

Legislative Assembly of Alberta

Title: **Tuesday, March 22, 1994**

8:00 p.m.

Date: 94/03/22

head: **Committee of Supply**

[Mr. Tannas in the Chair]

MR. CHAIRMAN: I'd call the committee to order. Hon. members are reminded that this is a Committee of Supply not a standing committee. Right now I have more standing than I have sitting.

Before we begin Committee of Supply, I would ask for unanimous consent to revert to Introduction of Guests. All those in favour please say aye.

HON. MEMBERS: Aye.

MR. CHAIRMAN: Those opposed, please say no.

The hon. Member for Edmonton-Norwood.

head: **Introduction of Guests**

MR. BENIUK: Thank you, Mr. Chairman. I'd like to introduce to you and through you to this Assembly a number of cadets from the 180-20th Field Artillery Regiment, Royal Canadian Army Cadet Corps. They are accompanied by their commanding officer, Capt. Gowin, also Capt. Parsonage, 2nd Lieut. Forsythe, and parents, Mrs. J. Beliveau, and Mr. and Mrs. Sanchez. I would ask that they all rise and receive the warm welcome of this House.

head: **Main Estimates 1994-95**

Energy

MR. CHAIRMAN: This evening the committee is reminded we're in Committee of Supply having consideration of the estimates for the Department of Energy. For the benefit of those in the galleries, we would mention that committee is the less formal part of the Legislative Assembly. Members are permitted to take off their jackets, to have coffee or juice at their desks and indeed are able to move quietly about the Chamber. Although the Chair always hesitates to say this part, they are allowed to converse in whispers to one another, and members can move back and forth across the House. So it's the informal session. It's our custom to ask the minister, when she's not bothered, to make a few opening comments, and then we begin debate and questions on the estimates.

I call upon the hon. Minister of Energy.

MRS. BLACK: Thank you very much, Mr. Chairman. It is, indeed, a pleasure to be back again this evening to appear before the committee and discuss the estimates of the Ministry of Energy. When I was last here I think I probably expounded a little bit on the importance of this industry, as to what it means to the province of Alberta and to the government of Alberta insofar as being one of the major revenue sources for this province and consequently for the people of Alberta. We are, in fact, the people charged with the responsibility to ensure that this industry is developed in a very appropriate fashion, which is to utilize our natural resources to the fullest potential but also in a very orderly and environmentally friendly way.

Mr. Chairman, rather than getting into a lengthy description of the contributions of the ministry to the province of Alberta, I would prefer to ensue with the discussion and the debate in

committee. I will again undertake to answer questions this evening, and any that I miss, I certainly again will undertake to respond in written form, as I have in last year's estimates.

Thank you.

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

MR. CHADI: Thank you very much, Mr. Chairman. It's indeed a pleasure to get up tonight and speak to the estimates regarding the Department of Energy. The reason that it's such a pleasure is that a very good friend of mine from a long time ago happens to now be the deputy minister. I hope that he's standing up in the . . . I don't see him, but I was hoping that he could perhaps be here tonight, Mr. David Manning. I don't know if the Minister of Energy could have found a better deputy minister if she used a trouble light. Maybe that's what she used, and that's why we've got trouble in this province nowadays.

Mr. Chairman, I spoke to the estimates last night, and I think it was Economic Development and Tourism. My opening remarks with respect to those estimates are going to be something similar to the opening remarks I'm going to make with regard to the estimates tonight. Again I'm going to express my deep concern with the present procedure in which we are debating estimates for the expenditures within a certain program and at the same time, before the estimates of this department conclude, we would have already approved the borrowing of such funds by way of the interim supply and the appropriation. That, I believe, is inappropriate. I once again am going to express that concern, and I would hope that all members realize this is a grave error in procedure. I would hope that in the future this could change.

I believe we gave second reading to Bill 8, which is the appropriation. I think it has been given a go-ahead with respect to Bill 9 and once again Bill 10. Mr. Chairman, those interim supply Bills directly relate to the moneys we are going to vote on, discuss, and debate tonight, these Energy estimates. Having said that, let me get right into the estimates then.

With regard to page 109, the finance and administration, reference number 1.3. I look in that category and see three subprograms in there: financial services, administrative services, and legal services. Yet when I look at every other program within this department, particularly program 2, mineral operations on page 111, and then you look at page 110, you see the description there as to what mineral operations is all about. It's broken down by subprogram, and it gives you an indication of exactly what you're dealing with.

I flip the page and go to page 113, and I see program 3, which is energy policy. I'm looking at energy policy again, but I see no subprograms. It hasn't been broken down. On the other hand, Mr. Chairman, you look at page 112 under energy policy, and it gives you a description of what the program is about: the objective of the program, the delivery mechanism, and the services provided by that program.

Again, we look at program 4, oil sands and energy research. Look to the page opposite, Mr. Chairman, and you will see exactly the description as with the other programs: the objective, the program delivery mechanism, and then services provided by subprograms is included and listed. There is administrative support, research and development, geological survey, et cetera, et cetera.

Program 5 is no exception, petroleum marketing. Program 6, again no exception. Yet when you look at program 1, I see departmental support services, look at the opposite page where I firmly expected to see a description of what it is that we are going

to debate, and I see no description at all, which of course now leads me to ask the questions that I'm about to ask.

I would suspect that if those descriptions of the programs were included on the page opposite, Mr. Chairman, I would have had an easier time understanding what it is that we mean when we talk about financial services. We see financial services of \$1,682,000. Somewhat down from last year, Mr. Chairman, but at the same time the financial services, reference 1.3.1, strikes me as being a bit odd. What do we mean by financial services? Are we in the financial business here? Are we loaning something out? Are we lending funds to somebody to the tune of \$1.6 million? What does it mean? I guess maybe my question to the minister is: what do you mean by financial services and \$1.682 million? I think if it does mean that we're actually loaning funds out, then perhaps we ought to include it in Motion 505 when we look at all the different lending institutions that we have in the province. Lo and behold, I see one sitting here as financial services. I need an explanation with respect to that reference number, Mr. Chairman.

8:10

Administrative services is another one that strikes me as being a bit odd, and I'm wondering if there isn't duplication within this department. I do realize that this department is probably one of the most streamlined now, and I notice that there are a great deal of reductions in this department in comparison to other departments within government. But still administrative services within that finance and administration department sits at almost \$2 million. Again, what are we doing? Are we administering financial services here? The way it's written here it would imply that we're spending \$2 million to put out \$1.6 million in financial services. I need to hear an explanation from the hon. minister with regard to administrative services.

Again, just below it, Mr. Chairman, 1.3.3, the legal services. Once again I want to indicate that if I were to look on the opposite page, I should be able to see a description. There is no description there, which begs the question: what is legal services all about? We're spending \$287,000 in legal services. Now, is this what we're spending on in-house lawyers to provide us with legal services, or are we actually providing legal services for somebody else? Are we using external lawyers, and this is what we expect to pay? Is this something that we are going to anticipate, using lawyers to the tune of \$287,000? I mean, how do you come up with that number? I note that last year . . . [interjections]

There seem to be an awful lot of lawyers in this room, Mr. Chairman, and I know that the deputy minister himself happens to be one. I'm going to tread a bit easy, but I have no option but to try to find out on behalf of my constituents and on behalf of all Albertans. I think that not only that, but the members in this House have a right to know what the \$287,000 that's anticipated to be paid out in legal services is all about. Because quite clearly you never know what lawyers are going to bill you. So this here notion of just using the number \$287,000 strikes me as being rather odd, especially when you look at the comparable in 1992-93 and you see \$330,000 was expended. The forecast is \$287,000 in 1993-94, so I guess maybe we just expect it's going to be the same amount for this year again. Now, are we using external lawyers for these? I wonder if there's a list of lawyers that the hon. minister could provide this Assembly as to which ones we most frequently use if that is in fact the case.

AN HON. MEMBER: What criteria.

MR. CHADI: And what criteria for selection. A very, very excellent question, because there are a tremendous amount of

lawyers, Mr. Chairman, in this province. Probably some would argue that there are more than we need. Lord knows, we have enough in this House already. I mean, we've got more than we need in this Legislative Assembly.

DR. WEST: Five thousand and eighty-five.

MR. CHADI: Well, Mr. Chairman, the hon. Minister of Municipal Affairs advises me it's about 5,000 or maybe more in this province. What criteria, I want to know, are used in the selection of lawyers that would be utilized for legal services in the Department of Energy? I happen to think that maybe if we're expending those kinds of funds, we ought to consider perhaps utilizing these legal services, but at the same time try to implement a cost recovery of sorts. I know that other departments within government are looking at implementing cost recovery. I note that the minister of agriculture has said time and time again – on things like grazing leases when we used to go out and we'd subsidize farmers to put their cattle out on grazing plots of land, we'd actually try to recover the cost. At least we're trying to do that now. I think that within this subprogram we have to consider a cost recovery.

Why, even banks themselves never let you get away with anything of the sort. If, for example, you are about to place a mortgage on your home, the first thing the bank will do is give you the name and address and telephone number of their lawyer. Then you have to go there, and they'll provide you with the documentation and then send it over to your lawyer. Your lawyer then fulfills the necessary arrangements so that you can get the funds from the bank. Guess what, Mr. Chairman? The bank's lawyer then sends you a bill. Sometimes it comes through your own lawyer's account; nonetheless it's on a cost-recovery basis. What I'm trying to say here is: if we're going to expend \$287,000 in legal services, and it's an anticipated expenditure of \$287,000, let us consider doing it on a cost-recovery basis, Madam Minister.

Still within program 1 I can't help but notice that the purchase of capital assets seems to be almost double of what the capital investment was for last year. That's an extremely large number. It's \$1.734 million. I understand that times change. From year to year we might have to consider expending more funds, particularly with respect to capital, but one thing that strikes me as being a bit odd is this: with all the privatization that's going on, with all the downsizing in all the different departments – and I know from the Department of Municipal Affairs to the department of public works, particularly public works because they happen to have within that department an awful lot of surplus office equipment and computers and that sort of thing. I'm wondering if we didn't consider at all prior to the anticipated expenditures in capital in program 1, that we didn't actually go and talk to other departments, particularly public works, and say to public works: "This is a list of the anticipated purchases of capital in this fiscal year. What do you have that we could utilize and that we could perhaps maybe even buy from public works?" Why not use that method? Why go out and buy something when we already own it? It just doesn't make sense that we'd want to expend funds for no apparent reason.

You look at the deputy minister's office. Mr. Chairman, I need an explanation here. We're going to expend \$2,000. It's really not a lot of money relative to the entire operation of the Department of Energy. Two thousand dollars: it would mean to me we're either buying a desk, or we're buying a computer, or we're going to buy some sort of a capital asset that's really not something that I think public works or another department doesn't have in surplus already. That's why I'm interested in knowing these

sorts of things like: what are we buying; where are we expending these funds? I'm only mentioning them in the Department of Energy now, but I think this can go and expand itself right throughout all departments. When we speak to estimates, the capital expenditures ought to be looked at within all departments, the same as when we were talking about surplus properties and talking about Municipal Affairs and public works and the list of surplus properties that could come together. A list of surplus equipment could provide the Department of Energy in particular the anticipated expenditures of capital – something to be desired.

8:20

The communications and external relations, Mr. Chairman. I'd like to have an explanation there as well. We're about to expend \$5,000 in that category. That again doesn't seem like an awful lot of money in relation to the entire amounts. Now, I understand that there are two sets of books, and when we look at capital expenditures within the Department of Energy, I suspect that one would have to be looking at the supplementary information in element details so that one doesn't confuse themselves with the two different estimates books. So the \$5,000, there again, of capital in communications and external relations. Well, communications and external relations almost seems to me that we're talking about the purchase of some computers and some computer equipment, perhaps some modems, perhaps printers, fax machines, this sort of thing. I bet a dollar to a doughnut that if you looked within all the departments that this government has, you're going to find the surplus equipment that you need with respect to those sorts of functions.

Administrative support, 1.2.1, under strategic resources. Once again \$2,000. Now, Mr. Chairman, nobody can tell me that \$2,000 is going to buy them a sophisticated piece of equipment that we don't already have. Here's another reason that we ought to be looking at that little expenditure once again. Now, when I look at \$675,000 of an anticipated capital expenditure in the information systems, I have to question: what is it? That I can bet you we don't already have, because it just sounds like it's too much. It sounds complicated. Please, Madam Minister, I would like an answer as to what it is we're anticipating to expend there.

Mineral revenues information system I can only imagine, but once again there is no idea as to what it is we're expending those funds for. Mr. Chairman, that is \$1 million. I think that warrants an explanation. If we looked at how other jurisdictions around the world describe their estimates and describe the different programs, they give you that description. I note that I brought the other day into this House – and I think we tabled in this House the other day – a couple of copies of what Texas does in terms of their estimates and their appropriation. You know, everything is described as to what it is that these expenditures are going for. It doesn't just say: capital, a million dollars. You know, a million dollars is an awful lot of money. People spend an awful lot of time trying to win that million dollars, and they expend terrible amounts of money. For any person this is a terrible amount of money that we're dealing with. Yet again when we stand in this House and we talk about a million dollars, it almost seems like somebody walking past and seeing a dime on the sidewalk and not bothering to pick it up. That's the attitude we have in this House, and I think that's what has to stop. We have to start looking after our pennies. I tell you something: penny wise, dollar foolish. That's the attitude that we've become accustomed to, and I think that's got to change.

Mr. Chairman, can the minister indicate as well the investments in automation and re-engineering that are being undertaken in 1994-95: what this actually means in terms of what sort of

savings would be accrued to the province, what sort of savings to her department? Unless we know what it is that we're investing in and why it is that we are investing, then I have a difficult time voting for these estimates and approving such estimates. So I'd kind of like to know if the minister has some sort of a breakdown or a study that would say that with the expenditures of this amount, \$1.734 million, this is the anticipated savings; this is what it's going to help us to do. We are now going to be able to be far more efficient; we are going to be able to do things quicker, faster, cheaper, and the story goes on. So I'm interested in knowing exactly what it is that makes the minister want to expend \$1.7 million.

I have a question with respect to the administrative support, in particular 2.1.1, the amount of administrative support there of \$193,000. The administrative support within that category is asking for a \$112,000 capital investment. Once again I think it's important that within this subprogram, administrative support, we understand what that \$112,000 is not only for but what studies are out there that say that it is, first of all, needed; secondly, that it is not something that is surplus and we could have gotten from a different department. That is key, I think. We've got to find out if we were able to get it from a different department or not. Thirdly, what sort of cost savings was this going to produce for this department in the future?

In 2.1.1 and the administrative support in 2.2.1, the mineral revenues operations, again, Mr. Chairman, I see that there is little difference. One is mineral revenues; one is mineral resources. I'm wondering: why couldn't the two administrative support categories be put together and perhaps there being a cost saving there? Maybe that's what the \$112,000 in a capital investment is all about, but if it is, then I'd like an explanation. If it isn't, maybe we ought to be expending \$112,000 to consider the consolidation of the two administrative support categories within that program.

I wonder if as well, Mr. Chairman, the minister could provide further information . . . [Mr. Chadi's speaking time expired] Is that clock correct?

MR. CHAIRMAN: The hon. Member for Redwater.

MR. N. TAYLOR: Thank you, Mr. Chairman. I'd asked that we split up the chore, because Energy is such a big field, and it's so important to Alberta.

On the estimates I'd start out with Smoky River Coal. The minister's assistants last year did a very good job – I hope she has a few up there – of answering my questions on the conveyor belt that they brought from Germany. It broke down, and what did we do with it and so on and so forth.

I have a few more questions. I notice \$4 million of the loan is extinguished in 1994. The budget page 60 mentioned it too. I would expect that's because they've paid it off, but knowing this government and sometimes how – "tricky" is an unparliamentary word; "shifty" is also an unparliamentary word – mobile their thinking can be, I'd want to know whether that is a payment on the debt that's paid off or whether it's a write-down by the provincial government in exchange for something else. In other words, is it a book entry that it's \$4 million less that the government has allowed them to transfer over somewhere, or did they actually send \$4 million in to the government to pay off the loan? I'd like to know whether that is indeed so.

8:30

The second area, in addition to this loan we made, Mr. Chairman, is a 9 and a half million dollar loan.

I'll give a chance to the minister to whisper to her backup here. You should get cards to hold up or at least some system that you can use. It's kind of frustrating, you know. I direct the question to you through to the minister, who is looking to the back for the right notes that I get four months from now. Modern electronic government has really changed from the days of Ewart Gladstone and Disraeli, hasn't it there? It goes round and round and round, and you're lucky if it ever settles down. It's like watching the geese come in for a landing in the fall hunting season.

Anyhow, there's a 9 and a half million dollar guarantee, and I'd like to know the status of that guarantee.

MRS. BLACK: Would you give me the vote number, please?

MR. N. TAYLOR: Well, this is in addition to the loan. At least that's the way I interpret the books, that there's a 9 and a half million dollar loan guarantee in addition to a \$4 million loan.

MRS. BLACK: Mr. Chairman . . .

MR. CHAIRMAN: The hon. Minister of Energy is rising on a point of order, one presumes?

MRS. BLACK: Just for clarification. Would the hon. member please give me the program reference?

MR. N. TAYLOR: I've got my notes here, Mr. Chairman, but I can't find . . .

AN HON. MEMBER: Not your notes, the researcher's notes.

MR. N. TAYLOR: That's exactly it, yeah. I don't see the program reference. Who's got the program?

AN HON. MEMBER: The minister knows her own budget inside out.

MR. N. TAYLOR: Yeah. The only thing I can think of, Mr. Chairman, is that if the minister can't find it and I can't find it, we're in awful shape.

Smoky River Coal is the heading. There's a \$4 million loan that I think is being paid. There is a 9 and a half million dollar loan guarantee that's just out there floating. That I don't believe is in the notes, but I think I'd like to know what happened to it. That's why I'm asking the question.

The other area, Madam Minister, in Smoky River Coal: I was wondering if the minister could elaborate as to whether or not they are going to expand their operations. If they do, there is, I gather, a further \$19 million loan guarantee. They can draw down another \$19 million if they expand. If you will read the history of your previous Energy minister, go through the things, you will find that they negotiated a deal to be able to draw on a \$19 million loan guarantee if they expand.

In this day and age, coal is not that good a price, which leads to another question, Mr. Chairman. It is not in the estimates. Coal is often owned in fee simple, and I wonder – and I'm not talking about the government when I say fee simple. That is a word meaning that the whole coal title is owned by the coal miner and, therefore, no royalty is paid to the government. Now, my understanding is that a number of these leases were acquired many, many years ago by a predecessor British company in fee simple, so the most they will be paying is a mineral tax. In this province you don't pay mineral taxes on reserves; you only pay mineral taxes on producing reserves. So I'd be very interested if

the minister could let me know – and I know this is something that the little gnomes back there will have to work on for a while – what kind of royalties are paid by Smoky River Coal. After all, if we're going to advance them \$19 million for an expansion, it must be because they're going to pay us so much royalty. But knowing that our royalty is so little, it would take enough coal to undermine half of China to pay that off. I'm just kind of interested in trying to figure out why we would have that much credit outstanding to a coal company unless we've got some pretty good royalty agreements in there.

Now, I'd like to know how much we're getting in royalty on our coal each year and how much we're getting in mineral tax; two different things, royalty and mineral tax. If they have it – they may not have it – how much of the coal is owned in fee simple? In other words, they own the total right. For instance, out here in Wabamun I think most of the coal is owned in fee simple by the power company.

I'm going to leave coal for a minute and not cross-examine the minister, as I may later on on coal bed methane; CBM they call that. Just the progress and any forecast that the minister – as a matter of fact, I might as well throw it in now. If the minister's advisers have any idea when they will forecast the first methane coming on to the market from CBM and what volumes, if they have any forecasts over the next five years on what CBM will do, I'd just be very curious if they have them and if the minister would share them with us.

Let's move on now to something that's a little more simple, I think, in some ways, and that is that right now I think we have the year royalty holiday for wildcat discoveries. As the minister well knows, there's a great deal of Alberta that has not been penetrated by a well bit, and that's the very deep formations we have out here on the plains. I was wondering if the minister has thought at all about a royalty holiday that was tied more to the depth of the discovery than just being a discovery. Mind you, a nice discovery at 3,000 feet, or 1,000 metres as they say nowadays, is still oil, is still nice to have. As a matter of fact, I'd prefer to have that rather than one at 10,000 metres. The fact is that we've got a lot of subsurface in Alberta that's unexplored because of depth and a lack of attractiveness, and I was just wondering if the minister has thought at all of graduating a royalty holiday maybe for the first three wells in a pool rather than the first well or, on the other hand, maybe for the first well, five years. In other words, there are variations around the world that they use for trying to get companies to go after the deeper pools.

The other thing I was intrigued by, Madam Minister, is: what is the system you use in your Crown reserve sales? Do you put up every request, or do you have at the back of your mind a certain number of dollars that you want to take in? In other words, if you put up too much, you may not get as many bids because everybody is spreading their money further to try to buy and because you've put up maybe 50 parcels, whereas with 30 parcels they would bid more. I'd be intrigued to know if there's any kind of a formula the government follows. Or do they put up everything that everybody requests? As you know, there's an implied guarantee when you ask for a parcel to be put up by the government; you have to bid a certain minimum amount. Do they put up everything that's asked that the company guarantees to bid on? Or do they sort of limit it, feeling that if they put too much up, they won't get as much for all the parcels as if they spread it out over a longer length of time? I believe you stick to the operation of four Crown sales a year for the good stuff.

The other thing that's a little puzzling is the estimate of \$12.95 million. This is in vote 2, mineral operations. The researcher was clicking here. The \$12.95 million represents a 1.3 percent

reduction from the previous year, but the forecast of \$13.6 million is a 5 percent increase over the 1993 estimate, so there was a bit of an overrun. I was just wondering why this occurred. Did it have anything to do with a diamond rush? Have we changed the method of operating? On industrial minerals the mineral resources I think are mostly industrial minerals that will be affected, but I'm just a little puzzled why that much of an overrun. It's not big in the overrun. In vote 2, minerals operations, the estimate of \$12.9 million represents a 1.3 percent reduction from the previous year's comparable estimate, but the 1993-94 forecast of \$13.6 million is a 5 percent increase over the 1993-94 estimate. The forecast was higher than the estimate. I'm just wondering what caused that. I don't think it's going to bring down the government, to be honest with you. It's just one of those little things that kind of twigs somebody's curiosity. Who knows; we might be able to build something on it to beat the dickens.

8:40

The Alberta Petroleum Marketing Commission is going to be folded into the department, and I'm back again to the private sector. I've tried to ask this minister once before, and I believe Madam Minister danced fairly well for a rather inexperienced hand. I was quite impressed. She showed me a clean pair of heels and left me wondering what it was I'd asked, but I'm going to try again.

In giving things to the private sector, there are roughly two ways of doing it. One is to just let the operator of the well sell the government's share, provided it's at the same rate that the operator gets for their share. They mail you a cheque. That should be the good system. But knowing this government – and you have a lot of friends to support out there – I was just wondering whether you are also thinking when you're privatizing of letting a couple of old highbinders like myself and the Member for Edmonton-Roper bid. We'll sell it for you. As the lease hounds, we'll buy the government royalty share, and we'll look after it for you. The petroleum commission was \$3.3 million; we'll operate it for \$1.5 million. We'll save you \$1.6 million, \$1.7 million, see, or maybe \$1.8 million. We'll sell and get you a good price too. I'm just interested whether by privatizing, getting rid of APMC, you're going to have the operator sell, or are you going to bring in a third party that will buy the government's share from you and deal with it? I'd be interested in the answer to that.

I'm rather suspicious, by the puzzled look you gave me, that you might be thinking – if indeed you're going to bring in a third party, will it be under a competitive bid system? Or will it be like the Alberta Research Council and the Member for Cypress-Medicine Hat? The employees will be able to quit and take over some of the oil for us. Nothing constructive like that? Okay. I'm just intrigued. I hope I didn't give them some ideas and you have a mass of resignations on your desk tomorrow.

I'll skip over to vote 6, the energy and utilities board. I am very bothered here, Madam Minister, that farmers in small towns, small operators out there, will not have an advocate when it comes to questioning utility pricing. The big cities can look after themselves. Calgary, Edmonton, Lethbridge, and Medicine Hat can go out and hire a bunch of lawyers and engineers with degrees this long and double graduates from Zurich and Edinburgh and all over the world. They can play with their slide rules and computers, and they can defend the consumer. But when you get a poor old farmer out in the Redwater area or my farm out at Coronado and I get a gas bill, I can't afford to hire all those people to go in there and fight the utility company. At least under the PUB, although they were all appointed by Tories and there was a certain amount of shifting back and forth, you sort of had

the feeling that maybe they were acting a bit as an advocate on the side of the consumer. Now, if the PUB gets folded into the Department of Energy . . .

MRS. BLACK: It's not.

MR. N. TAYLOR: What do you mean it's not? That's what you just said. Mr. Chairman, Madam Minister says that the PUB is not going to be folded into the Department of Energy. It is already, and you're just going to wipe away the title. Well, that's as intriguing as the dickens. I'd like to know – I know this debate shouldn't be going on, but this is so world-shaking that I'd like to know, Madam Minister, what is going to happen to the PUB if it's not being folded into the Department of Energy. Well, I guess I know what she's going to say: it's part of the Energy Resources Conservation Board. But the Energy Resources Conservation Board is a misnomer. Anybody who's been associated with oil and gas development in this province knows it's better called the energy resources exploitation board because it's out there to make sure that we sell as much oil and gas as possible at as fair a price as possible. So they're not going to be interested in the farmers and people out there getting stuff at a cheaper price. There's no consumer advocate. You've wiped them off the schedule.

Now, I know this is traditional small "c" conservative thinking that goes back to the time of William Pitt, you know, that if the big fellows make enough, there'll be enough left, spilled off the table for the little fellows to get by, but that's not the proper way to run a utility business control or a method of controlling a monopoly, which gas and electricity becomes out in the rural areas, more so than they do in the city. What I'm afraid of is that there is no corresponding factor to the PUB to look after consumer interests.

I was wondering if the minister would care to enlighten the House as to how she sees the ERCB going out to maximize and get the best possible price for the natural gas they're producing for Alberta and seeing that the proper production facilities are used and the rate is right to return us the highest income yet and at the same time get the farmers and small towns the cheapest possible gas and oil. I would argue that they work at cross-purposes. Maybe that's the way it should be, and that's the way it was originally set up.

Historically speaking, Mr. Chairman, without taking too much time of the House, it is well to remember that the Public Utilities Board was set up by a Liberal government back in the late teens. Yes, Virginia, we once had a Liberal government in Alberta.

AN HON. MEMBER: It's been on the rails.

MR. N. TAYLOR: Yeah, that's right, and because railroads were a monopoly method of transportation in those days, the PUB was set up to regulate all things in there but also to look on the part of the consumer. In those days it was quasi-judicial; it was removed from political influence. Now what we have is that this government has literally taken it over. They have stuffed the supreme court, if you want to call it that, with their own people. Sometime later on I'll go back. My time has run out, and I'll go back and attack them later on what they have done to the consumers, to the Public Utilities Board, and the right of farmers and small towns in this province.

Thank you.

MRS. BLACK: Mr. Chairman, I'll just clarify a couple of things very quickly. Unfortunately, I've lost my voice. I cheered all weekend at my son's hockey tournament, four games, and I guess

I cheered a little too loud at minor hockey all weekend, and I've lost my voice as a result of it. They did very well, I might say, but anyway I will try to answer as many questions as possible in a squeaky voice.

First of all, I'd like to talk about a question that came out of the hon. Member for Redwater with regard to the restructuring in the Ministry of Energy. This is a very important aspect, Mr. Chairman, where we have taken a regulatory body called the ERCB and another quasi-judicial regulatory body called the Public Utilities Board and we have amalgamated the two quasi-judicial boards under the Alberta energy and utilities board. Within the board the structures of the two bodies and the legislation that empowers them under a quasi-judicial nature is maintained. The environment and the ability for the rural and urban people to access what has been the Public Utilities Board or the monopoly-controlled areas is intact. It has not changed. What has changed is the coming together so that there's one regulatory process within the province. The jurisdiction and the quasi-judicial nature of those two boards have not changed one bit, and within the Alberta energy and utilities board there is a definite separation, although there is an ability to hold joint hearings if there was a necessity to have such a thing. So it's a one-window approach to the regulatory process.

8:50

Always keep in mind that the ERCB on the regulatory side deals more with the facility and the normal administration for the development of the oil and gas through well licences and reviews, et cetera, and the regulatory process; the Public Utility Board deals with the rate setting after the development of those facilities. There is a time that occurs when it would be advantageous to have joint hearings and joint reviews of those boards instead of having to go through application for each one independently and adding tremendous cost to the person making the application and again to the Crown for hearing the application.

It's a one-window approach; however, within them their uniqueness is in fact maintained. So please be very clear that this is not a rolling of these boards into the Department of Energy. They are quasi-judicial boards and as such will be maintained over in the Alberta energy and utilities board. It's an important part of the restructuring model that has gone on through this ministry. So it's a very important aspect, and I hope it's clear to the hon. member from . . . It's not clear. He's shaking his head. What part is not clear?

MR. CHAIRMAN: Through the Chair.

MRS. BLACK: I'm sorry, Mr. Chairman. I have to go through the Chair.

The other thing I wanted to talk about is: he talked about the process on how we have parcels that go up for sale and industry bids on. This is a very, very lengthy process, Mr. Chairman, but it's a very important one, because in Alberta we have what's called an integrated resource plan in place throughout this province. Its purpose was to decide the use of our natural resources and our lands as a multipurpose use vehicle within the province so that you could factor in elements such as recreation, parks, environmental concerns, fish and wildlife, habitat areas, and of course economic development and have a balanced area where you can have a multipurpose or multi-use concept within the province to preserve but also develop and have a balance between our economic development and our environmental awareness and preservation. As a result of this, it came to be that we would have this integrated resource planning.

What happens is that representatives from forestry, fish and wildlife, environment, culture, energy, parks and rec, all gather together and make a determination and deal with concerns of zones within the province. When a request for subsurface rights to be posted is made, there's another group that's called a Crown mineral disposition committee. Again the representatives from these groups come forward, and they look at the request that has come forward. They then say that if this is in a straightforward development phase, the request can be granted to be posted. However, if there are special considerations, such as environmental, habitat, or recreational considerations where there can be, say, an intrusion during a camping period, the committee would say, "You can go onto the site in off-season times," or "You can't have access to that land unless you have a special kind of drilling technique." All of this comes together through this Crown mineral disposition committee.

So when the request comes forward, it has gone through an integrated resource planning process, Crown mineral disposition process, and then the posting is made. It goes up, and I believe it's posted six or eight weeks. When a parcel is posted, right at the very beginning any special conditions become an addendum to that posting. Any company that is, say, interested in going to bid on the development in that area knows right away what the conditions are that pertain to that parcel of land. They know what the ability to get on the land is. If there are seasonal considerations, environmental considerations, et cetera, they are all listed. The posting goes up and companies bid on it. Once that process is complete and there's a successful bidder, then you go through the well licence process, which again ERCB governs and again goes through all the special considerations for that parcel of land and reviews whether a licence application is acceptable or what special conditions have to be in place for that licence to be processed. Through all of this process there's an opportunity for local people to get involved and ask for special consideration for the review, and that process goes on and on and on.

The hon. member talked about: is it the Crown that is running out and seeking people to get involved in posting of lands, land bid sales? Our role, of course, is to see that the natural resource is developed in an orderly and environmental way. Naturally we're keen to see development take place, but it must take place with all of these other considerations in place. This last year there has been a tremendous interest in development of our natural resources, so as a result there has been quite a number of additional requests for parcels to be posted. In fact, we've added additional land sales to keep up with the demand from industry. But this is industry driven. The requests come from the industry. It's not the Crown going out asking the industry to get involved. So to accommodate the demand that has been there this year, we have indeed added sales to process the requests.

[Mr. Herard in the Chair]

I have to say that in this last year, when you have over \$5 billion of additional capital coming into the province to invest in our industry, then I think it's a very optimistic environment for our industry. Naturally the industry was very active because of the capital infusion that came into the province this last year, and that is continuing this year. So there are some very positive trends that are taking place. In fact, we haven't had this kind of activity level for a number of years, and naturally we're very pleased because when you have that activity level, that translates to investment, and that translates into spin-off revenues. It translates into direct and indirect jobs, and there's a full rotation of the development in the economy as a result of this kind of

activity. I think it's a very positive move for our industry to see that kind of development take place.

The hon. member also asked about coal bed methane. There are some companies that have looked at the potential down the road. I think we're about a hundred trillion cubic feet of natural gas right now that we are developing, and we don't know how much more is there. But we have a tremendous amount of what would be a conventional reserve to develop. There are some that are looking at the alternatives, and I would imagine that when it's appropriate and economically feasible, they'll look at the development of those.

You also asked about royalty holidays. We do have an exploratory royalty holiday, and it's in place today. I hadn't looked at anything, quite honestly – one that would encounter depth – but if you've got some things you want me to look at, I would look at it and evaluate it. Do keep in mind that there is an exploratory holiday there, and quite frankly I had not envisioned looking at royalty holidays. The prices may be somewhat low at this time, but I think the industry is moving along. We did, in fact, work with the industry to help it get started last year on the development side, but those programs have now expired, and it is not my intent to review that program at this stage. If you have a particular question on that, I'd be pleased to see some of your data.

9:00

I sometimes get the feeling from the opposite side that there's not an appreciation for what this ministry has done and how it has streamlined a process. I do kind of take exception to it. In recent discussions with some of our federal counterparts I noticed that while we are downsizing and streamlining our ministry by merging functions and trying to redirect ourselves – I look at what's happening in Ottawa and realize that here's a ministry in Ottawa, our counterpart, that has over 5,000 employees, and the ownership and management control of the natural resources belongs with all of the provinces. You kind of wonder what it is those folks are doing with 5,000 employees. One of the things I found even more interesting is that one little segment of their ministry down there, one of the research areas, has a budget of over \$120 million for just the research area, whereas this ministry's entire budget is \$88 million . . .

Point of Order

Questioning a Member

MR. N. TAYLOR: Mr. Chairman, could I be permitted a point of order?

MR. ACTING CHAIRMAN: Yes, sir.

MR. N. TAYLOR: I just wanted to know if the minister could tell us how much of Canada's mineral rights are owned by the provinces and how much is owned by the federal government?

MR. ACTING CHAIRMAN: Hon. member, I thought you rose on a point of order, but it sounds like you were going to ask the minister if she would entertain a question.

MR. N. TAYLOR: I think she's awake now. She made a silly statement. I just caught her on it.

MR. ACTING CHAIRMAN: Okay. If the minister wishes to answer that, then I'm sure she will.

MRS. BLACK: Thank you, Mr. Chairman. I'll refer the hon. member to sections 91 and 92 of the Constitution of Canada, and

he can clarify the ownership of the natural resources in this country. It's quite clear. It was satisfied in the Constitution of Canada, so don't be worried. Alberta has control and management and ownership of the natural resources within this province. Now, if you're asking me what everybody else owns across the country, I'm mostly interested in what Alberta has, considering that Alberta provides Canada with over 80 percent of its oil and gas requirements, right here in Alberta, and I think it's very important to realize that we control and we own and we manage the natural resources in this province. There can be no question about that.

Debate Continued

MRS. BLACK: Mr. Chairman, the hon. Member for Redwater also asked about the Alberta Petroleum Marketing Commission and the change in its role in our restructuring model. He's quite right. It is a change. One of the questions that was asked as we consulted with industry and actually did over 200 interviews – that was for the benefit of Calgary-Buffalo. So we went through our restructuring model and had industry participate in it, and one of the questions that was asked was: is it appropriate for the government to market the Crown's oil? The answer came back: no, it wasn't appropriate any longer. That's an easy answer, but then what was the mechanism to replace that . . .

MR. N. TAYLOR: It never was. It was your idea in the first place.

MRS. BLACK: Well, the hon. Member for Redwater claims that it was my idea to do it in the first place. I was still in school when that happened, so you can't really blame me. You're much older than I am, Redwater.

Mr. Chairman, we are looking at the options, and this is why we've maintained the APMC's marketing function. Even though it is in the department at this point, we've maintained its marketing function, and we'll look at the various options of whether we go to a straight cash royalty or – actually the hon. member had offered his services to go out and do the marketing function for us and make us a profit. But we are looking at the options available on that, because it's important that we get the best value for that crude that we can because of the responsibility we have back to the shareholders of that crude, which is the taxpayers of Alberta. So it's not going to disappear overnight. We're going to take our time. I anticipate that we will have it resolved by the end of this year. That is my goal, and I think we will have it resolved.

I think, Mr. Chairman, I will sit down and see if there are any other questions pertaining to the votes at this time.

MR. ACTING CHAIRMAN: The hon. Member for Lethbridge-East.

DR. NICOL: Thank you, Mr. Chairman. Just a couple of short questions for the minister. What I'd like to do is deal first of all with some of the issues that came up in terms of surface rights. You know, the new Bill has come in now to deal with abandoned wells. There's going to be some money available there to deal with the issues of reclaiming those wells, putting the land back in, whatever aspects are needed. In a lot of areas that are under private ownership, some of the farmers or landowners have already taken the initiative to tidy up around abandoned wells, refill the land, farming over them now. Is it possible that under the new legislation they'll have rights to claim compensation for the additional work that they've put in to tidy up after these abandoned wells? I would appreciate it if the minister would make some comments on that, the approach that they're going to take to these private initiatives that cleaned up after abandonment.

Also on the surface rights area we've had some discussion about the possibility of negotiations in terms of the payments that are made to private landowners when oil companies get access to the land. This process, is it going to be reviewed? It seems to be working right now to the point where if oil companies wait too long, they end up paying a little extra because they want to get in too quick. Well, that's part of the process of negotiation, and they seem to now feel that this is not fair when they don't have the time to deal with the landowners in an appropriate manner. So just some comments in terms of how under her planning process she'd see any changes in surface rights and the surface right payment process that might be going on.

I also noticed that in your material you are indicating that you're going to be withdrawing support for the southwest Alberta renewable energy initiative. This is something that a lot of farmers in southern Alberta especially, where the wind blows on occasion, were looking at it as kind of an indicator of how viable these kinds of electric generation projects might be. A lot of them were looking at the possibility of this becoming an additional source of income for them if they could invest in these kinds of projects. I was just wondering if the minister has any results that came out of the study with the projects that were going on in the Pincher Creek-Cowley area and how this could then be applied to the small electric generation capacity in southern Alberta. You know, I recognize that this has a lot of implications for the uncertainty that's associated with wind power. If the wind goes down today, there has to be the capacity to cover that from more sustainable generators. What kind of balance is put in place there? What kinds of policies are they looking at in terms of allowing for small power generators to get involved in supplying some of the electricity to the grid? I think the people especially in southern Alberta would look for this with great interest in terms of any changes that might come out in that policy.

The only other area that I wanted to touch on for a minute was EEMA. You had mentioned at the end of our last review of the budget that you had asked for some of the mayors and county reeves to get together and negotiate, set up some kind of process to come to a consensus on how they would like to see changes in the EEMA program put in place. I just was wondering if they were given any guidelines in terms of how they could be driven to a compromise. If the mayors from the main cities decided that they wanted to keep it, especially from the northern part where they're getting the benefits of it right now – as long as they keep saying no, compromise is impossible. So this continues to basically carry on. What we've got is: unless people are willing to negotiate, compromise and negotiations are not a very functional way to approach a project.

9:10

What we see is that basically the dollar transfer from the southern part of the province is getting to be larger and larger. It's now approaching the \$200 million range. They're expecting it could be that high by the end of this year. So it is some kind of an indication of what's going on. It seems that the EEMA program itself is designed to facilitate lower priced electricity in the developing north to encourage the establishment of industry at that location. Yet what we end up with is a process here where EEMA is the only development project run by the Alberta government that is taxed directly back to a user segment. All the rest of our development programs are run through general revenue funding. Here we have a program that's trying to encourage development in the north and trying to encourage lower priced electricity so that industry will settle in the north, yet this subsidy is being paid for solely by the users of electricity in the south. So

what we've got is a disproportionate benefit on people in basically the TransAlta area of the province. I guess that's not what we'd normally think of as the south, but basically from Edmonton south where the funds are flowing into the northern part of the province in a basic way. So I just was wondering if there's any consideration to transferring that into a true development-funded project by taking these kinds of transfers out of general revenue as opposed to a direct tax on the southern electricity users.

[Mr. Tannas in the Chair]

I guess that basically covers the three areas that I wanted to touch on as it relates to rural Alberta and the issues of some of the agriculture users. I'll just close with that, then, if the minister has a chance.

MR. CHAIRMAN: Hon. Minister.

MRS. BLACK: Thank you, Mr. Chairman. I was going to respond to the Member for Lethbridge-East. He asked a question about surface access, and that is an ongoing issue that is there for the industry and the rural community, the private and public land users from the rural community.

Mr. Chairman, last year I asked the Cattle Commission and the oil industry to set up a joint task force to review surface access issues, mainly on public lands but also to look at the issues on private lands. We have been working with the minister of agriculture to look at a reasonable approach as to how we can deal with this issue and try and come to some resolve.

Naturally there are some differences of opinion. I think, as I said the last time, it was a meeting that was almost like sitting at the table with the Hatfields and the McCoys to start off with, but I think they have made some inroads. It's not easy, because there are some pretty solid opinions, one toward the other, but they have come to the table, and it's encouraging to see that happen. We would rather see the two groups resolve this through a method of conciliation than have government intervention into that. However, we're anxious also to see it resolved. So it is an ongoing issue.

It's been an issue from the industry's standpoint ever since I can remember, ever since I've been in the industry. It's something that is not new, but I think we are making some headway, and I'm anxious to see that issue off the table, as I'm sure the minister of agriculture is. So we are nudging both sets of players to continue. I think you resolve an awful lot when you sit at the table and talk, and it's amazing what you can find out about one another when you do sit at that table. A lot of ideas are preconceived and unfounded. I encourage that kind of discussion. I think it's healthy. It may not start off being the most friendly, but it usually ends up where there is in fact a common ground and a common objective by both. I think we've found that common objective, and now it is a matter of: how do we achieve our end result in an amicable way?

SWAREI: You talked about the southwest Alberta renewable energy initiative. This program was scheduled to expire March 31 of this year, which indeed it has. It's been a very successful program. It's had over \$3 million of funding from the Alberta heritage trust fund. Actually, I was down in Pincher Creek a week ago Friday to review some of the projects again, to see what progress had been made and to visit the sites. I am pleased to report that some of the projects are in fact up and operational down in the Pincher Creek area. In fact, the Cowley Ridge project is over half complete. I was on site when I was down there, and I was very pleased to see that occur.

What we have done is said that, well, some of those are demonstration projects that could be used by the local community because part of that project was also for economic development for down in that area. As such some of those are demonstration projects which could be used by others to come in and look at what is possible. I think they have been very successful. Keep in mind that within that small-power program that provided the allocation through to the 25 megawatts through SWAREI, there were six hydro, three biomass, and nine wind projects that were allocated from the grid for development and permitted. Some in the irrigation area and in hydro have been very successful, and it's an initiative that I think others may want to get involved with down the road. One of the difficulties is the cost, which is quite high. So you have to always weigh the economics of these projects, but what I think it has done is that it has shown that under the right circumstances, under the right wind or solar conditions that are available, other things can in fact be used. That was one of the objectives. We will monitor the progress on that through our department.

We've also said that because there's a little interpretive centre down there that is important to the community for the demonstration side, we will help the community take that over. Through our department we will help fund a transition over to the community of Pincher Creek so that that is not lost and in fact is maintained for the future. I think it's an important initiative. As I say, I've been down three times this year, and I was pleased to see the Cowley Ridge development is up. It'll be complete very soon, but there's a lot of interest in that, so I was pleased.

The last thing you asked about was EEMA, and you're quite right; we've gone through a very lengthy process on EEMA, far longer than I ever anticipated would be necessary to deal with EEMA, but it is such a critical issue for all Albertans. I made a commitment that I would not make a quantum leap into a solution on this until I felt that it was the right solution that I could bring to this Legislature. This is a very important issue for all Albertans. It's not north-south; it's not east-west. It affects every Albertan, and we have to be very conscious of that. What has happened is that I did indeed have the meeting with the mayors and the representatives from the rural improvement districts. There were two things: there were misconceptions as to who was funding who and what and where, and there was a distortion as to what the actual facts were on the present EEMA program. In addition to that, I asked them to look at some alternatives. They've been given, let's call it, a little package to review different alternatives. If those are not in keeping with what they feel is appropriate, I've asked them to come back, also the stakeholder groups of the industries to come back. The group has broadened itself, because it's very important to all of the municipal bodies and the rural improvement districts as well.

9:20

So this is a very important issue, and as I say I'm not prepared to just nilly-willy go in and try and find a solution to get it off the table. It's got to be done right. If it takes time, it will be done right, because this affects every person in this province. I really get nervous when I hear "a north-south issue." It's not a north-south issue, please. If you look at the distribution, you can see clearly that there are areas of the province that are serviced by all of these companies. This is an Alberta issue, and as such we have to be realistic in how we deal with this issue. So I would ask your indulgence and, actually, co-operation. If you have ideas as to what you think, please don't just say it's wrong; come forward with ideas. If you want to feed into that, I would welcome your thoughts on it. I know the mayor of your commu-

nity has come forward, and he's now participating with us in this process. Some of your community players – I'm sure you know who I'm talking about – are now participating with us, and I'm delighted to have them working with us on the project.

Mr. Chairman, with that I'll sit down.

MR. CHAIRMAN: Sherwood Park.

MR. COLLINGWOOD: Thank you, Mr. Chairman. Perhaps just a couple of comments to compliment and complement the minister on what she's just spoken about.

I listened intently to what the minister was saying about EEMA. We'll accept certainly that this is an Alberta issue, not a north-south issue. We'll accept that this issue is something that has to be resolved through a consensus-building process. We'll recognize that it is not a short, quick response that can be done. My only caveat, Mr. Chairman, to the minister, is that we not let this issue move to the point where we now find it becomes again a political or election issue. We can't afford to make EEMA an election issue. Let's deal with it. We'll work with government on this, but let's resolve the issue in a manner that doesn't take us to a point where we've got to deal with it at that level. So that's my only caveat to the minister on that.

The comments that the minister made in terms of the SWAREI project actually lead me into the comments that I want to make this evening. I'm going to start on vote 3.0.4, which is in fact the vote that deals with energy efficiency and alternative fuels. This particular estimate has had its budget decreased by 76 percent. It's rather disheartening to see that in fact the energy efficiency vote and program of the Department of Energy has been cut, literally gutted in this year's budget from \$1.4 million down to \$350,000. We're cutting \$1.1 million out of a program that deals with energy audits, education programs, information about how to be more resourceful and more efficient in our consumption of energy. It sends the wrong message, Mr. Chairman. It sends a message that this government is promoting energy consumption. It sends a message that this government is prepared to, for the sake of dollars, dismiss out of hand and leave behind energy efficiency programs and promotion of energy efficiency because the more we consume, the more royalties we earn. I think it does send the wrong message to Albertans. We ought to be working very aggressively. We have to be working toward reducing our dependency on fossil fuels. We have to be working toward looking at alternative fuels. We have to be looking at moving toward energy efficiency. In gutting this program, the message that's sent to Albertans is that we're not interested in doing that. I think that's a shame. I think we should be working towards that end, and I think it's only environmentally responsible to continue to work to that end.

I'm curious, Mr. Chairman, that in the business plan the department does say that "discussions are under way with private sector and not-for-profit organizations to deliver these discontinued activities." Perhaps my first question to the minister is: what details can she give us as to what's happening with turning this over to the private sector and the not-for-profit organizations, which, as far as I understand, constitutes most of the people who used to work for her department who now find themselves without a job within the department but who still have a very keen interest and a keen desire to promote energy efficiency in this province? So I'd ask the minister if she could get us some details on what's happening with turning this over to the private sector or, I guess, if I can use the word, privatizing it.

There's another statement that's made in the business plan with respect to energy efficiency, Mr. Chairman, and that statement is this: "A policy development capability in energy efficiency will be maintained in the Department." Quite frankly, that sounds like a very politically correct statement, but I don't know what it means. I'd like the minister to tell us exactly what that statement does in fact refer to. What is staying in the department in terms of energy efficiency? To take it one step further, my question then to the minister would be – since we're moving from \$1.4 million last year in promoting energy efficiency in the province to a figure now of \$348,000 in this year's vote 3.0.4, I guess it begs the question: what's left? What's the \$348,000 for now in vote 3.0.4? I guess I'm just asking: what's left?

I'm going to move to vote 3.0.3. I don't want to spend a lot of time on these two votes, but they do raise some environmental issues and some environmental concerns obviously. Environmental policy, vote 3.0.3, has now experienced a 20 percent reduction over last year's comparable estimates. Again, while it certainly isn't as significant as the 76 percent figure, it does send a message to Albertans just in terms of the Department of Energy's environmental policy and where it stands in the scheme of things.

Perhaps the minister can clarify, but my understanding is that this vote is also dealing in many ways with environmental issues and initiatives such as reduction of emissions from energy, the reduction of emissions in our use of fossil fuels. A couple of questions, then, for the minister on this particular vote. Can the minister explain if there are any benchmarks or performance measures which have been established to promote the reduction of emissions from energy use? This would be consistent with the business plan, Mr. Chairman, if we can look to and see some benchmarks and some performance measures in the promotion of the reduction of emissions. That sort of continues on with the same theme that we've talked about in vote 3.0.4 just in terms of energy efficiency and how our consumption and our level of emissions works into that whole process and attitude toward energy use and efficiency.

This also, Mr. Chairman, ties in to a very large extent with the province's clean air strategy for Alberta, or CASA. We've heard a tremendous amount of talk about CASA. CASA is certainly mentioned in the business plan for the Department of Energy. It's mentioned in the business plan for Environmental Protection. We certainly agree that it has been a very important and effective discussion tool, but the real concern here is that we seem to have stalled on CASA. We seem to have spent a great deal of time talking about it, but we have a great deal of difficulty in implementing it. Now, the issue and the question will certainly be asked of the Minister of Environmental Protection, but in relation to this ministry, in relation to these votes, vote 3.0.3, can the minister tell us: from this department's perspective when are we going to get a report or some indication of the implementation strategies coming forward under the clean air strategy? It's important. Albertans have said it's important. Most Albertans, many who have worked on this project, have bought into it, but as I say, we've stalled. Let's get on with this, and let's bring this important program into effect. Let's keep it moving. So I'd ask the minister to respond to that.

9:30

Again just in terms of emissions from fossil fuels. Of course, we talk about these in terms of greenhouse gases. My question to the minister on this issue would be this: can she advise if there are any mechanisms in place to ensure that the industry is kept fully informed and involved with regard to initiatives undertaken at last year's meeting of energy and environment ministers in

Regina that relate to the stabilization of greenhouse gases by the year 2005? Now, that's the target date for stabilization of greenhouse gases. It's a uniform initiative. Specifically, Mr. Chairman, to condense that question: what are we doing through the department to reach those objectives, recognizing – I guess certainly from my perspective it would be a bit of a dilemma – that we are cutting and gutting energy efficiency budgets and yet we do have commitments and agreements that we will move to stabilize greenhouse gases by the year 2005?

You know, Mr. Chairman, it seems that there is at least some consensus that over the next few years, as we move toward the year 2000, we are in fact going to see an increase in CO₂ emissions. We're not going to see a decrease. Certainly if that's the perspective that the energy industry is bringing forward to us, it's certainly incumbent upon the government to recognize that, to deal with that, and to really aggressively stay with its commitment to stabilize and reduce greenhouse gas emissions not only in this province but certainly across Canada. So I'd ask the minister if she could respond to our initiatives and mechanisms in terms of stabilization of greenhouse gases.

Mr. Chairman, the minister may recall that earlier today I made a member's statement on Special Places 2000. Special Places 2000 is certainly an important initiative of this government to set aside natural areas of the province. It is a program and a process that many Albertans have accepted, have applauded the government for. Obviously this has a significant impact on the minister and on this particular department as it feels the need and the urgency to encroach further and further and further into areas that have not yet been explored to find more natural resources to extract and exploit and develop. We need to hear from the minister. I think it's important that we hear from the minister this department's approach to Special Places 2000, this department's commitment to Special Places 2000, and whether or not this department is in fact fully committed to the initiative of Special Places 2000, recognizing some of the competing interests that are going to be out there looking for the opportunity to encroach while others are going to resist the encroachment of the energy industry into these wilderness areas.

In particular – the minister will of course be well aware of this – there is a tremendous concern by many Albertans about continued access and encroachment into the Whaleback area in southwestern Alberta. Now, I just raised that as a specific example, not necessarily in respect to the initiative of Special Places 2000. The minister has no doubt heard that many Albertans are very concerned about the encroachment of the energy sector into the Whaleback area, which is an extremely unique montane region that is probably the last of its kind in this province. It is presently pristine. It is a virgin montane area, and access to this area is going to be a very difficult issue. I won't comment further on that. I raise it as an issue with the minister, and I'd ask that she respond with her department's position on access to the Whaleback area.

Mr. Chairman, just a couple of questions to the minister on the business plan itself. I just want to highlight a couple of points. There is an action statement in the business plan that indicates that the department will "involve stakeholders/clients in assessing the Ministry's program requirements." I guess I'd just like to ask the minister if she regards stakeholders and clients as including environmental stakeholders and whether or not they will be invited to become involved in assessing the program requirements for this particular department.

There are a couple of confusing statements that are made in the business plan that I wouldn't mind the minister commenting on.

I notice that in the appendix to the business plan under Environment Restraints the statement is made that

governments, industry and the public will need to be collectively responsible for a balanced approach to development and environmental protection.

I cross the page and I read in the appendix under Government Operations that the

government will become a facilitator and coordinator, working with industry to ensure markets work more effectively.

So I'm concerned, Mr. Chairman, that on the one hand the government says that it will be collectively responsible for a balanced approach to environmental protection and then on the other hand says that it will take on more of a role as a facilitator and a co-ordinator. I would like the minister to clarify that. I really want to hear a commitment and a reassurance that government will remain involved in terms of responsibility and not simply act as a facilitator and a co-ordinator when it comes to environmental protection.

The last point I want to raise, Mr. Chairman, is on program 6, the energy and utilities regulation. Of course, this is in relation to the amalgamation of the PUB and the ERCB to run as one board. I do recognize and recall that there is an indication made that the board may operate as a tribunal with judicial powers. The only comment I'd make to the minister in terms of this is to hopefully have the government learn from past mistakes.

My specific recollection and involvement was with the Alberta Securities Commission, who went through a very lengthy process to isolate administrators who were also in a quasi-judicial role and break that and separate out those who were involved strictly in the administrative side of the operation from those who were involved in the quasi-judicial side of the operation. After a very lengthy process and after reports and implementations and draft models it was determined that in fact the administrative side could not participate as well in the quasi-judicial side. Having done all of that, the Securities Commission has now reverted completely to the system the way it was before, completely abandoned the process. I just want to raise that with the minister: learn from past mistakes. When you're dealing with these boards, separate the administrative side from the quasi-judicial side so that there is in fact the perception of fairness.

With those comments, I thank you, Mr. Chairman.

MR. CHAIRMAN: Hon. Minister of Energy.

9:40

MRS. BLACK: Thank you, Mr. Chairman. The hon. Member for Sherwood Park asked a question – let me think – on CASA and the commitment of this ministry to the CASA process. Keep in mind that it was this ministry and the Ministry of Environmental Protection that joined together to develop CASA and in fact was the only province in this country that had such an initiative in place. His question was: when will we see implementation from CASA? The answer is right now. The alliance has been formed and the funding has been provided. The initial meetings are under way between the groups. We are committed to the CASA process and in fact have gone to all the other jurisdictions across this country and asked them to embrace the concept and mechanism of CASA to bring together the environment and the energy groups across Canada.

Even to the extent of nationwide that model should be used as we deal with many issues that face not only the provinces but the country as a whole. In fact, at meetings we've had outside the country with energy groups and environmental groups, we've also promoted the concept of the CASA model to bring together – and you asked the question. It all leads together in our business plan

of the government working with the environmental groups, the energy groups, and the individuals to look at dealing with where we go from this point forward on our balanced development, our balance between our economic development and our environmental concerns. There must be a balance. There has to be a balance there. To bring those groups together again – the facilitation comes to bring people to the table – is very important, because when you look at the end objective, it's to have healthy economic development in an environmentally friendly way. You can't do that unless you bring everybody to the table. And when you do that, you do have differing opinions. There can be no doubt about that. Bring them to the table, and the government can work as a facilitator to bring these groups together so that they can focus. In fact, there's a group – and I'm sorry; I cannot comment on the Whaleback. It's before a hearing process, and I would not comment on it. So I will not answer a question on that.

Just as an example of how this can happen – and I think it's critically important – there is an environmental energy committee group that has been pulled together with industry players and environmental players to look at Eastern Slopes development. Now, this has never happened before, and I guess what I would say is that it's critical that this type of coming together occurs, because we have to have the balance. There is absolutely no point in shooting ourselves in the foot on the economic side, because we are dependent upon a healthy economy to provide for the people of this country, whether it be in the form of jobs or services or a straight livelihood.

The other side of the coin is that we want it done so that our environment is protected, so that we have a future. There's a balance there, and I think it's very wrong – in fact, there was an article which really surprised me in the *Calgary Herald* today. It was quite a surprise. It was an editorial in the *Herald*. I pulled it out. It started off saying, "We can comprise," and at the bottom it talked about there being a balance, which I fully agree with. I think it's a very important element as we go forward in our development stages.

So we are committed to the CASA initiative. We have stayed with that. We think it's very important. We have promoted it nationwide. We have gone to the discussions in Saskatoon. We have gone to those meetings taking our CASA initiative forward. We will not circumvent our CASA initiative in this province. We are committed to it. While we encourage the other groups to buy into the process, whether they do or not, we are committed to the process here, both the environment minister and myself.

To deal with the global warming/greenhouse gas issues, I think you have to look at what we have recommended. With the technology development that we have in the province of Alberta, if we take that technology and share that worldwide, particularly in those countries that are quite far behind on the technological enhancements, then we serve a dual purpose. Keep in mind that Canada contributes less than 2 percent of the global warming problem in this world. There is no point in us shutting off our industry if we do not bring the rest of the world onside. So our position is very clear: we take our technology and we share it worldwide and bring them up to North American standards.

I would be very much opposed to us going out and trying to indicate on a political platform that we are closing down all emissions in Canada. It's not reasonable; it's not rational thinking. The approach should be to take the technology we have and work with those countries that are not as far advanced as Canada and bring them up to our standard, then go through an assessment and find out where we are and proceed from there. We can do an awful lot with that technological sharing. Once we do that, then we must always monitor where we are. That's an

ongoing process. I think the technology sharing is critical if we are going to deal with this issue in a global sense. That's the position we've put forward to our federal government. That's the position we've asked them to carry forward to the world arena. Whether that happens or not I can't guarantee for you, but that's the position of the province of Alberta.

You also asked a question about part of the reorganizing on energy efficiency and the effect of that, whether we had any commitment to energy efficiency. Keep in mind that the energy efficiency program began with this ministry 16 years ago. We developed the package whereby we had the audit and the educational components, and we developed a policy for energy efficiency. Keep in mind the transition stage, where we went through dealing with windows, dealing with insulation, dealing with different types of shingling, dealing with light fixtures, dealing with an educational component, dealing with the manufacturing industry, dealing with housing development and the building standards industries, the codes, et cetera.

Now we've gone from a phase where a program develops to where it can now go into those sectors. The sectors buy into the process and develop it and can carry it further. We've gone through that educational component. You get to a point where you can turn something over to someone else to carry out. Right now we are in discussions with some of the private-sector people, some individuals and some groups, to carry that process forward. We're quite encouraged with that, because that means there's a real commitment. There's a sincere and honest commitment to carry forward and continue with those energy efficiency programs. We will not abandon that completely. We've left some money in the budget to still look at and deal with it, but we feel that the time has come, as with a lot of government programs, to let them go out and develop further. Don't hold them back. Let them go out and develop on their own. Let them mature now. We've had a buy-in by people and by industry, so now is the time to let them mature. I think you'll see that develop and be quite successful.

I think that basically answers our overall position on the concern for the environmental issues. As I say, again, we are very pleased with the way CASA has evolved. The Minister of Environmental Protection and I are continuing to work with it, and we are very pleased with the way our industry has come together with the environmental groups to deal in a realistic approach with the development and to look at the balance that must be there.

So with those comments I will sit down.

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

MR. DALLA-LONGA: Thank you, Mr. Chairman. Well, with the limited amount of time that we have left, I'd like to . . .

SOME HON. MEMBERS: Lots of time.

MR. DALLA-LONGA: Okay. We've got lots of time.

Last time, I stopped at the business plan. I'd like to just pick up a little bit where I left off and talk about this business plan. Anyway, I'd like to sort of reiterate my comments from last time.

DR. WEST: Is this one of your prepared speeches?

MR. DALLA-LONGA: Mr. Chairman, please.

MR. CHAIRMAN: Order. I wonder if hon. members could let the hon. Member for Calgary-West begin his comments in his usual unprovocative way.

9:50

MR. DALLA-LONGA: Thank you.

One of the things we keep talking about is this road map that these business plans are supposed to give us, and I still don't see where we're going with some of this stuff. I guess one of the things that I didn't quite get a chance to finish asking my question on last time was on page 7 of the business plan. Just by way of explaining where I'm at, Implications for Department of Energy, about four or five bullets down, where it says: "\$700,000 in reductions will be achieved through regulatory intervention activities and associated administrative costs." I'd like to know what that's referring to or how that's going to happen.

I guess my overall comment on this business plan is that it seems to be like there was a format set in all these headings, and then what happens is that you went along and filled in the information in between. It's not like the business plans that I am used to seeing. One of the things on page 10 that I'd like to spend some time talking about is under Government Operations, heading 4. Under Government's Role, second bullet, it says: "Oil and gas producers and associations will continually put pressure on the government to reduce royalties." What's this got to do with the government's role?

While I'm on that subject, I'd like to talk a little bit about what happened in this last budget with the ARTCs, Alberta royalty tax credit. I'm going to give you a little bit of an accounting lesson here. We have the tax credit. What's the opposite of a tax credit? It's a tax debit; right?

AN HON. MEMBER: Is this a freebie?

MR. DALLA-LONGA: It's free. This is free advice.

Now, if we didn't have any tax increases and we have a decrease in the tax credit, that would mean that we'd have a tax increase. So right here alone this is a tax increase. I'd like to point that out for those of you who missed it.

Anyway, I'd like to move on to another subject, one that I became more familiar with since the last time we discussed the Energy estimates. That's the REAs, the rural electrification associations. I had occasion to go to talk to some farmers - I see the minister keeps up on current affairs. Yeah, it was up in Grande Prairie. I wanted to . . . [interjections] I'll have to see it. I never saw it myself.

MR. CHAIRMAN: Through the Chair, hon. members.

MR. GERMAIN: They've all got this clipping service.

MR. DALLA-LONGA: They've got more money than we have.

Anyway, I was concerned that - I went up to Grande Prairie and surrounding areas to get sort of another perspective on issues such as EEMA, a little more information on the rural electrification Act, REAs. I attended a meeting where members from Alberta Power and a member from the Department of Energy were present. The subject of the meeting was to meet with one of the REAs about possibly purchasing them.

Now, there are a lot of people in rural Alberta, farmers and ranchers, that are particularly concerned about the process. Alberta Power says that they're not interested in necessarily buying back the REAs, but that's not the sort of impression that I got in being at that meeting. Alberta Power was there to submit their bid to the REA as to what they were willing to pay. I was concerned with their formula for valuing what the REA was worth. Having a little bit of a background in valuing companies

or businesses myself, I didn't think that their valuation method was particularly valid. The whole process seemed to be somewhat hostile. Now, people in rural Alberta are really concerned about their power bills, and I guess there seems to be a lot of animosity going on that maybe doesn't need to go on. This is compounded by the fact that there's the EEMA issue. Now, the minister says that we don't want to get into a north-south thing. Well, I can assure you that from the people that I talked to – and I don't have any reason to think that they're any different from anyone else – there is a north-south issue, and I think this is potentially harmful to this province. I think that rather than sitting back and sort of letting the thing sort itself out, maybe we should be more proactive in resolving this EEMA issue.

One thing was particularly interesting, I guess. As I recall, EEMA was set up, or originated, by a former minister by the name of Larry Shaben, and in attendance at the meeting that I was at was another Larry Shaben, working there for Alberta Power. I guess I was somewhat concerned by this closeness. I was somewhat concerned at times that the representative from the Department of Energy – I didn't think he was always impartial. That wasn't just my view; it was the view of the REA members as well. So I got a bit of an education here.

I thought, you know, from a southern Alberta, from a TransAlta payer perspective, that this EEMA issue was somewhat clear, clearer than it is now, and I'm concerned that this issue is just going to escalate. For example – and I'd like to get the minister's comments on this – what's going to happen if some of these rural users, rural electricity customers, try to buy their power from B.C.? I know some of them are investigating that possibility. For example, the Mica dam comes off their U.S. obligation contracts in about – I forget now; I think it's eight or 10 years. What happens if they try to sell power into Alberta? Quite frankly, I think they'd have a problem on a jurisdictional basis, but, once again, the people from some of these outlying areas are seriously considering trying to do that.

MR. CHAIRMAN: Point of order, Innisfail-Sylvan Lake?

MR. SEVERTSON: I was looking at my stuff.

MR. DALLA-LONGA: It's good to see that you're on the ball there, Mr. Chairman.

I guess I have a concern with this process of buying out these REAs. Originally the REAs were set up because Alberta Power didn't want to pay the capital costs. Now they're coming in with prices that – I mean, when I sat there and listened to a member from Alberta Power explain how he arrived at his evaluation for the REA and how he was coming up with his numbers, he was very biased. You have to understand that you're dealing with a bunch of people who aren't really that familiar with valuing businesses and stuff, and they didn't understand half of what was going on during the meeting. I felt it was just a brutal process.

Anyway, in view of the fact that it's getting close to the hour here and I have another colleague who wants to speak, I have a number of specific questions with regards to the estimates, but I'd asked them the last time. I would ask the minister if she would kindly look through *Hansard* and respond to my questions from last time. Otherwise, I'd have to ask them again. If she'll agree to answer my questions, I won't ask them again.

MRS. BLACK: Agreed.

MR. DALLA-LONGA: She's agreed, so that's on the record now.

Anyway, with that, Mr. Chairman, I'll let my colleague ask some of his questions.

Thank you.

MR. CHAIRMAN: The hon. deputy House leader, or . . .

MRS. BLACK: No. I'm still the Minister of Energy.

10:00

MR. CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Thank you, Mr. Chairman. I have made a commitment to answer the questions that have arisen from the Member for Calgary-West again. I will say only one comment. A lot of the issues that pertain to electricity will evolve as we go through the revamping of the electrical system in the review of the EEMA process. I would caution hon. members: please, don't get involved in north-south battles. Remember this is an Alberta issue, and as such we have to deal with it as an Alberta issue. It's difficult. It's very difficult, and it's easy to be on one side or the other, but I would say: please, try to refrain from doing that, and try to think clearly of the objectives.

Mr. Chairman, in view of the hour, I would now move that the committee rise and report.

[Motion carried]

[Mr. Speaker 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: Does the Assembly concur in the report?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Carried.

[At 10:02 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]

