-West.

MR. DALLA-LONGA: Thank you, Mr. Chairman. It seems like only yesterday that we were debating last year's estimates. I'd like to start off by saying that the Department of Energy has been one of the departments within government that over the past six years has been relatively successful in controlling its expenditures. With regards to the last couple of years, the minister is to be congratulated for that and her people that still have jobs as well. I mean that in all sincerity. This department has reduced its expenditures from \$129 million per annum in '89-90 to a current budget of about \$93 million, and they're headed for something like \$73 million in '96-97, and it seems to have been done without a lot of grief. It's keeping in touch with the industry, and therefore I think it's a job well done.

Now, I'd like to start off by first asking some questions specifically to the estimates, and then I'd like to move on to my comments on the business plan. With regards to program 1, the estimate of \$22 million for the total department is down 6 percent from the previous year's comparable estimate but up 7 percent from '92-93. I was just wondering if the minister would explain why. It's on page 109 of the estimates.

My second question has to do with administrative support services, programs 1.2.1 and 1.3.2. Those departments are for \$153,000 and \$1,999,000. I was just wondering: why not consolidate these expenditures, while we're in the consolidating mood, under one single entity under vote 1 somewhere?

I'm going to go slowly on purpose just so you can get a chance to keep up. Program 1.2.4, mineral revenues information system, is a system which was established to collect royalties under natural gas simplification and was budgeted for \$5,089,000 in 1994-95, an increase over last year's forecast. Can the minister explain why we didn't spend all of the money which was authorized last year, the \$5.4 million? I was wondering if that might be because we were behind target or behind estimated completion. Can the minister provide an update on the MRIS in light of the implementation of the natural gas royalty simplification in January of '94?

Okay. Another sort of miscellaneous issue under vote 1 is: what's happening to the pilot project for low-productivity wells that was announced in May '93 but is yet to be implemented?

Can the minister provide a report on the progress on phase 2 of regulatory reform, and when can a report be made public relative to this initiative? I think somewhere in the past the minister talked about phase 3 royalty reform, which was sort of news to me. What initiatives are planned there?

Now, I just want to stop there for a minute and go to the budget, page 44. This isn't a big number. It's maybe \$10 million or \$20 million. If you look under the line of royalty tax credit, \$275 million for '94-95 – this being the old Auditor from way back. If we're going to have a 20 percent reduction in ARTC, and our revenues, just eyeballing it, look less than '93-94 – and I realize we have a bit of a shift; we've got three months – I guess I would have thought ARTC would have been lower. Maybe it is because we have nine months in this current year, and the ARTC was due to expire in December '94. Anyway, you might just want to confirm that.

8:30

Moving right along, I'd like to go to vote 6, or program 6, I guess we call them now, energy and utilities board. These two boards are due to be merged into a single agency. They had respective expenditures of \$3.3 million in '94-95, which is 4 percent and change lower than the previous year's actuals. Can the minister comment on what steps the department will be taking over the next year to meld or put the activities of the PUB and the ERCB together? It's my information that legislative changes may be required to put this merger into effect and that it may not be as smooth as it would appear, simply because the PUB and the ERCB are two different types of bodies. One is sort of consumer oriented, and the other one is sort of industry oriented. Can the minister indicate when a new chair for the Alberta energy and utilities board will be appointed? I guess we're going to have to start calling that the AEUB.

Now, my final question in this area. Given the report of the Alberta Tax Reform Commission on ensuring a competitive tax regime in Alberta, can the minister indicate what steps she will be taking to reduce the impact or the termination – this is a favourite issue here – of the provincial income tax rebate for privately owned utilities in Alberta? In other words, what are we going to do about the Alberta advantage there? That's the PUITTA – okay? – the rebate that's given currently only federally to investor-owned utilities. I've had a number of questions asked of me, and I'd like to know what's going to happen there.

Okay. I'd like to just go to the business plan. Now, I guess, you know, I'm reflecting on the Premier's comments. He said that these business plans were going to be the road maps to the future for the next three years. [interjection] The business plan, entitled A Better Way. I guess I have some comments about these road maps. I'm on page – that's another thing about these business plans: they're numbered kind of funny. The Treasurer isn't listening, but the next time we do business plans, you might want to number these a little bit better.

Now, I'm used to doing business plans in my previous life. I can recall that when the Minister of Energy and I were in university, we did sort of business plans; you know, those cash flows where you showed how you got from 1993, say, in this case, to 1997. I don't see that in here. I don't see the road map. All I see is sort of like targeted destinations. We're currently at \$93.1 million and our destination is \$73 million, but it doesn't show me the route to get there. In other words, I look at some of the other business plans – we're not here to talk about them, but this might even be one of the better ones, for that matter – and it's the same in all cases. If you take this report from the Alberta Veterinary Medical Association, now, that's a good plan.

We have to start off by saying: what was this plan set up for? It was set up to give information to the stakeholders. You know, when I did business plans, you'd give them to bankers and they'd know what they were for. Sure. If I look at this business plan – like, I guess a mission statement is relevant to a certain extent,

but how does it explain the road map; okay? If we look at the mandate, I think the first mandate of this business plan should have been: how are we going to get to \$73 million? That's what this business plan was for.

You know, as I looked at this business plan – I read through it several times – I realized that these business plans are actually quite versatile and multipurpose; they can be used for many purposes. I mean, I can take this business plan and substitute the department of agriculture in there, and it will work for that too. For example, if I take the mission statement, I just substitute: to ensure agricultural development will occur in an effective, orderly, and environmental manner. If I look at the mandate, it will apply to agriculture too: develop policy; delineate and dispose of agricultural property; regulate agricultural production practices and related sectors. I could just substitute oil and gas terminology with agricultural terminology, and the hon. minister of agriculture would have had his business plan done. I guess what I'm saying is that there are too many sort of "I wish this would happen" and "I wish that would happen" and "This is what we want to have happen," but there aren't any specifics.

I look at the three-year spending targets, which is good information, but it doesn't say how we're going to get there, and I think the Department of Energy has information as to how it's going to get there. When I look at this wonderful document called Alberta Turns the Corner on Balancing the Budget, it says in here, as the minister talked about before,

Discussions are . . . under way to privatize these programs. We're talking about energy audits.

The plan also calls for a refocusing of the Ministry's coal and oil sands research to meet a reduction in research funding of \$4.5 million.

So I think the numbers are known how to get to that \$73 million. I think the government has a target. It may not hit that target, but why isn't that in the business plan? I mean, to me that's a business plan, not this stuff like motherhood statements: goal number one, to "maximize the value of Alberta's energy and mineral industries to provide greater benefits to Albertans." You could substitute agriculture once again in there: maximize the value of Alberta's agricultural industry to provide greater benefits to Albertans. And off we go. It applies there too.

So I guess what I'm saying is that this business plan to me isn't the kind of business plan that I knew. It seems to me like what's happened here is some headings were given – actions, strategies, goals – and then somebody ran off and filled them in. The minister made reference that under goal number one there was a strategy to "develop a vision and action plan to develop Alberta's oil sands." So then under an action to achieve this strategy, we have: "Develop, in partnership with industry, a clear vision and focus for energy research to achieve Ministry goals" and so on. I mean, I don't know. I've never seen anything like this. Under actions: "Maintain attractive investment environment." How does this action help the strategies? I don't know.

If I could give an example under the actions – I'm on page 5 – it says:

Develop, in partnership with industry . . .

I read this one before.

. . . a clear vision and focus for energy research to achieve Ministry goals and provide future development opportunities. Emphasis to be placed on results that meet economic objectives.

So we're talking about energy research, and I presume that includes things like the upgrader and the oil sands. For example, in the case of the upgrader, the Auditor General has said: outline your objectives on this project, boys. How much are you going to spend? How much more money are you going to lose on this thing? What do you hope to get out of this? What's your return?

[Mr. Clegg in the Chair]

Another example is: "Eliminate tasks of lower value/importance." I can't help but believe that the minister knows what those lower value tasks are. Why wouldn't she put it in here? We need a little bit more how: how are these things going to be done? Where?

8:40

I guess an interesting comment – I go to page 10 under government operations, the government's role. This is in the appendix: "Oil and gas producers and associations will continually put pressure on the government to reduce royalties." I don't know how that's the government's role. What's that got to do with the government's role?

I'm not going to say any more about this. I just didn't find the business plan helped me find the targeted destination.

I do have a couple of specific questions on the business plan. Specifically, reference is made to ministry restructuring. I'll ask the specific questions that I would have thought would have been answers. "Further reductions are anticipated as the Ministry restructuring is implemented." What will be the nature of the future reductions in finance and administration, and how many additional staff will be impacted? I think we talked in here about some numbers, but maybe just a little bit more in the way of specifics.

Once again, on page 7 the business plan talks about "\$700,000 in reductions will be achieved through regulatory . . . [Mr. Dalla-Longa's speaking time expired] I was just about finished.

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

DR. PERCY: Thank you, Mr. Deputy Chairman. Madam Minister, I'd like to start off with questions related to vote 1. The first question is one of interest. I was fortunate to receive in a motion for a return today information on a revenue stream to '96-97, but it had no breakdown of royalty revenues. I know that vote 1 is where that type of activity is undertaken. Although there are forecasts in the budget for this year broken down between natural gas, et cetera, there is no breakdown for the years '95-96, '96-97. I was hoping that was available, just a disaggregation of that revenue data by energy source until '96-97.

In terms of an issue again related to vote 1, the Alberta royalty tax credit, the budget announced a reduction in the maximum benefit from \$2.5 million to \$2 million. No mention was made of whether the ARTC benefit is tied to reinvestment. Can the minister provide further information as to whether the restructured program is tied to the reinvestment option? [interjection] It is not? Okay. Thank you.

What steps has the minister taken to ensure that the new ARTC deals with the concerns that had been expressed by the Auditor General sometime back with respect to measuring whether the programs met stated goals and objectives? Particularly – this is in a sense an issue of benchmarking – what are the expectations of those programs, and have benchmarks been established relative to this program? As my colleague from Calgary-West suggested, some of the benchmarking material is qualitative rather than quantitative. Also, with regards to the ARTC: was it justified then? Are there underlying cost/benefit studies available to justify why it has been renewed, or was it just a matter of course?

With regards to vote 1 – I'm not sure exactly where this would arise. It might arise under vote 1; it might arise under vote 3. It deals with the issue of capital asset budgeting. There has been a

significant amount of work undertaken by the World Resources Institute and other groups in the United States on natural resource accounting, trying to set out sort of the stock or the value of the resource base and then depreciation or depletion of that resource base and basically factoring in long-term price trends. There is a paper, *Canadian Public Policy*, by Roger Smith that takes a preliminary cut at this. The reason I bring this up is that those types of calculations give you a far better idea of the net wealth of Alberta. This is one of the areas where it's reasonably easy to quantify the value of the resource base, at least crude oil. Natural gas I'm quite willing to believe is much more difficult: the issue of reserves, et cetera. But there is work out there, then, that suggests a way of looking at resource accounting and trying to have a set of natural resource accounts. To the extent that this is the epitome of a natural resource region, this type of work I think is very important. It's something that is not to be included in the budget as a capital asset item, because I think it's too tenuous. But in terms of providing an overview of the overall value of this resource base to Alberta and the sustainability of that revenue stream through time, it's very important. As I say, there is a stock of material out there that is very useful, and it would be interesting to see if the Department of Energy has looked at this, looked at the implications of it for trying to highlight the value of resources to Alberta in a more meaningful way other than the stock of reserves or what have you.

Under vote 3 I note that the estimate of \$7.197 million is an 18.5 percent reduction from the previous year's comparable estimate. This is a significant reduction in the operational heart of the department, particularly given the decision to merge the APMC into the department within this division within the next year. Can the minister explain how this \$1.7 million reduction will impact on the ability of energy policy to perform its varied activities? What performance criteria and benchmarks have been established by the minister to ensure that the industry receives an effective delivery of services?

Another issue that I would like to discuss, which really falls in vote 6, is the industrial transfer tax. CAPP has certainly expressed concerns about the industrial property transfer tax which is levied in improvement districts 14, 15, 17, 18, and 23. CAPP infers that it's costing the petroleum industry about \$5 million per year. What steps has the ministry taken to address these concerns or just at least to assess whether or not they're valid, their perspective of costs?

8:50

I, too, would like to turn to the business plans, because like my colleague from Calgary-West I was somewhat struck by the fact that there were not quantifiable outcomes or benchmarks. When I think of the Energy department, I mean, one of the functions of the various groups – energy policy in program 3 – is to forecast energy prices, natural gas prices, oil prices. There are certainly a variety of ways that you can assess whether or not the forecasts are reasonable. There are various measures of forecast error that you can make. It would be interesting just to have a benchmark to assess the forecasting ability of your department, not that heads should roll if they're out, because it's a high variance game, but it would be interesting to see how the policy group performs relative to the best guesses of the industry. Now, I'm sure that you have those estimates, and it would just be interesting. I certainly would like to see the forecast error and see who wins, who loses. I'm sure the Provincial Treasurer has a vested interest in this, as well. It would be interesting. That would be a quantifiable benchmark.

As well, you know, productivity gains from AOSTRA and others in terms of enhanced oil recovery, or cost reductions. We know what the cost is of a representative well. What estimates do we have of how we'd like to see those costs vary through time once we take into account various operational costs? What are the productivity gains that arise from the research that we undertake? What would we like to see occur? Again, I think those are quantifiable. At least, they're targets that can be striven for.

I guess what one sees when one looks at the performance measures in the business plan is that there are not a lot of quantifiable outcomes. Now, in part I realize that that's because this is an industry where much of the activity is determined either in the Gulf states or through exchange rate activity. I mean, a lot of external factors make it difficult to, say, look at how proven reserves will vary through time, because that's determined by these external factors. But again, in terms of trying to link, for example, some of the material we know from resource accounting to proven reserves, possible reserves, et cetera, surely there are links that can be used, benchmarking outcomes that we expect to see emerge in this industry through time. The way the business plan is set up, it's very, very departmentally specific as opposed to, sort of, the industry. The ministry does have some considerable influence on outcomes in that industry. It would be interesting to see what the ministry's expectations are of outcomes contingent on price or exchange rate. I think that's feasible.

I'd like to just run through some of the ones that are in there, because some of them – I mean, I've written stuff that's obscure, but some of the stuff here is obscure:

analyzing the amount of administrative resources (dollars/FTEs) provided relative to the value of dollars/FTEs allocated to non-administrative programs.

Well, what does this really measure? What is the outcome? What are we trying to get at with that? It is not clear. I could read a number of things into it, but in terms of a ready punch line, it's just not there for me. What is the predetermined benchmark? Even if we accept that as being reasonable, what is the predetermined benchmark that we'd like to see, and how would we like to see that benchmark change through the three-year period? That should be in the business plan, and it's not.

Another performance measure is

analyzing dollars recovered for each dollar of audit activity, as well as the effects of regulatory decisions on royalty income and producer net-backs.

Well, what is the predetermined benchmark in this area that will measure effectiveness? I mean, it's put in there, and it's sort of a throw-away line, but clearly you have some operational benchmark in mind. How will this vary through time as the department reorganizes? What's a reasonable benchmark? What is there is just the statement but none of the outcomes.

Another is: what measures will be developed to evaluate "reduced costs of regulatory compliance to industry and the removal of disincentives to industry?" I mean, that's a nice phrase, "removal of disincentives to industry," but how will you know where you're successful? Have you in a sense looked at the regulatory burden that presently exists? You have estimates, then, of the costs to producers. If that is the case, that's a quantifiable benchmark that can be in the business plan in terms of costs. One can track that, how it declines over a two- to three-year period, and it does provide, then, a measure of assessing the effectiveness of the department as it restructures and reorganizes.

Those will conclude my comments, Madam Minister.

MRS. BLACK: Mr. Chairman, I hope I've got all these. I'll start to respond to some of the questions that were asked.

The Member for Calgary-West . . .

AN HON. MEMBER: Why don't you wait until he comes back?

MRS. BLACK: Well, I'd like to answer some of the questions. He asked about an update on the MRIS program that shows up in the budget last year and again this year and wondered why the funds last year were not totally expended. Well, fortunately the cost was a little less than budgeted, so we came in a little bit under budget. The program is proceeding. As you know, many of the changes were implemented on January 1 of this year, and we'll be proceeding with that.

He also asked, Mr. Chairman, about the regulatory reform update that we've been going through. As you know, our Premier asked us last year to go through all of the regulations within our various ministries and agencies and review them to find out if in fact they were necessary, if they were appropriate today, if they were too cumbersome to be worked out by industry, if they were not, what could replace them, what was necessary, and what was missing. We've gone through an extensive process in my ministry where we went out to our regulatory bodies and asked them to do an internal review. In addition to that, we brought industry in to work on the regulatory review process, and we've had individual input come from industry into that process. Now we're at a point where we're feeding all of this together so that all of these regulations have been melded together that need to go back. We made a commitment to go back out to industry once the total list was compiled for them to review it and come back again with it. That's the stage we're at now: we're going back out to the industry players and the regulatory bodies for them to review those that have come forward, those that can be repealed, those that could be amended, those that could be merged together, and those that need to be updated.

At the same time, we had to be sure that our regulatory process through the Energy Resources Conservation Board was in fact in line and in sync with the Environmental Protection and Enhancement Act, that was passed two years ago, to make sure that our regulations were in fact compatible, and they are. So that process is ongoing.

I see regulatory review, quite frankly, as an ongoing process. As new techniques come in place, certainly you have to identify those in your regulations, but the regulations should be streamlined. They should not be cumbersome. For far too long we put a regulation in place, but we forgot to take the old one out. So we had all this cumbersome regulatory – I called it the criminal code of Alberta – buildup to where it was 12 inches thick, and half of it didn't mean a darn thing other than cost people money to go through a process. So to have effective, concise, clear regulations is the process to go through that is streamlined. The rules are known up front. There can be no question on them. That's our objective in this process: to streamline that so we don't have burdens on industry, so we don't have burdens on governments that are trying to process this.

The royalty reform. Again, we've gone through phase 2. We're into phase 3, where we're reviewing the mineral tax side of it again to simplify. The burden of filing royalties with the government was absolutely unforgivable, the amount of administrative burden faced not only the government but also the industry. It had to be streamlined, it had to be simplified, and it had to be brought into the perspective of: why would you spend all this money on G and A costs when you could far better be using those dollars to reinvest in the industry and do development? So the streamlining process has been going on actually now for the last two years. We're in the third phase of it, and it is going

quite smoothly. But it's a long process. We're taking a number of years again of buildup and unbundling that to bring it down to take those burdens away. This process, Mr. Chairman, should end up, once we get the new system all in place, we get all the processes changed – industry is directly involved with this; they're working with us along the way so that we have, again, compliance with them – we should be able to save industry \$25 million a year, and we should be able to save ourselves at least half that a year on straight administration. So it's a good process, and it's well under way.

9:00

The hon. member also asked about the merge of the ERCB and the PUB. A few weeks ago, Mr. Chairman, I announced that we would be creating the Alberta energy and utilities board. Again, it's a one-window approach to regulatory process. Both these boards are quasi-judicial boards, and that quasi-judicial nature must be preserved and in fact will be preserved. However, there's an opportunity to have an administrative sharing of costs. There is no point in having all these separate administrations all over the place when you can effectively merge some of the administrative side together. The quasi-judicial side must remain absolutely separate, and that's how this structuring is set up.

The hon. Member for Calgary-West asked about the position of the chair. We're in the process of writing a job description on that. We should have that finished probably this week or next week, and we will go to an advertisement for that position. It will be advertised, and hopefully we'll get a lot of interest in that position for the new chair.

The hon. Member for Calgary-West also asked about the electrical tax rebate, the federal side of it. It did stay; it was not taken out of the budget. We lobbied for that, as I know the members opposite did as well, Mr. Chairman, and we were pleased to see that it was there. The Alberta portion of that rebate was removed from our budget I believe about three years ago. So we're pleased to see that it's still there from the federal government and has not been removed.

Mr. Chairman, the hon. Member for Calgary-West commented on the business plan. When you go through a process of looking at critical fiscal realities that face a province, you have to start off with trying to first of all look at what it is you're supposed to be doing. So you develop a plan. In our ministry this was the first time ever that the five agencies and boards and the Department of Energy gathered together and actually sat down around a table and discussed what it was they were supposed to be doing. Clearly the message came out that we were to be developing and maximizing the development of the natural resources in this province on behalf of the people of Alberta in an environmentally friendly and orderly fashion. That was our mission. That is our mandate. We don't go out and physically do the work, but we want to see that development take place. So how do you do that? You have to figure out the mandate. Why do we have a keen interest in the oil sands? Why do we have a keen interest in seeing a fair electrical system? Why do we have all of these things? You start to develop a plan of your mission and your mandate.

What I found very odd was that this had not happened all along, that all of the agencies and the department had not sat before and discussed the future, the next step, on a collective and a collaborative approach. That had not been the case. They came together and started to share what we should be doing, asking some very difficult questions. Some of those questions are: is it the role of government to do this? If it is not, who is better suited to do it? Can it go to the private sector, or should it be in another department? Is some other department doing the same functional

responsibility and should it be turned over there, or should that function come back? All of those questions went around the table for a very long time. When we came down to looking at our plan, we thought: we have to set some clear priorities.

As we've identified in our plan, one of those priorities was to ensure that we have a focused approach to the development of our oil sands. Our future is in the oil sands, and if you've heard me talk at any time, I've often called it the jewel of Alberta. The development of that oil sands is the future. We had several bodies that had interests in the development of the oil sands; in addition to government bodies we had industry bodies. We brought them together and said: let's focus and refocus that vision and make sure that we're all working in the same direction so that we can go through in the next few years and direct our efforts in one focused vision for the future of that oil sands development; it's critical to the future of Alberta. We also said that we can't do it alone. Government should not try and be the sole developer of the oil sands. We must have commitment from industry, and industry was well prepared to come in and participate in that process.

That's why we developed in our plan, in our restructuring, the Energy Research Council. It's a voluntary process. It involves industry looking at types of research that can be applied and go into a commercial nature immediately, to give us a focus and direction, to work with us, plus a financial commitment. Government can't carry the whole burden of going into direct research. So that became a critical part of our business plan, looking forward to how we can best develop that resource in the future. Right now it was all over the place, so we brought it together.

We also said there had to be clear, concise directions for the industry. Policy was all over. Every group had policy. It had to be brought together, again so that everyone knew clearly what the policy of the government was for the development of this natural resource, keeping in mind how critically important our energy natural resources are to this province, what they really mean to this province. So those things became important.

Then we moved over to the other side of our plan, our strategic resources. Again, you don't need data bases in five different agencies, all different, no interconnect. You have to have a comprehensive data base development process so that you can draw upon the information from all different avenues so you can have the best information available to you. With technology today it was inconceivable that that had not occurred, and that was because of the isolation of the various groups. It wasn't because no one wanted it to occur; it's just that they were in isolation. So we brought that together and said, "Let's look at how we can develop a data base that will provide us with the best information available so that we can do things better in our forecasting, so that we can look at new techniques on a reservoir analysis, et cetera." That had to come back together.

Finally under our operations and support was to look at our financial end and our mineral development, our mineral accounting, and our financial support under that area. Those were how we pulled this together, but it was a critical part, and that's called a business plan. How do you bring that together? I know when we went to university, the hon. Member for Calgary-West, yeah, we had critical paths and we had simplex tableaux and things like that that got us through a process, but that's theory; this is reality. We can go back to those types of plans, but this was a reality of bringing together all of these different factors into one focus, one mission, a mandate, actions of how we get there, and critically, most important was that we realized that we had to do a functional rationalization within the ministry, which led to a full restructur-

ing of that ministry if we were going to achieve the original mission.

So when we got through it all, we came up with a business plan that gave us a focus, a vision, and an ability to provide an efficient and effective service to the people of Alberta in conjunction with a collaborative approach, working with our industries so we can provide them with this service. That's how our business plan evolved.

As we go along, as you know, business plans have to have dollars attached to them. We were able to take the dollars that we know today and – I've said it in speeches – we've projected a 23 percent reduction in our spending, but after we've restructured, in all likelihood it will be more. Today, for me to stand and tell you that number when I've only announced this restructuring two weeks ago and it's going to take me the next few months to do it, I can't give you that exact number. I wish I could. By the end of the day I think we will have probably the most efficient and effective ministry in all of North America, because we will have taken that disincentive out for industry, we'll have taken the burden out. We'll cut down the G and A cost, and we'll put the dollars into a focus for the development of this natural resource, which is the most critical part of the development in this province.

9:10

So that's sort of how we got to our plan. I'm pleased to talk about that development because what it did was bring a commitment from all of the players within my ministry, within our industry association groups, and with industry players who came together and brought forward this plan. I think they have a lot to be very proud of as they go through this.

The hon. Member for Edmonton-Whitemud talked about a paper by Roger Smith. If you have that, I'd love to have a copy of it. I know you're prepared to provide me with information every so often.

You talked about a reduction in the actual vote in the policy division. That came about with the discontinuance of the energy efficiency services; \$1.1 million came out of that area.

Forecasting. If you looked in the budget document – the economists always come up with this, and I always find it kind of amazing. I have nothing against economists, because they're wonderful people. Everybody needs them. [interjections] Well, they do, you know. You have to have them, like lawyers. You have to have lawyers and economists.

If you go to page 124 of Budget '94, this document, you'll notice that there's a survey of oil price forecasters. There are 18 forecasters listed here. The price that we came in with in our budget: 14 of them were higher, three were lower, and one was the same. They're all different. Every one of them is different.

If you go to the next page for gas, page 125, you can see – and these are all very reputable people that are professional in this – five were higher for gas and one was lower. When you're in a market-driven environment, to come up with a formula for pinning down a price forecast would be a very difficult scenario to come up with. There is no economic model available to predict market reactions and market fluctuations, because you've got too many external factors that play into it and too many technical corrections that occur throughout the year to the market to bring it in line. So it would be very difficult to develop a model on that. I wish I could. I could probably make millions of dollars if I could sell it.

I've looked back several times to see where things got off track. You get all these forecasts in; we get them every day. Every day we get numbers in, and they're always all different. So you're giving it your best. You take all of the factors, you feed them together, and you come up with the best scenario possible. As

you can see from the updates on the forecast that the Provincial Treasurer files every quarter, where we see a trend evolving, we're able to make an adjustment to that forecast and report back to the people in the quarterly forecast. So I think we're dealing with a reality situation that there isn't a model there that is perfect, but we're doing the very best we can on it and trying to look at it.

Insofar as productivity measures, well, I can say this. When I see an industry that has drilled over 7,000 wells this year, I'd say there must be something right. I don't say it's strictly because of government policy. I think it's because of an environment that is attractive for that kind of development. Whether it be through lower interest rates, higher gas prices, investment opportunities, an attractive royalty regime and attractive corporate tax regime in this province, all of those factors lead to opportunities. The role of government is to create that framework as best it can so that investment is attracted into this province so that development occurs. That to me is the measurement we should be looking for: to make sure we have the very best regime in place to attract that investment so the development of this natural resource takes place. If that occurs, then you'll see what happened this year, where there's an increase in land sales. People do not go out and buy land just because it's a nice thing to do. They go out and invest in land because they feel there's a future, there's a potential there for the development of the resource. So those are areas of measurement, but if you're asking the government to go out and start drilling wells, we're not going to do that. We're not in that business.

If you look at how we can have an attractive investment regime, you just have to look at what we've had this last year: over \$5 billion of investment came into this industry for development. Five billion dollars: we haven't had a year like that for a very, very long time. We haven't had the drilling activity. We haven't had the land sale interest. It's a record year in 1993. So those things I think measure the productivity.

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

MR. N. TAYLOR: Thank you, Mr. Chairman. First I'd like to congratulate the minister. She appears to be doing some interesting cuts and some long-awaited changes in the Department of Energy. My comments today will be more not in criticism but maybe some suggestions and questions. I'm going to jump all over, so I hope your little gnomes are right on their toes, because I won't be sticking to any real pattern.

I was curious about the third tier royalties that the Premier keeps talking about and I think the one-year holiday on royalty holidays. It's run out on development wells, but I'm not quite clear if you have any plans on the wildcat wells.

Leaping along, I do disagree with the Public Utilities Board being rolled in with the ERCB. The ERCB, in spite of the rather intriguing name of being a conservation board, is really an exploitation board. They do a good job to see that Alberta gets the most and the government gets the most out of its oil and gas and other assets, but the PUB is to see that the public doesn't get shafted, and I would think it would have been better to have merged that in with something like the Minister of Justice's department or with the Securities Commission or something like that. In other words, it's job is to police and act on the side of consumers.

You've got to remember that the PUB was set up by the Liberals many years ago, in the '20s, – yes, Virginia, we did have a Liberal government at one time – after the railroad days, and it was really quasi-judicial in that way in that it was set up for a 10-year term of office with a fixed number of judges and fixed

salaries. That stayed that way till the Tories in the early '70s. Mr. Loughheed wasn't quite happy with just how they were handling things, and he wanted to juggle things around a bit. So Alberta Power and a few others, that great horse owner down to the south and local Albertans all got involved in the energy business. He made the first change in it whereby they held tenure, not in set times anymore but at the mercy of the Lieutenant Governor in Council. Also the pay was very back and forth. So in effect, much like Roosevelt years ago stuffed the Supreme Court in the United States, this government stuffed the PUB way back in the early '70s. When I say stuffed, I mean oriented in such a way so it would give decisions that the government would like.

Then the PUB here two years ago, under the former Minister of Energy, Mr. Orman, was rolled in as a department of the Department of Energy, and that definitely is a case of going all the way. At one time they were on Robin Hood's side; now they're in with the sheriff of Nottingham. They've gone all the way over to exploiting the public. The PUB was originally designed to be a Robin Hood and look after the public's will, and I'm just sorry at its demise. I suppose to the extent that it really disappears is a good thing because the public will demand sometime in the next couple of years that they do have a consumer advocate. We'll have to put another name on it, but right now as a consumer advocate it's gone.

I'd also like to ask the minister – you had a pilot project for low-productivity gas wells that there's been a thundering silence on lately for some reason or another. Has this died or something? It was a good idea. As a matter of fact, I think the reason it was a good idea is that I suggested it a couple of years ago, and I was fairly proud of the fact that the government had finally woken up and was going to do it. Now they're changing their minds and getting cold feet. While you're on it, I don't see why you don't do the same thing on low-productivity oil wells, which basically to the uninformed was rather than sitting there filling out forms and everything else when a well got into a declining stage, you could negotiate a deal with the government and buy out the royalty. One cash payment and then you'd be through with any more paperwork as it goes on. It was a good deal for the government. It gave it a chunk of cash. It was a good deal for the operator. Some of my wells are that way. I didn't intend it that way. It's probably more trouble to fill in the pages and send in the forms than it is to pay one lump sum and get it over with.

9:20

While we're on that, it bothers me a bit that you said that the government is going to have private enterprise sell the oil. I don't know how the government can take so much credit for virtue. You are the ones that screwed it up in the first place. Private enterprise always did sell the oil. It was only a few years ago that the Tories decided that they would form their Petroleum Marketing Commission and put some more people on it. They were going to sell it and do some wonderful things. I like the fact that you're making virtue out of the fact that you made a mistake and decided to go back the way you were in the first place. Now, we've got to give you credit anyhow for having the gall to be able to go back to where you were in the first place and announce it as a wonderful new thing. Actually, operators have been selling the government or the landowners' share of the royalty since God was a choirboy. Suddenly for the government to come out and announce that they're going ahead and doing it is rather amazing to me because they were the ones that beggared it up in the first place. So it's nice to see them back doing things normally.

While we're on that, I think the minister should be aware that the calculation of treating gas hasn't changed for nearly 50 years. They still use what they call the Jumpingpound formula. What bothers me a bit is that the operators themselves are now owning the gas plants that do the treating. At one time treating of gas was done by a third party entirely so the government could feel that the operator was getting paid just as much for cleaning up gas before they sold it as the government, but now when the operators in conjunction with each other clean up the gas, I would think the government should take a very, very close look to make sure that the operators aren't making as much money or more money out of cleaning up the gas than they are producing it.

A short shot in here as to the ARTC benefit. I know you've cut it by 20 percent. That's all right – I don't think any oilman is complaining too vociferously about it – but I think the minister should have considered tying it maybe to a reinvestment option. In other words, if you want to get royalty tax credits, you have to show that you're spending the money back in Alberta; in other words, make sure it's recycled back into the oil industry. I think that's been left out and may be something you should look at. I'm going to have a heck of a time getting a free meal in the Petroleum Club after this is all over, Mr. Chairman. I'll put in a couple of plugs for the oil industry as I get a chance to get on down.

I would like a report when your gnomes get a chance – it's usually about six months later when they get a chance to file a report – on how many acres are in diamond prospects. I just want to know roughly. I think diamond claims are under your department, and I was a little curious as to how much land is at it and what money. I'm not talking about engagements.

MR. DEPUTY CHAIRMAN: Excuse me, hon. member. Could we have just a little more quiet? It's okay to talk, but just be quiet, please.

MR. N. TAYLOR: I might mention, Mr. Chairman, that some are breaking the rules set by the Chairman. You're supposed to have a chair, apparently, in committee stage, not stand up. Mind you, the Member for Peace River is notably one of the quietest men in the committee. I hate to bring it up, but maybe it's a good time to bring it up. As a point of order you might read the issue that he's supposed to be sitting in a chair, not standing up.

MR. DEPUTY CHAIRMAN: I agree with you, hon. member. The hon. Member for Peace River is my neighbour, and we are the quietest two in the House.

Please be quiet.

MR. N. TAYLOR: Actually, if he's looking for a seat, I was going to suggest that he'd be better off in yours than you are, Mr. Chairman.

I'm a little bothered, Mr. Chairman, wheeling along here, by the minister's countenancing the minister of the environment on setting up a tax system on energy. It's setting up an environmental tax on renewable energy. Now, that to me is the door to a carbon tax. Don't forget this is the same government that said that there would be no water tax. The Premier was down in Lethbridge and said three months ago that there'd be no water tax. Now there's a water tax. The minister has said that there'd be no carbon tax. The Premier has said no carbon tax, but they've announced a tax, page 9 in the budget speech given by the Treasurer, two-thirds of the way down on the right-hand side. That's a tax on energy in order to clean up the environment, in order to look after environmental cleanliness. I don't blame you,

Madam Minister, but before you tear out his innards, wait till I finish, and I'll give you some more to go after him on, because I don't think he checked that with you.

SOME HON. MEMBERS: Carbon tax?

MR. N. TAYLOR: The hon. Treasurer has been playing around with a carbon tax, but he's calling it something else, yeah. Oh, he's a sneaky rascal if there ever was one, Mr. Chairman.

Oil sands. You're saying that you're cutting the amount of money you put into oil sands research, that you're backing up. It's always bothered me, even back when we were rich as all dickens, that we were putting money into oil sands research, because after all, under these laws that you've set up, the major companies are the only ones benefiting out of oil sands research, I mean as far as taking the oil out of the ground. I'll touch on that later. It's almost impossible for a small company to get into the oil sands. In fact, the Alberta government has a rule and Syncrude has a rule that you can't sell an interest I believe smaller than 5 percent. In other words, if the little oil company on the Alberta Stock Exchange wanted to buy an interest in a tar sand project, they couldn't do it.

AN HON. MEMBER: Like Softrock?

MR. N. TAYLOR: Softrock would be an idea, sure. A little struggling company like Softrock, with a bunch of brilliant people behind it, wouldn't even get a chance to buy into the tar sands.

One of the things that bothers me with the money that we put into tar sands research – you say that we do it in partnership. Well, you've got to remember that every major company that puts a million dollars or \$500 million into research writes it off against income tax. They're only paying half of it anyhow. The taxpayer pays half of an oil company's research – a profitable oil company's research anyhow – through the Income Tax Act. So to give him a cash bonus on top of that is unnecessarily gilding the lily. Also, if free enterprise is as big, free, and hairy chested as they say they are, I don't think government needs to be giving them money to go out and research tar sands.

I'm going to suggest two things on tar sands. One, I don't think you have to keep spending the kind of money you're doing to get Standard of Indiana, Standard of New Jersey, Standard of California, Shell, and all the seven big sisters to spend money. If it's any good, they'll spend it, because they're going to get half the money back anyhow from income tax. The other thing that's wrong is that in other major areas of the world that I've operated in, small companies can get in. The British, for instance, don't have a rule like you have in the Syncrude area that you have to have 4 or 5 percent. You can get in on a tenth of 1 percent. In other words, consortiums can be put together by local companies in Great Britain to look for oil in the North sea, which is maybe not quite as expensive as the tar sands but darn near. I think you should be looking at some sort of system where native Albertans and small Alberta companies could participate in the tar sands. Right now it's almost impossible.

Also, Mr. Chairman, what's the minister doing about cleaning up the tailings ponds? They're getting bigger and bigger and bigger and bigger. I think there have been companies on an environmental cleanup basis that have gone to work and that want to try to clean up the tailings ponds. As an old mining engineer I can tell you that cleaning up tailings is just something that goes on every year. I mean, the first round when you take out a mine and you put a bunch of tailings, you get so much of the gold out or so much of the silver or whatever it is. If you go back in 25

years, you can do it over and over again. Now, we've had tailings ponds there created now for over 35 years, and nobody's gone back in there. I think there are methods that can be used to look at cleaning them up, recovering some more oil. I also question the whole fact that we have not done more to make sure that this was environmentally sound.

9:30

Okay; keep your roller skates on. I've jumped all the way from McMurray down to Sarnia. My calculation of what that pipeline is putting through from Sarnia to Montreal now runs around 30,000 barrels a day, on which the government of Alberta is losing about a dollar per barrel, which means about \$100 million a year that you're losing by trying to keep on to the Montreal market competing against North sea oil. Most of Montreal is North sea. I know you answer the letter each year I ask. I think the little gnomes did very well last time. They got closer to the fact than they did the time before. I'd like to know, again, what it is costing the Alberta taxpayer to hold on to the Montreal market in this great free enterprise era.

How am I doing for time? [interjection] Four minutes, eh? In about four minutes I could bring down a government.

The other area that bothers me – and this is something maybe my agricultural critic friend will touch on, my cohort from Lethbridge-East. You know, Madam Minister, believe it or not – you can ask your minister from Peace River, the canola king – they can put canola oil through those old John Deeres now and do pretty well. In other words, you don't always have to get hydrocarbons out from underneath the ground with a lot of sulphur and smell and everything else. You say that you're in charge of energy and energy research, but nowhere from cover to cover in all this gobbledygook do you mention a breath about research into renewable sources, vegetable and biotechnical revolutions as is happening in vegetable oils. Even the Germans, the Japanese, and many others are experimenting with that.

Now, if you want to spend money experimenting, that would be the area, because farmers don't get a 50 percent write-off like Esso and Standard of Indiana and Shell and anything else. If you really wanted to spend money, you'd be trying to figure out how to burn canola oil so that we'd have the fragrant smell in downtown Edmonton of nothing but french fries, which would be all right. That'd be a lot better than the carbon monoxide smell as you go whistling through downtown. I think that if you're going to research something, let's research something that's some good, because we do produce it.

I'd like to touch in the last minute or two on security of supply. That doesn't appear anywhere in the objects of your plan, yet there are small towns and farmers out there worrying about having their price of gas tied to what the California burner tip or refrigerator tip is. That's the first thing.

Secondly, how about another OPEC breakdown? Why aren't we looking and talking more about a North American oil price on the whole thing, where we'd put a tariff on oil? If it comes in under a certain price, it would be tarified, so we could have a basis on which long-term investment people could go ahead in tar sands and oil shales and all the rest, canola oil plants and so on. Right now we have the international oil price being manipulated by OPEC up and down like – oh, I don't know – the federal Tory party's fortunes, going up and down all the time, yet we could put in a North American policy that would stabilize pricing, and the consumer would be better off in the long run.

There's also in my mind a bit of a worry that if we're going to pricing, selling our oil and selling our gas, which I think I agree with, with the producer selling it, the operator selling it and

paying the government – oh, by the way, that leads to a second question. I hope you're going to allow the operator to sell oil and gas and not some friends that are wearing blue and orange underwear to take over the private contract of selling the oil on behalf of the government. In other words, if you're selling the royalty share, I hope you allow the operators to sell it rather than some independent private company that comes in and bids for the government share and sells the government share. In other words, I hope we're not going to introduce a new seller in this whole setup. If oil and gas is not sold by the government, their oil share, I hope it's done by the operator, not by a third party entirely. That's another question.

Back to security of supply. I'd be interested in what the minister – and I'll sit down now – answers on how you guarantee supply to some of these small towns that may have been promised they had all the gas in the world, and the gas company doesn't deliver.

MR. DUNFORD: Mr. Chairman, I find myself at a distinct disadvantage at this particular point in time. One is that I have to follow the Member for Redwater. I really cannot be an orator of his particular class, so I just hate it when I follow him. Now I'm burdened by the fact that the Member for Calgary-Shaw has just sat down beside me. How am I possibly going to be able to concentrate in this particular situation? I've set myself up now; haven't I? Because I don't want to be compared unfavourably with the Member for Redwater, I'll try and be as brief as I can in order that there's less time to have the evaluation.

I want to add a positive note to this evening's affairs just beyond what the minister had to say. I want to start out by congratulating the minister for the job she is doing in the portfolio of Energy. I am particularly appreciative of the fact that in her forecast we see now a planned reduction of 7.1 percent from our '92-93 actual. As I look at the three-year plans, I see that we're on target for a reduction of 23 percent. That of course is meeting the targets that have been set out by this government, and I think you're to be congratulated.

A couple of other reasons I want to show my appreciation, Madam Minister. Whenever I've had to come to your office with a particular question or phone you or your staff, you've been very responsive in getting back to us in a clear and direct way. This always helps then of course to get back to the constituents. The second one is that on very, very short notice you did come to Lethbridge to help me out of a situation there regarding some discussions about EEMA, and I again want to thank you for that.

So I don't have any particular questions this evening, but I just want to have a couple of comments, then, that would go on record. You may want to refer to them. Again, as a member from the south and specifically from Lethbridge-West, I cannot resist the opportunity to bring EEMA into the record. I know that there'll be ongoing discussions now and there'll be ongoing discussions in the future, but I just want to impress upon the minister and the staff that is here in the House in the members' gallery tonight that this is a very serious situation for the southern region of our province. I know that we don't want to get into a situation whereby there is gain for us at a loss for any other particular area, but there has to be some way in which to come to a resolution of this particular situation. Certainly there are many, many opportunities as I circulate throughout the constituency of Lethbridge-West when people will want to engage in a discussion of what is happening with EEMA.

The other area, I note in the estimates – and I quickly glanced also at the estimate for the heritage savings trust fund – that wind energy seems to have ground to a halt in terms of funding. I

don't want to argue against that. I think that in the times we're facing, it would be very difficult for me in the opportunities that I have in perhaps dealing with single mothers as they talk about how they're going to get through the restructuring that's going on in this particular province – I wouldn't feel well, then, if I stood in the House and tried to urge diverting some money. There is a critical mass of knowledge now that has been gained with that project down there. I would certainly encourage yourself as minister and the department to be very receptive should joint venture opportunities come along or some method, then, in sharing some of that knowledge with the private sector. I'm sure you'll continue to co-operate in that area.

Once again: a good job.

9:40

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

MR. GERMAIN: Thank you very much, Mr. Chairman. It would in fact be a fitting and appropriate recognition this evening if we again reminded ourselves that we started the estimate, supply debate with discussions about energy. Particularly living in the part of the province that I live in, which is the northeast and which is the home of the Athabasca oil sands, energy is a very important topic to the people who live in Fort McMurray. Therefore, I think you will appreciate that there was some collective enthusiasm when in the Department of Energy's first business plan, frail and fragile as it may be interpreted to be and, by the minister's own admission, subject to improvement and refinement, there was much mention about the jewel that we consider the oil sands. The industry of course wants to remind the minister that a good jewel should be polished, and we should continue to remind ourselves of that analogy and never slip into the analogy of the goose laying the golden eggs and what happened to that goose.

Now, I believe, Madam Minister, and you'll be able to confirm that the oil sands task force report is due to be released some time this year. I'm seeking confirmation from the minister that when that report is released, the minister will share that report with the Members of this Legislative Assembly.

Against that backdrop, Madam Minister, we notice that in program 4.1.2, oil sands policy development, in which I give meaning to the word policy in its plain English meaning, there is about \$300,000 more being spent on policy this year relating to the oil sands than in previous years. It would seem to me that the minister has already articulated the policy, and that is that the policy in Alberta is that the development of the oil sands and the encouragement of the development of the oil sands by the government will indeed mean jobs, jobs, jobs for Albertans, and that these will be high-quality, high-paying jobs that will add to the economic well-being of this province. These will not be secondary industry jobs. These will not be second-income jobs. Oil sands jobs are good, solid, primary-earning jobs. Many individuals working in the oil sands industry will earn incomes that those of us serving in the Legislative Assembly might only dream of. Those are good jobs, and those are taxpayers taking those jobs and paying those taxes.

Now, I want to talk about the value of research. In the course of the minister's budget she is committing to a certain amount of oil sands research, but there will be argument and debate as to whether more money must be spent in research on the basis that it takes a certain amount of money to make money. The Suncor example is very instructional, Mr. Chairman, at this point. When Suncor started their initial plant in the Fort McMurray area, they were the true pioneer of this oil sands technology. It would have

cost them about \$60 a barrel to produce the oil, adjusting for 1993 dollars. That cost is now down to approximately \$15 in the same 1993 dollars. That represents a 400 percent decrease in the value of the production costs of a barrel of synthetic crude from the oil sands.

Now, against that backdrop, Madam Minister, there is another issue that is of some concern in the Fort McMurray area, and that is the issue of the Underground Test Facility, one of the projects of AOSTRA. Now, the Underground Test Facility is a project that received a certain amount of attention in the last Auditor General's report. There was some suggestion in the Auditor General's report that accounting and reporting criteria should be tightened up, and indeed, those criteria were tightened up. The government in their budget documents acknowledges that this process must be improved. We must be ever mindful that the Underground Test Facility project is a very, very useful project in terms of technological research that allows the government and allows the industry to harvest the deeper located oil sands that will not be harvestable from open-strip mining. [interjections] I recognize that the Minister of Municipal Affairs is anxious to engage in the debate, but my commentary to the House this evening is that the AOSTRA Underground Test Facility project seems to be so close to bearing fruition that it would be a shame if this project that is producing 1,900 barrels a day would be in some way scrapped or in some way canceled if a private-enterprise developer does not come forward to take over this project. Remember that this is a project to which the government, whether rightly or wrongly, is now committed. This is not a new project. This is not a new undertaking. The government is committed to this project, and the project is producing as well as can be expected.

[Mr. Tannas in the Chair]

In addition, Madam Minister, you will know but the Assembly may have not appreciated that the project, the Underground Test Facility project near Syncrude, creates about 1,900 barrels of crude a day which is refined at the Syncrude plant and thereby improves the profitability of Syncrude, which in turn improves the profitability of the government's interest in Syncrude. The government's interest in Syncrude has been increasing in profitability, as the two recent sales have indicated, the most recent sale being at a somewhat better price than the first sale, which then leads me to the possible commentary in this Assembly that it may be time, given that there's a bit of a frenzy in terms of stocks and in terms of the purchase of Canadian equities - there may be an opportunity for the government to reassess whether or not working with the Syncrude partners they could form a form of consortium that would allow them to in turn sell off some parts of Syncrude to the moms and pops of the province of Alberta who want to put their money on the table to ensure the future of oil sands development in this province. Now, I recognize that the contractual agreements do not permit this yet, and I recognize that the government as a participant is committed to the contribution of the future Syncrude developments, but there may be an opportunity for us to bring some of the Albertans in a small way into this particular project.

I would like to also mention to the Assembly, because I think it is important for the Assembly to understand, that there is an extensive amount of value-added work that is going to be created in the Syncrude project in the foreseeable future if the regulatory scheme and the environment and the royalty collection process remain attractive to it. The minister is quite appropriate and doing justice to the oil sands when she talks about this as being the jewel of Alberta. I mean, I could list some of those advan-

tages now, but time is running out, and I won't do that. Suffice to say that if Syncrude continues to be encouraged to develop their objectives and their plans, the players in that organization will contribute \$775 million to the well-being of this province in terms of capital structure in the next few years. That again does create jobs. You know, Mr. Chairman, it creates jobs down in Lethbridge. It creates jobs in Pincher Creek. It creates jobs down in Drumheller. When we speak of job creation in the Athabasca tar sands, we speak of job creation across the length and breadth of this province, and anything that the minister can do to encourage the continued forward motion of those oil sands plants in the north is appreciated by those people who live in Fort McMurray.

I had numerous questions to ask of the minister, Mr. Chairman, but given the time of the day I will hold those to another day and wait for an opportunity after the minister has responded.

9:50

MR. CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Thank you very much, Mr. Chairman. I'd like to make a few comments briefly on the UTF, and I'm pleased that the hon. Member for Fort McMurray has raised the UTF. For a number of years AOSTRA has led the development on the UTF, the Underground Test Facility, up in the oil sands area and has been in partnership with many industry groups for the development of the UTF. For those of you that have not been there, I would suggest that you make a trip up to Fort McMurray and go through this facility. It is phenomenally brilliant and a marvelous experience to go through. You go 400 feet below ground in a mine shaft, and you can watch them drill from below the limestone up into the sands and see the development that has taken place.

The involvement from the industry players has been a real plus for this testing facility. In fact, last year we made a move and invited the partners to become more involved in their participation in the facility. If that happens, that is fine, because we have a commitment to the development in the oil sands and we also recognize the critical importance of the development of these projects.

When it comes to the development in research, we have been a major player and recognized worldwide for the development that has occurred through AOSTRA initiatives and through other research components in this industry. There isn't another group that has done more than what the Department of Energy and its agencies have done and been recognized worldwide. I think probably the only people that don't recognize that are the people in our own backyard, which is quite often the case. We've got an awful lot to be proud of in the type of technologies that have come forward from our local development.

I'd like to also say that while we may have focused and dwelt on the oil sands development as a feature and the future, in my opening comments I made reference to the renewable sources of energy that we have had, the experience of being involved. The Member for Lethbridge-West brought it up and the Member for Redwater brought it up. We have had an experience, a very successful experience of looking at alternative means of energy development. We've been in a program through the SWAREI program to look at wind, hydro, and solar for the last while.

MR. N. TAYLOR: And canola oil.

MRS. BLACK: Now, the hon. Member for Redwater has brought up canola oil. I have to admit that we haven't looked at canola oil, but I think there comes a time when you have to. It's

like the birds leaving the nest: once the private sector gets involved and takes the lead, let them evolve, let it develop. They don't need government in the way. It's not government's role to be in that business. We can nurture a concept and carry it through, and then you have to know when it's time to get out. You carry it along, then let it evolve on its own. If it is economically sound, it will in fact develop. It's like the canola. If the canola concept is economically sound and viable, then industry or individuals will in fact go out and develop it.

I'd like to also say that my department is not the only area that gets involved in research. Through co-operation with our universities, who have been very much involved in the energy development research, and through our Alberta Research Council we have a variety of research components that do take place. I don't think the canola would fit in with what we have in mind.

The hon. Member for Lethbridge-West also mentioned an update on EEMA, which I'm surprised no one else brought up. A few weeks ago I had the privilege, Mr. Chairman, of having a meeting with the mayors from many of the municipalities and from the rural improvement districts. Representatives were here from the major centres and the smaller centres to talk about a topic that is near and dear to all of us: EEMA. Last year I'd gone through a process, as you know, of working with the stakeholder groups from the industry side to come to a consensus-building process on what we should be looking forward to in the future in our electrical sector.

I made a commitment last year that I would not proceed with something that was not right, and I still hold to that. I have to say, some of the discussions again were like the Hatfields and the McCoys, people looking at vested sides. I made it perfectly clear that there were two basic principles that had to be involved in an electrical policy in this province: one was efficiency of the system, and the second had to be fairness. Those were the original starting principles that must be there in any electrical policy that comes forward. We had a commitment from the mayors and the representatives from the improvement districts that they would come back and take those principles and work together from north, south, east, and west, sit down and be a part of the process. It was critical to have them come onside. So that is something that has been drawn out; it's a long, long process. I personally would like to be able to say to you that it is all over with, but I cannot in all honesty tell you that, nor will I. But I will say this: I will not come forward with a policy that does not have fairness and efficiency built into it. So that's sort of the general update.

The hon. Member for Redwater had several questions. He asked one about the royalty holiday on exploratory wells. That's a permanent holiday that was put in place. The development holiday expired last summer, and nothing's been brought back on that. The exploratory holiday was a permanent holiday, and that is still there.

He disagrees with the PUB/ERCB. I don't understand how that could possibly be. Here are two bodies: one that looks at the facility; one that looks at the rates. There's an opportunity for them to work together, to have joint hearings, to share ideas of facility development and costs to the consumer. Within the structure you would still have individual hearings – one for the monopolies, one for the oil and gas sector – but you have an opportunity to have a one-window approach. You don't have to go out and hire a bunch of lawyers to go through one regulatory process for the facility development and then another process to go through the rate tariff fee. You have an opportunity to bring it together right up front and streamline the process. I think that if you look at the framework of the structure at the end of the day, you'll be very pleased with this process.

You asked me about security of supply. The only people that bring up the question of security of supply are the Liberals, and I just don't understand that. How can you ask about security of supply . . .

MR. N. TAYLOR: That's why you're a Tory and I'm a Liberal.

MRS. BLACK: Well, I know that's why you're a Liberal and I'm a Tory, because when you sit there and you realize that you've got 300 billion barrels of the most beautiful, beautiful, top-grade crude sitting up in those oil sands, you could supply all of North America with their crude supply. You've got more crude sitting there than you have in all of Saudi Arabia. How anybody could question security of supply is absolutely beyond me. The only ones that ever bring it up are the Liberals, and I have no idea why.

Same with the gas, when you look at 110 trillion cubic feet of gas sitting in your own backyard, and you can supply all of it. Somebody who's sitting in Nova Scotia wants to develop 5 trillion cubic feet, and we've got 110 trillion cubic feet sitting here. How can you worry about supply when we haven't even got into coal seam gas yet? But it's always the Liberals who bring up this scare tactic that sends a message through the markets, and they all phone. We get a hundred calls, and they say, "Are you running out of supplies?" Of course we're not running out of supplies. We've got enough supply for all of North America. So I've never understood why you do that. Don't bring that one up again, Redwater.

I think, Mr. Chairman, I've pretty well gone through the basic themes of all . . .

MR. N. TAYLOR: Small investors in the tar sands. Alberta small investors in the tar sands.

MRS. BLACK: Oh, small investors . . .

MR. CHAIRMAN: Through the Chair, please.

10:00

MRS. BLACK: There was a question, Mr. Chairman, on small investors going into the oil sands. That's a good question. The problem you have is that there was a decision made, I believe at the board level of Syncrude, that they would prefer to have someone take a 5 percent interest. The reason for that is a very good reason. When you look at what the cost is on the capitalization to go in and do further development in Syncrude or in Suncor or any of those major plant facilities, then you've got to have someone at the table who can afford to put up their share. When you look at the next stage and the next stage of what capital is going to be required, someone with a 1 percent interest isn't going to necessarily have the dollars to put on the table for that development. So that's why they've put sort of a 5 percent line on that kind of partnership arrangement.

The hon. Member for Fort McMurray talked about the Sun Oil days. I can remember the plant expansions that went on when I was working for Sun Oil – back in those days it was Great Canadian Oil Sands – and the hundreds and hundreds of thousands of dollars that were poured into that development and, I might say, without the government involved. It was private-sector money that went in there to develop it originally. The commitment that that company made to a vision to develop that oil sands was unbelievable, Mr. Chairman. So that's why it doesn't happen.

Mr. Chairman, I'd like to close now, for the evening, on the estimates. Therefore, I would move to adjourn for the evening.

MR. CHAIRMAN: All right. The hon. Minister of Energy has moved that the committee do now adjourn debate and rise and report.

[Motion carried]

[Mr. Clegg in the Chair]

MR. TANNAS: 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. Speaker, I wish to table a copy of the motion agreed to in Committee of Supply this day under Standing Order 56(2), establishing the designated supply subcommittees.

MR. ACTING DEPUTY SPEAKER: All in favour of the report and the motion?

HON. MEMBERS: Agreed.

MR. ACTING DEPUTY SPEAKER: Opposed, if any? Carried.

[At 10:05 p.m. the Assembly adjourned to Tuesday at 1:30 p.m.]