

Legislative Assembly of Alberta

Title: **Monday, March 28, 1994**

8:00 p.m.

Date: 94/03/28

head: **Committee of Supply**

[Mr. Tannas in the Chair]

MR. CHAIRMAN: I'll call the committee to order. Order. I'd ask the committee to come to order, which means moving to your seats and sitting down.

We'll try it again. Would the committee please come to order. That means moving to your seats or taking a convenient seat and sitting down. The committee is reminded that the Chair was remiss in the days and weeks past in not insisting on the decorum that should be ours, and that is that you are allowed to move from place to place but not to stand and carry on discussions.

MR. N. TAYLOR: Like the hon. member for . . .

MR. CHAIRMAN: Thank you, Redwater. So just a reminder of that rule and the other rules that have gone before.

head: **Main Estimates 1994-95**

Energy

MR. CHAIRMAN: I would ask whether the minister would care to begin the evening's deliberations with some comments.

MRS. BLACK: Thank you, Mr. Chairman. Indeed, it is a pleasure to be back for the third time to look at the estimates of the Ministry of Energy. I'd like to just take a moment and thank my officials who have been in the gallery three times to listen to the questions and take notes, et cetera, and I'd like the House to recognize their attendance for the third evening. Thank you very much. [interjection] I'm reminded that many of the members have also been here three times to listen to the Ministry of Energy.

Mr. Chairman, I guess what I would like to say tonight is that this is, I think, one of the most important areas that we have within the government because it is an area that is very much involved with the growth of the province and the economic well-being and certainly is a ministry that is cognizant that a healthy industry means a healthy environment for Albertans, not only on the financial end but for our future generations. So we're very proud of our ministry and what it has accomplished and how it has recognized changes in the community as we've gone through a restructuring of our ministry and regulatory review within that ministry.

Mr. Chairman, I won't take any more time tonight on opening comments because I know it's important to get into some of the details. I think I was here only a week ago. I'm sure there are some questions left over from a week ago, so I'll sit down and listen to those.

MR. CHAIRMAN: Okay.

The hon. Member for Calgary-West.

MR. DALLA-LONGA: Thank you, Mr. Chairman. Yes, this is our third evening, and I appreciate the minister's staff being here as well. Just think: by the end of tonight we'll be halfway through.

Anyway I have some questions that I'd like to ask. A couple of them are sort of repeat questions. I haven't had the answers yet, and I guess I just wanted to make sure that I do get answers

to some of these. One of the ones that I had from last time was: that study that was done by Coopers & Lybrand, which formed the basis for that departmental restructuring, I was wondering if we could get a copy.

I'd like to move on to some of the specifics under the votes and then move on to some general questions. I haven't asked any questions specifically on programs or votes or whatever they're called these days.

My first question is under departmental support services, and I started to get into this last time. Under program 1.2.3, organizational development and human resource expenditures, the estimate for the current fiscal year is \$694,000, whereas last year it was \$662,000, and that represents almost a 5 percent increase. I would ask the minister if she could provide some rationale or support for the increase in this area. With all the decreases that we've got, why would we have an increase there?

Now, a question that I asked last time that I still haven't had the answer to under vote 1, sort of another issue, is: what's happening for the pilot project for those low productivity wells that was announced in May 1993 but has yet to be implemented?

Going on to my next question. The Alberta royalty tax credit. In Budget '94 there was an announcement that there was a reduction in the maximum benefit from 2 and a half million dollars to \$2 million per company.

MRS. BLACK: Where is that?

MR. DALLA-LONGA: The Alberta royalty tax credit, Budget '94. I'm off the votes and sort of onto a general question now.

Can the minister comment as to why this renewed ARTC, Alberta royalty tax credit program, wasn't tied to reinvestment? I keep getting asked that by oil companies. Obviously, the doctors and dentists in the crowd aren't going to be happy about that, but there is some feeling out there that the ARTC program should be tied to reinvestment into the industry. I'm somewhat sympathetic to that, because the royalties, after all, are a tax by the province on resources, and there should be some sort of reinvestment. I think it's going to become more important down the road. Maybe if I could just get some of the minister's comments on that.

Under royalties, while we're on the subject, we're trying to create an environment which leads to increased investments and increased activity and job creation within the energy sector. We've been fortunate in the last year because there's been 5 billion odd dollars come into Alberta mainly as a result that there weren't other perceived sources for the institutions to put their money. Has the minister considered a reintroduction of the one-year royalty holiday for crude oil developing wells? I'm sure she has, but maybe if she could just share with us what her thoughts on that are.

Once again sort of a general question: can the minister comment on the recommendation of the Alberta royalty tax reform commission that the Department of Energy undertake a review of nonconventional royalties? What action's been taken in this regard, and will the Energy Research Council be involved?

Well, I'll skip over some of the other questions that I had. Under vote 6, the energy and utilities board - I might add that I was at the CAPP dinner the other evening, and someone in your department suggested that maybe you should have a contest to rename the board. I guess there are a lot of people that don't like that name. What's that going to be called? The Alberta energy and utilities board. I offer that as a way of information. A suggestion was to have a contest. Maybe they'll buy into the name. It doesn't seem to be a very good acronym, AEUB. I guess you can get used to it.

8:10

Under vote 6 can the minister comment on what steps the department will be taking over the next year to meld the activities of the PUB, which is a quasi-judicial board, and the ERCB, which is another quasi-judicial board? What steps are being taken to put these two together? A number of people have said that they think there are going to be more problems than was initially thought because the PUB is more of a consumer oriented body and the ERCB is more of a regulations and facilities development, that sort of thing. The feeling is that there are going to be more problems putting this thing together than was originally thought. Has the minister given any thought to that? What steps can be taken to maybe head off some of those problems? The question I had asked before: what legislative changes are going to be required to put this merger into effect?

Now, another question that I've asked before, and I've asked it because some people wanted to know: can the minister indicate whether consideration has been given to restoring the provincial income tax rebate for privately owned utilities in Alberta? Has any consideration been given to reinstating that? Canadian Utilities, for example, has inferred that termination of this rebate has added about 6.2 percent to the consumer's power bill.

Can the minister comment on the nature of the regulatory and organizational reviews now under way which will reduce government funding to the AEUB from \$20.9 million in '94-95 to \$16.8 million in '96-97?

Breakups, I guess, may have started or are close to starting. One of the questions that I asked in question period last session had to do with the issue of PITS, Petroleum Industry Training Service. They were seeking \$100,000 more to push through a few more graduates that were needed in the oil field. In talking to some of the people in the drilling companies, they started hiring people off the street because they couldn't find enough qualified people. So what steps, if any, is the minister considering to ensure that PITS has the funding to provide the industry with a pool of trained and experienced crews in light of this increased drilling activity, which looks like it's going to carry on through to next year?

In connection with PITS, has the department considered more effective linkages in this area with the private sector? I know the private sector already funds I think it's 50 percent, but in light of the government's commitment to job creation, this would seem to me a logical area where more jobs could be created, people could be educated.

One suggestion I might have – I don't know if this is feasible or not. In going through and looking at these government estimates, the various budget documents here – I mean, I did this sort of thing when I was back in public practice, looking at budgets and comparing actuals to budget. A lot of time could be saved, particularly for the nonaccountants in the crowd, if some of these explanations could be provided already. You know, being that the Department of Energy is sort of a leader in cutting its costs over the last few years, maybe it could be a leader in providing these budget estimates. It would really help a lot if you had, like, last year's estimates compared to this year's estimates, and where there's a variation of over 5 percent or whatever, maybe a minimum dollar amount, some explanations could already be provided in, say, the business plan. To me, that would be the start of a real business plan, and then we wouldn't have to ask all these questions, you see. But I don't know. Maybe the ministers like having the questions asked.

In my visits over the last two or three months to some of the oil field producing areas a number of questions came up. I started to

ask them the last time we got together on Energy estimates, and I'd like to just finish off on that. One of the things that's come up that I started to ask last time is: what's the government's policy going to be on interprovincial power sales? I know action north – the minister may have heard about this group. They are seriously considering buying power off of British Columbia. I don't know if it's possible; I don't think they know whether it's possible. I think they're going to run into some problems. What is the government's view on that? I had mentioned last time that I had gone to an REA meeting, and I was somewhat concerned with the way the meeting had been carried on. The thing I didn't mention last time is that Alberta Power has a funny way of valuing what an REA is worth, and there's a lot of hostility going on there. It might be worth while . . . [interjection] The minister of transportation says not. I beg to differ with him. Maybe the REAs in his area aren't like that. What's going to happen there?

This EEMA thing is of concern to me as well. I wonder where this is going to escalate to. The minister of transportation once again says that this is no problem. Maybe it is; maybe it isn't. I think it's a problem.

The other thing – the Minister of Energy may have got her copy of the letter as well – is surface rights leases. What is it? The surface rights representative board or whatever the name of that organization is. That guy from Elk Point sent everyone a letter again, and I'll tell you, the oil companies are really getting up in arms about surface rights leases and the amount of money that it's costing them. They feel that they're being unjustly done by, and they're wanting something to be done about it, as are the farmers, as are the landowners.

MR. TRYNCHY: Well, make some suggestions.

MR. DALLA-LONGA: Oh, we'd be happy to make suggestions. One of the suggestions is that we take the Surface Rights Board out of the department of agriculture. I think that's a major bugbear with the oil industry. Rightly or wrongly they feel that because it's under the department of agriculture it automatically favours the landowner. I don't see a problem with that.

MRS. BLACK: Well, where would you put it?

MR. DALLA-LONGA: I think they should be given representation on the board. The Minister of Energy's asking: where would you put it? I wouldn't put it in the Department of Energy, and I wouldn't put it in the department of agriculture. Maybe you could put it under the Department of Health. I'm just being facetious. It should be in a more neutral department at the very least. Certainly they should be allowed representation on the board. I don't think that's too much to ask. If you'd like some more recommendations, I'd be happy to make them, but we're getting beyond sort of what the estimates function is here.

I think that's getting close to the end of my questions in this go-around. Just in case this is the last evening we meet, I'd like to thank the minister for her patience, and I'd appreciate answers to the questions that we've raised tonight.

Thank you, Mr. Chairman.

8:20

MR. CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Thank you, Mr. Chairman. I'm so pleased to see that Calgary-West will miss us if we're not back again. I know he enjoys the energy area so much.

He asked a question, Mr. Chairman, about vote 1.2.3, why there was a \$32,000 increase in that budget item. That was the transfer of the cost of the payroll from Treasury over to our department. It was normally reflected in the Treasury Department's budget. It's been allocated out to the various departments, and certainly that's where it is in ours.

He also asked about the study that was done on the restructuring by Coopers & Lybrand. At this stage, as I'm in the middle of it, I won't be releasing it to you because of the personnel situation that we're going through, the changes. Certainly I'll think about it after I go through this process. When you go through a major restructuring like we have, Mr. Chairman, it's one thing to draw boxes, but now we're into the human element, and that's a very difficult stage to go through for any restructuring model. So I won't put that out in the public forum yet. I would hope I would have your indulgence on that, because you know from the consultative side that it is very difficult on everyone to go through major restructuring. You may promise to keep it secret; however, you won't be getting it until I'm ready to give it to you.

The hon. Member for Calgary-West also asked about the Alberta royalty tax credit. As was shown in the budget, Mr. Chairman, the program cap was reduced by 20 percent to reflect the reductions of 20 percent that we were trying to achieve in targets. Also the variance went, instead of 25 to 85 percent, from 25 to 75 percent.

The reason that it was difficult to look at a reinvestment model was basically because of the way the federal tax returns are made up with the different tax pools on CEE, CDE, and COGPE pools. So you cannot really isolate the breakdown between the provinces in detail on that form. The federal body of course was not prepared to make an adjustment to the federal returns to accommodate the kind of breakdown that would be required to show additions and disposals through the year on the form to make it simple.

Keep in mind on the ARTC program that only production from Alberta qualifies for the ARTC program. Production from outside of Alberta does not qualify. You can see from the other elements within the revenue side, the involvement in the activity level of the industry, that certainly the dollars are being reinvested back into the province of Alberta. One just has to look at the land sales for this year and realize that the activity is there. Many of our juniors and intermediates have taken a major role in the industry this last year, and a lot of that, I'm sure, is dollars that have been returned under the ARTC program that have been reinvested back into the industry directly. I feel relatively comfortable to say to you that those dollars are being reinvested and are going back in for new plays and more prospects to be developed. So it's not always easy to tie these things to programs that we don't have full control over.

The other thing you asked about in general was the development holiday that expired in July. That program did expire. I answered this question once before. We do have in place a permanent exploratory holiday, and we have with the new programming, of course, the third-tier royalty calculation, which I feel is sufficient. Naturally I'm always prepared to look at the economic realities that are there and to keep in touch with industry and recognize those realities as we did when we introduced the third-tier program and the development program. It was desperately needed at the time.

You also asked a question about the recommendation, I believe, from the Alberta tax review commission. Was it the Alberta tax review commission you were talking about? That talked about a review of nonconventional royalties, and you asked if we were going to do this. I've said many times in this House that royalties are continually under review, and certainly this is something that

we do on an ongoing basis to see if they are in fact appropriate. We also look at the terms and conditions of those agreements as they come up for renewal and sit down with those companies. So that does in fact happen.

You also asked under vote 6 what steps were being taken to merge the two boards and if I had considered the possibility of how difficult it might be. Well, keep in mind that you don't make a decision to merge or amalgamate two quasi-judicial regulatory boards without an awful lot of thought, without an awful lot of consultation not only with the boards but also with the stakeholders and naturally with our department people. The process that is in place, in fact, is under way now. You may have noticed that there has been an advertisement in the paper for the new chairman's position for that amalgamated board, called the Alberta energy and utilities board, to pull those two groups together. The quasi-judicial side of both of those boards will be maintained intact. The legislation, actually, that governs both of those will not be amended. It provides them with the enabling legislation for the quasi-judicial nature of them.

Does it have the potential for being joined together? Will it be the administration side of the two boards? You'll find that the utility monopoly regulation will be like a division, and the ERCB regulatory side will be another division. There will be an over-board merged together that will allow for the potential of joint hearings under one board or in fact if the need is there for separate, depending upon the case that comes forward from the public and from the industry and from the ministry. So I think it's a merging, a bringing together of a regulatory process which provides a one-window approach to review, and I think it should be very effective quite frankly. There will be legislation coming forward to effect that merge, and that will be coming forward soon.

Have I considered restoring the Alberta tax rebate for electricity? No, I haven't.

How are we doing on the regulatory review process? We are working quite hard on that. We have an awful lot happening in our ministry with the restructuring and the realignment, but we're also going through the regulatory review. We've had tremendous input not only from our regulatory bodies but also from our industry that has worked with us to identify regulations that were duplication, not only within the ministry but duplication across ministries, to look at those. Now we're at a point where we're merging all of that data together, and it is a very large job. It is a very large job, I can tell you, to pull specific regulations together and review them and see if in fact they need to be amended, repealed, or left intact. We've listed every one of them, and there are hundreds. We are going through that process, but we're going to do it right. We're not doing it in a hurry. We're trying to go as fast as we can, but we're going to do it thoroughly and make sure that we have it done right the first time. So that's continuing.

You asked me about spring breakup, but I didn't get the question, so I can't answer you on that. It's going to be there and starting now.

8:30

Then you went into PITS, the funding for PITS. This ministry doesn't fund PITS. It comes under Advanced Education and Career Development, so it's not funded through my ministry at all. I think I gave you that answer last year. It's not part of my ministry.

I believe, Mr. Chairman, those were all the questions that the hon. member had.

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

MR. N. TAYLOR: You mean it doesn't come automatically to the tongue?

I'd like to of course apologize to the minister for coming back three times, but my old teachers used to say, "You're going to keep coming back until you get it right." So I think the minister might have to come back a couple more times. We'll relax. I'm sorry about your staff waiting upstairs, but then you can always look at it this way: if they were not watching the drama unfold on the floor of the Legislature, they would probably be corrupted by television somewhere if they were at home.

Vote 6. I'm going backwards, I guess, here. I'm still bothered with how the minister is going to marry the Energy Resources Conservation Board, which is primarily interested in the exploitation of our resources, with the Public Utilities Board, which is primarily interested in seeing that the consumer, not the producer, gets a fair price. It seems to me you've got one side of this equation working for the highest possible price, and you've got the other side working for the lowest possible price. You're going to put this hermaphroditic creature out into the marketplace or out into the government and try to make it work. It just doesn't seem right. It's a push-pull type of thing, Mr. Chairman. It's an oxymoron: it's like a square circle or a pretty graveyard.

MR. CHADI: It's like a smart Tory.

MR. N. TAYLOR: Or a smart Tory. It doesn't matter what you call it.

Nevertheless, what we have here is something that doesn't wash, and I just don't know how the minister is going to do it. She says: "We'll put it together." Well, that makes a fine thing for the administration, but you will recall that one of the reasons that the government was trying to put these two together is the embarrassment they suffered back when we were bringing coal plants onstream to generate electricity in the north. The ERCB sat down way back and in all their wisdom said that we were going to need these coal plants, because the way the province was expanding, we were going to run out of energy. So the ERCB said that we were going to need energy. Of course, what happened later on was that we didn't grow as fast as we thought, and the PUB came along for price and said: "No, no. You can't roll" – I can't remember what the plant was – "into the rate base." In other words, the PUB actually saved the taxpayers of Alberta quite a little money.

I don't see how the minister is going to structure it, but maybe the minister could tell me. Maybe what we're going to do is: when there is a hearing called for some reason – it might EEMA or it might be power rates or gas rates to the town of Vegreville or Redwater or whatever it is – one of the ways you might do it is to strike a new board or committee for the board that's going to listen. It doesn't seem to me to be sensible, for instance, that the conservation board, which has given permission, say, to myself and a few other people that are, say, developing a gas field in the Redwater area and has allowed us to get by with allowing so much sulphur up the stack and has allowed us to get by with building pipelines and everything else then turns around on behalf of the citizens and the buyers of Redwater and decides whether they're getting paid a fair price or not. This is after they've decided what they're going to allow me as a developer to get away with: how much sulphur I let go up in the air, what kind of pipeline I use, whether I use a pipeline that's already built or whether I build a new one because I can get it into the rate base, all that type of thing. The conservation board has usually in the past only been interested in the engineering aspects, the technical aspects, and making sure safety is looked after, the environment

is looked after, and that the government gets the highest possible amount of money out of the project for one-eighth, or 25 percent royalty, usually, in a gas deal. Yet you have the consumers over here that are trying to get the cheapest price possible. So I don't see how, as I said, you could put this hermaphroditic structure together so it will work, so it will fly.

I was wondering if the minister would elaborate a little bit as to possibly, when a hearing comes up, being able to call in a board. Maybe you'll have a number of names of people that you will only call in and pay for when you use that board for public hearings. It doesn't seem right that the conservation board, or as you call it now the Alberta energy and utilities board, should be on the other end of the thing deciding for the consumer.

That goes to the second aspect of the PUB. The PUB would occasionally fund – well, often as a matter of fact, and quite often had their own engineers and lawyers working as devil's advocate. A devil's advocate, Madam Minister, is not a Liberal. It's really an old-type term that's used for examining the other side of the argument. The devil's advocate is usually financed by the PUB to ask questions and quite often to tear apart the conservation board's figures and often the producers' figures or the pipeliners' figures. How would you get somebody working on a conservation board to get up and tear apart the conservation board figures as the consumer advocate? In other words, the consumer advocate seems to be disappearing from this. Maybe consumer advocates are not needed in Calgary and Edmonton, but a consumer advocate is certainly needed in many of the rural and small towns of this province. They sound as if they're going to be turned over to the tender mercies of the Alberta energy and utilities board, who are expected to be like Solomon and be able to divide the baby in two without shedding any blood. It just doesn't seem right. I don't think you're going to get it to work. I think I can see one possibility. If you can structure a board for public hearings from time to time, you might be able to do it. I'd be interested if the minister had much more to say on that, and maybe her little gremlins up in the gallery might be able to send something down to her so that she can enlighten us on that and maybe point out somewhere in the world where this occurs, where the conservation and exploitation side also looks after the consumer and the utility control side.

Let's move on to vote 5. Madam Minister, I'd like to tell you why you need any of this. You were talking about spending \$3 million to sell Syncrude's share, both the royalty oil and the percentage oil, but we just changed somewhere. The minister made very much here, Mr. Chairman, over the last few weeks – and this is one of the reasons we called her back a third time; not that three strikes and she's out, but maybe three or four times and she'll get it right – of the fact that the Alberta Petroleum Marketing Commission is going to be dissolved. We're going to sell our royalty oil through private enterprise, and therefore we don't need APMC. If you don't need the APMC – and maybe I don't understand something – why do you need this? Why do you need to spend \$3.3 million marketing, of all things, your share and royalty share of heavy oil out there? It seems to me a vestigial appendix to the body politic – whether it was overlooked or what? If you're getting rid of the APMC, why do you need this particular department to sell synthetic oil?

8:40

Now, I'm the very first to admit that tar sand oil doesn't have the number of buyers, maybe, as ordinary crude that comes up subsurfacewise, but I think there's enough now. There are enough refineries around North America that use it in its mix that I think there's a competitive market out there. So the old idea

that you're afraid you're going to get shafted by Sun or Esso giving you a fancy price for your crude I don't think exists anymore. I think there is a competitive market. Maybe the minister could enlighten me on it. Maybe she feels it's necessary to make sure that the operator in Syncrude and Sun don't shaft us, that we have to have our own selling mechanism. I doubt it. I think if you got rid of the APMC, you could get rid of this too, but I'd be interested in what the minister has to say.

I'm going backwards to number 4, Mr. Chairman. I'm just doing it to throw the minister off. In case she memorized the answers from 1 to 6, I'm going back from 6 to 5, the other way, just to see whether it would throw her off at all. There are a couple of items there that I'd be interested in hearing the minister's opinion on. Before we go into money, on the left-hand side of the sheet there's administrative support. This vote "represents Alberta's ten percent equity participation in the OSLO projects, and negotiates all OSLO Project agreements." I'd be interested to know if the minister is making any headway talking to the new and more enlightened federal government in Ottawa in getting a tax change so that as the money is spent on the OSLO development, they could write it off immediately.

You see, right now the tax laws read, as far as my understanding is, that until the project comes into production, your costs cannot be deducted. In other words, you cannot - well, what is a plant out there: \$350 million, \$400 million? It'd take maybe four years to build, so a hundred million dollars a year. I'm just speaking very generally. Right now you can't write off that hundred million dollars a year against other oil production. I think you have to wait until the plant is in production, and then the \$400 million becomes available to write off. That makes quite a difference in tax savings and could make a difference in whether the plant takes off or not. My understanding is that the old government refused to allow the write-off of taxes as the money was spent and waited till the OSLO project was finished. Now, Madam Minister, I understand this is a highly technical thing, and I certainly would expect you to take it under abeyance, if you wanted to, and write me a letter down the road or file it later.

The other thing that kind of intrigues me as a fellow geologist. I notice that a geological survey put in here is \$1.368 million. I thought to myself: well, what the dickens do you need a geological survey for in oil sands and energy research? Surely to gosh private enterprise can do their own looking out there, and surely it is mapped down to an ant's eyeball by now. There can't be very many surprises left on the geological side. There are lots of surprises left on the engineering and developing side. But then I looked over to the left side, and it says:

provides department funding for the Alberta Geological Survey which is used by industry when assessing potential exploration and development of provincial mineral resources.

So I think, once again, Madam Minister, it may well be that you've mixed fish and fowl here. Really, in the geological survey we're talking about all of Alberta, and it doesn't really apply to the tar sands. Don't get me wrong. If you wish to keep it under oil sands and energy research, that's all right. I don't see geological costs coming anywhere near that. What I see on the left-hand side, that's probably it. Maybe you could confirm that all the geological survey costs for lack of anything else have been stuck in this vote, whereas really they should be in a mineral vote somewhere else. Maybe you could tell me. It's not going to end the world if it is in there, but I'd be interested.

[Mr. Sohal in the Chair]

Then we move on, and we're spending \$13,128,000, Madam Minister, in research and development of the tar sands. I don't

know whether the little gremlins up there have this at their fingertips, but I'd be interested in the split on the research of \$13 million in general. In the tar sands you only have really two types. You have the in situ, and you have open pit. Within in situ you have three categories. You have the mining method, where you sink a shaft and put things in and warm up the thing and trickle oil into the thing. You also have the solvent method, where you pump down a solvent and sweep it through the formation to another hole. I don't think you're using much of that. The other one is fire flood, where you actually set fire to the formation, feed it oxygen, and the heat front moves ahead, moving oil and so on. Now, there was a fire flood up there some time ago, and I don't know how it worked out. I've always been intrigued because I was one of the first engineers in North America on a fire flood. That's where you set fire to it, but that was down in California. It worked out fairly well, just in case my people thought I moved north because I set fire to California. It wasn't really that true.

MR. CHADI: It's still burning, Nick. It's still burning.

MR. N. TAYLOR: Yeah, it's still burning.

I'd like to know if you have a rough division that you might tell me as to between fire flood, solvent, shaft mining in situ, and open pit mining. If you have any rough idea what the research in between them all is, I'd be rather curious.

I think, Mr. Chairman, that's just a nice sized bale of hay for her to get in it. I don't want to give the whole truckload all at once. I'd be interested in hearing the answers.

Thank you.

MR. ACTING CHAIRMAN: Calgary-Buffalo.

MR. DICKSON: Thank you very much, Mr. Chairman. The reason I'm rising now is that I heard the minister just a short time ago talk at length about regulations that were being overhauled and reviewed, and she was motivated, she said, by a concern to, quote, get it right, close quote. Well, I think all Albertans are anxious to see that we get it right in terms of regulatory overhaul, but I'm puzzled by one thing. Six months ago, when this Legislature commenced sitting after the June 15 election, this Legislature, as is its custom, identified a certain number of MLAs to a standing committee, the Standing Committee on Law and Regulations. Why do we have this committee? Well, my understanding is that the committee has been virtually moribund for the last number of years, but the purpose of the committee is surely that when regulations are developed, it's not simply an internal function, as we've seen with respect to other legislative initiatives. Regulations in many respects are as important as the enabling legislation, and Albertans, particularly people involved in the energy sector, have a direct and obvious stake in what's in those regulations.

I put this question to the minister through you, Mr. Chairman: why wouldn't the minister focus some of her considerable energy on animating and getting her colleague from Calgary-Shaw, who's the chairman of the Standing Committee on Law and Regulations, and her colleague from Red Deer South, who's the deputy chairman of that committee, to get that committee going? That's an opportunity for members from both sides of the House to be involved in looking at regulations in probably the most important industry in this province. The committee exists; there was a reason for that standing committee having been created in the first place, presumably many years ago. It seems to me that if we were to do that, if we made that committee operative and functioning and working, what we'd then have is, I suspect, a much greater level of confidence with the opposition side that the

regulations not only would be true, consistent with the enabling legislation, but also done as well as this Assembly and the 83 MLAs in this Chamber are able to do it. So I just want to ask the minister why she invests all of this energy in some kind of an internal review of regulations, an internal process to generate regulations, when she's ignoring a standing, all-party committee whose mandate is specifically to do that.

It may be that the Member for Calgary-Shaw has comments to add to this issue, but the minister gave no glimmer of recognition that we have a committee that's there to do exactly the thing that she wants to do, and she's not using it. Well, I don't know why that is, Mr. Chairman, and I hope that she'll enlighten us before we conclude dealing with this in committee.

Thank you very much.

8:50

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

MR. CHADI: Thank you very much, Mr. Chairman. I'm pleased to be able to rise today to speak to the estimates in the Department of Energy. Last time I rose to speak to it, sometime last week - I note that the minister did not have a chance to respond to some of those questions that were asked at the last meeting of the estimates debate. I'm not going to dwell too much on what was asked of the minister in the past. I'm going to continue on with my questioning as I see the concerns that lie before me, but I wonder if the minister could respond to some of the questions that we asked in the previous week in the estimates debate. I note that there wouldn't have been time the last time around, but I expected that perhaps we would receive them in writing. If that is the case, I wonder if we would be receiving them soon. Perhaps that's why we are continuing on with the estimates debate in the Department of Energy; it's probably because we don't have responses to the questions that are put forth sometimes. Certainly the ones that I put forth I have no responses to. I appreciate that the minister is very good at answering those questions that do come forward, and I would hope that she has time today to respond to some of these.

My line of questioning, first of all, is going to start from where I ended last time, and that is in program 2. I asked about the mineral resources operation and the mineral revenues operation and the administrative support in both programs. When we look at the administrative support in the mineral resources operation, it's down considerably from the last year's estimates, but there was a massive expenditure in capital this time around. We anticipate expenditures of \$112,000. My question right at the end of my comments last time was: what are we anticipating to expend \$112,000 for in capital? Is it because we anticipate purchasing a piece of equipment that could perhaps see us amalgamating the administrative support in those two programs? It makes sense that perhaps that's what might be happening here.

I question mineral resource services, 2.1.2. It is the identical expenditure as the year previous. My question is: why haven't we moved from that? It's \$4,744,000. It's been consistent at that level, and I'm wondering why we haven't thought to take that down by the going rate of 20 percent or whatever the anticipated reductions ought to be this year. Not only in that subprogram alone, Mr. Chairman, do I see it. You look at the subprograms in mineral revenues operations. In administrative support it's identical to last year, it's identical in compliance and assurance, and it's almost identical in revenue determination. So if the minister could answer me with respect to why that is and why the capital expenditure in that department.

Right now I'm going to move around like the hon. Member for Redwater, who was probably correct in saying he was going to throw the minister off guard here. Not that I intend to throw the minister off guard in any respect, Mr. Chairman, but I just find it interesting to listen to the comments by the Member for Redwater.

Directly relating to petroleum marketing, you look at program 5 in the estimates on pages 117 and 116 and there is no sub-program within that expenditure. That expenditure is \$3,334,000, yet there are no subprograms whatsoever. On the opposite page, on page 116, it's quite clear. It says that the service provided within this program is that the commission acts as an agent for the Crown in selling its royalty share of crude oil. Well, I can't believe that it takes more than \$3 million to ensure that the Crown's royalty share of crude oil is sold, when I know full well that companies like Syncrude have their own marketing agencies and they'll be out there doing their own marketing. Why don't we piggyback on what they're doing? Has that indeed been looked at? I mean, let's get real about this whole thing: \$3 million to market. I mean, how many employees do we have in the Petroleum Marketing Commission?

When you look at the expenditures of \$3,334,000 versus last year's forecast of \$3,384,000, Mr. Chairman, that's dropped only by \$50,000. What happened, with \$50,000 there? Did we just pluck a number out of the blue and say, "This is how much your budget's going to be, \$50,000 less"? Or was there a reason for that? I think there probably was a reason for it. I think there should have been a reason. I think it could have gone a lot more than \$50,000. I believe that the minister could have looked at this area and said, "There are better ways to expend the \$3 million than to continue with a commission that probably takes one person to run." I can't imagine that we can't work with what Syncrude already has in place or the other companies that are in place already that are marketing their own petroleum. Why we have to have our own mechanism, our own duplicated service, is unbelievable.

[Mr. Tannas in the Chair]

**Point of Order
Clarification**

MRS. BLACK: Mr. Chairman, a point of order.

MR. CHAIRMAN: The hon. Minister of Energy is rising on a point of order.

MRS. BLACK: Mr. Chairman, I've answered this question about three times. If hon. members would remember, I announced on February 24, I believe, in the budget that the Alberta Petroleum Marketing Commission would be gone before the year's end and the marketing function would in fact be done by the private sector. I've answered that, I think, four times in this Legislature, so I would remind hon. members, please, that that announcement has already taken place.

MR. CHAIRMAN: Edmonton-Roper.

MR. CHADI: Thank you very much, Mr. Chairman. I appreciate the concern of the minister, but, after all, these are the estimates in today's budget and this year's budget that we're debating. I appreciate the comment that we're going to throw it out next year, but this year we're expending \$3 million. Next year we're going to be doing it by the private sector, the minister says. Well, by the private sector. When that time comes along - and I know that you're going to be expending funds in that

department – I would hope that we're not being charged another \$3 million, because if we are, then I think we're still doing something wrong, regardless of whether it's in the private sector or not. It appears that there are an awful lot of chiefs; everybody wants to be a chief and nobody wants to be an Indian anymore. I want to be a chief too.

Debate Continued

MR. CHADI: Mr. Chairman, my next concerns are with respect to program 3. In program 3 we have a fair amount of expenditures in energy policy. In energy policy we're looking at \$7,273,000 to be expended. Again, when I look at page 113 in the estimates book, on the opposite side I expect to see a description of what it is that we're debating. When we see markets and supply; 3.0.3, environmental policy; 3.0.4, energy efficiency and alternative fuels; 3.0.5, royalty policy; regulatory policy; electricity policy; and interpretations and rulings, I firmly expected . . .

MR. CHAIRMAN: Order, hon. Deputy Government House Leader. We're trying to enforce the rules that people don't engage in lively conversation standing around.

I'm sorry, Edmonton-Roper.

9:00

MR. CHADI: Thank you very much, Mr. Chairman. You know, I firmly expected to see the descriptions on the page opposite to give us an idea of what it is indeed that we're debating, because there is an awful lot of money here that is being debated, and whether or not these expenditures are warranted.

I note that there are capital expenditures as well in this program to the tune of \$76,000. I commented last time around. I know it's penny-ante. It's not a heck of a pile of money when we talk about \$2,000 and \$5,000 and \$22,000 in each one of these subprograms, but each one of these adds up to an awful lot of money at the end of the day. I'm of the opinion that we have to look after some of these pennies, that we have to consider these as pennies relative to the overall budget. It's \$76,000: \$35,000, \$20,000, and \$21,000. Now, there can't be a great deal of expenditures here, that we're buying something that is elaborate. I think we're buying things here that perhaps maybe we've already got, and I'm going to ask the hon. minister once again to respond to that.

Are there any ways that we can look at to see if we're not buying something that we already own? Are there ways that we can look into other departments to see if we can utilize anything that they've got? Are there ways to look at perhaps maybe the different departments to see if there is a portfolio, an inventory of the surplus products that they've got, equipment, et cetera, to ensure that we're not going out there and expending funds unnecessarily? I know it's nice to expend those funds and to make sure that the private sector is maintained and is healthy, but at the same time there's only one taxpayer. We've heard that time and time again. We owe an awful lot of money, Mr. Chairman. We have to consider that. It goes a long ways when we start looking at paying down some of that debt. Every drop counts, and I think we have to start looking at everywhere that we can save an expenditure and then apply it towards the debt. We're far better off for it. So that's what we ought to be doing.

In the energy policy as well there is an area that I'm interested in, and that's 3.0.8. We're expending the same amount as we did last year, and we expended \$394,000 last year. Again this year it's \$394,000 in anticipated expenditures for interpretations and rulings. Well, I wish that there were a description on the opposite page, on page 112 of the estimates, so that it would give me a better idea as to what it is that we're dealing with here. Now I

have to use my imagination a little bit and say: what is it; why are we expending almost \$400,000; to do what? Then I say to myself: perhaps maybe it's something to do with legal services. I mean, here we are, more lawyers of all things. It could very well be that we're hiring more or we're getting more people out here to interpret and to make more rulings and perhaps maybe offer some more legal advice. I know that the deputy minister himself is a lawyer, and perhaps maybe we can utilize the deputy minister in cases such as this to give us interpretations and rulings. I don't know why we'd have to spend \$400,000. I don't imagine that the deputy minister's salary is anywhere near \$400,000, but you never know nowadays. I mean, I can only imagine. I wish that description were on that opposite side of the page so we'd know. I wonder if the minister could advise us as to why it is that interpretations and rulings would warrant \$394,000, the identical number as it was last year, without any regard at all for any expenditure cuts in that area.

Next I want to go to program 4, Mr. Chairman. Program 4 is the oil sands and energy research, and when I look on page 115 I'm thrilled to be able to look at the opposite side of the page and see that lo and behold we do actually have some descriptions as to what the subprograms are. Within that department, particularly research and development, I note – it's interesting to see this – that hydrogen and coal research, 4.2.1, was dropped \$1.2 million. Now, out of a \$13 million budget or thereabouts – this subprogram is \$13 million – 4.2.1 was dropped by \$1.2 million. Then you look at technology development, in situ research and development, and commercial applications, and they haven't been dropped a nickel. Those ones there sat at the same amount of money as we were spending last year. I'm wondering again: was there a reason for this? Particularly with most departments looking at cutting back, you know, between 10 and 20 percent, why have these been saved from the hatchet?

When I look at that area of research and development, something strikes me as being an area to question, simply because there are many areas, jurisdictions around the world, Mr. Chairman, that continue to do research and development and rightfully so. I think that rather than reinventing the wheel or doing the same research that's done in other jurisdictions in Canada perhaps or around the world – I'm wondering if the minister can enlighten us as to whether or not there is a mechanism in place that would ensure that research and development in these areas is not being done in other areas that we could perhaps benefit from. In particular – it's only my imagination running wild right now – in the state of Texas I would suspect that there's got to be loads of research and development being done in the energy sector. I'm wondering if there wasn't something there that we could perhaps tap into and ensure that we're not doing something that another jurisdiction is doing just for the sake of creating some more jobs, not that that's bad, by the way. In any event, there's a huge expenditure of funds in this area, and in this day and age we ought to be looking at saving wherever we can.

Another area within research and development that I would like the minister's comments on is cost recovery. It's something that is becoming quite commonplace lately. Those words have been heard in this Legislative Assembly time and time and time again. I'm wondering if there isn't a mechanism in place to maybe share some of these research and development expenditures with the industry, as I'm sure they are – at least I hope they are – and I'd like the minister to comment on that. Is there anything at all in there that would allow us some cost recovery? If we are getting some revenues ultimately from the program of research and development, I'd like the minister to tell us.

There is an area, 4.2.4, in which we are expending almost \$5 million for commercial applications of research and development, Mr. Chairman. I can see where the people would want to continuously research new technology, develop new products. But the commercial application of it – I'm wondering, you know, once we get it to a certain stage, if industry can't take over. If it's a good idea, I would imagine the commercial application of the product would be something that industry would be more in tune to carry through. Why would we want to spend \$5 million for that? I'm hoping the minister could perhaps again enlighten us on the value of that expenditure.

9:10

I'm going to now take the minister over to the business plans. In particular, we're going to go to page 5 under goal 2: "Achieve greater efficiency and productivity." Under Strategies there is a bullet under number 4, and that bullet says: "Eliminate tasks of lower value/importance." Well, we're going to consider to eliminate tasks of lower value or importance. You know, when I look at that, I can only think of one thing. Lo and behold, Mr. Chairman, I think the minister is going consider an efficiency audit. I mean, we've heard that time and time again in this Legislature. It's been laughed at; it's been joked about, but by golly I think we are embarking on something here called an efficiency audit. We're going to eliminate tasks of lower value or importance.

In another bullet under there it says that we're going to "review common activities performed across the Ministry with a view to centralizing functions to achieve cost efficiencies." Well, in the first area there's no doubt that we're performing an efficiency audit here, and I appreciate that. Finally we've come full circle here, and we've agreed upon one thing, and I'm grateful that the Department of Energy is a department that is the first to highlight efficiency audits. Well done, Madam Minister. But with respect to the elimination of tasks of lower value and importance, I'm wondering: because the minister put this into the three-year business plans, what is it that you have identified that are tasks that are of lower importance?

I'm coming back.

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

MR. ZARIWNY: Thank you, Mr. Chairman. I won't keep the minister too long. I'd like to direct her attention to vote 4, oil sands and energy research. I understand that some of these questions have been asked, but the answers haven't been presented. Expenditures of about \$20 million, according to our calculations, represent about a 9.6 percent reduction from the previous year's comparable estimates and about a 15.6 percent reduction from the 1992-93 actuals. Also, the minister had made an announcement on February 11 that would bring in AOSTRA and AOSE within the new division of the department.

I understand as well that there will be a volunteer panel of industry experts called the Energy Research Council, which will advise the department on priorities and strategies for government funding of energy research. I have four questions that I'd like to direct to the minister in that area. I was wondering whether she could tell us if the establishment of the Energy Research Council will lead to any kind of duplication that is currently being carried by the Alberta Research Council. As well, how, if anything, is there a linkage between the proposed Energy Research Council and the Alberta Research Council in the area of oil sands research? The third question that I'd like to address to the minister is: can she provide us with a current report on the activities

undertaken by the National Centre for Upgrading Technology in the past year and its role given the establishment of the new Energy Research Council? The fourth question that I have in that area is: could she give us any further information on the National Task Force on Oil Sands Strategies and whether it will continue in its role in light of the establishment of the Energy Research Council?

The last area that I'd like to direct her attention to is vote 4.1, administrative support. According to our calculations, \$6.269 million in projected expenditures represents an 11.3 percent reduction from last year's comparable estimates. This division is responsible for managing the province's equity stake in Syncrude and the Lloydminster biprovincial upgrader. I have two questions in regard to the Lloydminster upgrader. Given the recent weaknesses in the oil prices, can the minister tell us whether there has been any revision in the forecasts as to when the upgrader will begin to earn income? As well, in light of the \$16.50 projection for a barrel of oil in 1994-95, can the minister tell us whether there will be a requirement to provide additional funds to the upgrader beyond Alberta's present \$30 million investment to cover the excess in operating shortfalls?

The last two areas within that vote deal with Suncor and Syncrude. In regard to Suncor, I believe the minister would probably be in a position to tell us . . .

MRS. BLACK: What vote was that?

MR. ZARIWNY: We're still under 4.1, administrative support. We want to deal with Syncrude right now.

MRS. BLACK: Where do you find that?

MR. ZARIWNY: I beg your pardon?

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

MR. ZARIWNY: We're dealing right now with the government's equity stake in Syncrude.

Can the minister give us a little more information on the negotiations relative to the \$80 million royalty assistance package being offered by the government of Alberta to Suncor to help with this expansion?

In regard to Syncrude, can the minister tell us what level of income the government will receive from its investment in Syncrude during 1993-94?

That's all I have. Thank you very much.

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

MR. CHADI: Thank you very much, Mr. Chairman. I was just about to ask about the business plans, and I want to continue that questioning. On page 5 of the business plan it appears as though the minister is quite clear in the importance of this task and that is to "eliminate tasks of lower value/importance." My question was to the minister. What tasks have you identified that are of lower importance or value? Or have you identified any of these tasks at all? I know that in order for one to make a statement like that in a business plan, it would almost appear as though the minister knows something, and if the minister or her department knows something, perhaps she can enlighten us as to what it is that she means by the elimination of these tasks of lower importance.

My next questions are with respect to the next bullet in that page 5 under strategies, and that is to "improve the use of technology/automation in the Ministry." Of course, it goes on to the next bullet which says that priorities now being examined are

things like "computer system/maintenance development." It follows through on what I've been asking about all along, Mr. Chairman, and that is that here we are trying to find efficiencies within the department, and the minister herself is now saying that we're going to find efficiencies by way of perhaps examining things like the "computer system maintenance/development; administrative functions." Oh, oh, "legal services" are in there too. So it means that we're going to be looking at some cost efficiencies in legal services. That's quite impressive, and I look forward to that.

With regard to the achieving of the efficiencies within the department – i.e., computer systems – it strikes me as being an area where there definitely . . .

9:20

MR. TRYNCHY: Question.

MR. CHADI: I'm giving you as many questions as you can handle, Peter. I take my orders from the Chairman, thank you.

MR. CHAIRMAN: Edmonton-Roper in continuance.

MR. CHADI: Thank you very much. They do that on purpose, I think, Mr. Chairman, because it just throws my train of thought right out here.

With regard to the efficiencies and the ways to discover these efficiencies, I know that there have to be ways, and I think I've highlighted some of them in my questioning, Mr. Chairman. I know full well that some of these capital expenditures that we're embarking upon now or that we're anticipating to expend funds on can be reduced by looking at things that other ministries have, excess and surplus equipment. I again am thrilled to see that we will look at things like legal services, communications, and information collection. I would hope that we would also want to include something in there which we keep talking about time and time again, perhaps maybe paying lip service more than anything to, and that is cost recovery. I know that in the Department of Energy there's got to be all sorts of areas where cost recovery can really play a major role.

We expended a tremendous amount of money when the energy sector in this province was what brought this province to its prominence. The government was not slack in its expenditures on research and development. I'm pretty sure we've brought most of Canada and perhaps most of the world to the forefront in research and development, and we've provided tremendous research for other areas around the world. So Albertans have something to be proud of. Those funds were expended to where we are today in terms of a huge bank loan and a debt that perhaps could choke a horse, but we've created this debt because we went out and invested in research and development. We've invested in areas where we knew that we could someday recover some of our expenses and our investments.

So when I talk about cost recovery, I mean that. I mean, I really think we have to look at that. I know that we've got a terrible amount of research in place that we should be able to sell around the world, and I'm sure that we are doing it, but I can't find anywhere where some of this research is being sold and we've actually received some revenues from it. Because even in the budget documents themselves – in Budget '94 there is nowhere in this area here under nonrenewable resource revenue that would indicate that we are actually receiving any revenues from any of the sales of research, or cost recovery.

You have to also note, Mr. Chairman, that under natural gas and by-product royalties – I have to ask this question. It begs me

to ask it. In 1992-93 to 1993-94 to '94-95 – the amount of revenues in natural gas alone were only anticipated to go up in the last three years by less than \$500 million. My guess is that natural gas sales have probably tripled over the last three years or so, and prices have gone up dramatically. Why is it not reflected in these revenues? So there are some things in here, Mr. Chairman, that I'd like to see answered. I know the minister will respond to those, because I'm going to give her some time to do so today. I know that she didn't have time last time.

Another area within the business plan is page 7. On page 7 the full-time staff equivalents will be reduced by 281. In department after department after department within the three-year business plans we have seen anticipated reductions in employment for Albertans. There are, no question, areas where employment may be high within government. Within those areas in the delivery of certain programs my question to the minister is: what does this staff reduction imply for the effectiveness in the delivery of these programs? We should have a plan of action in place, and I would hope that there is one; 281 full-time equivalents is an awful lot of people, Mr. Chairman, given the fact that overall we're down by 29,000 employable persons in one year, from a year ago last. We could be heading into a disastrous situation in the unemployment area in this province. That is a grave concern of mine, and I would hope that the minister would respond to that.

Mr. Chairman, those are my questions for the moment, and thank you very much.

MR. CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Thank you, Mr. Chairman. I again will try and summarize some of the questions that the hon. members have touched on. Some of them have touched on the same area, so I will try to combine my answers.

On the merge of the ERCB and the PUB into the Alberta energy and utilities board, please keep in mind that – I believe it was the hon. Member for Redwater that used the example of the electrical situation. The facility had been reviewed by the ERCB and then the rates were in fact reviewed and set through EEMA through the process through the PUB. That's exactly a prime example of where it's beneficial to have the two groups come together so that the need for the development and the approval of the facility is also reviewed at the same time as the cost of the program and the passing on to the ultimate ratepayer at the other end.

In the case that occurred the facility was approved by the ERCB after several requests from the city of Edmonton to proceed with the development of the 400-megawatt plant, and after construction then application was made to roll the plant into the EEMA rate base. As you all know, the PUB ruled, I believe it was in December, that it was not required at this time, so it is not in fact in the rate base. I think a lot of the discussion could very well have been done through the board, which would have representations from the PUB and the ERCB on the board sitting together and reviewing the applications so that it didn't go through one regulatory process for the facility approval and design and then another totally separate regulatory process for evaluation of cost, need, and rate base validation. So having them combined, you have a full spectrum of review of not only the facility but also the need and the cost, et cetera, all in one process. I think it's a prime example of how this can be very effective to hold these two together so they can in fact function as one regulatory review. The board will have representation from both the PUB and the ERCB. The chair will be able to determine the appropriateness of which members will hear what case. In some cases it will be

joint; in others it will not. That would depend on the application that comes forward.

So the consumer's interest is certainly protected as it is now under the PUB, but also the review of the industry facility development, which is under the ERCB, is in fact there as well. So I think it's an excellent process.

9:30

There was also a question: why keep part of the APMC in program 5? When I announced the restructuring of the ministry, I made it quite clear that one of the questions that was asked through the process of review was: is it appropriate for the government to market crude oil? The answer came back: no. That's an easy answer to give. However, you don't go the next day and stop marketing the Crown's share of crude. You've got to go out and look at the different methodologies that are appropriate and see where we can get the best valuation for the sale of that crude oil, keeping in mind that we have a responsibility to the taxpayers of this province to ensure that we get the best value for the Crown's crude oil as it goes back.

So the process, as I have said clearly, is that as this year unfolds, we will be out of the marketing business. However, I am not prepared to jump into a marketing arrangement without first of all assessing what is available in the market to do that marketing process. In the meantime, we will maintain the marketing function of the APMC within the Department of Energy, but it will be finished by the end of this next fiscal year. That's a commitment I have made.

You also asked about how we went about looking at things that were important to the ministry and those things that were not as demanding on the ministry's time today. How did we focus on what we should be doing and what we should not be doing? This took a tremendous amount of review. We determined that there were certain elements that were critical to the ministry, and there were others that could in fact be handled by the private sector or by other nonprofit agencies. Those were identified, and those were moved into private-sector opportunities or into nonprofit agencies. Certainly, Mr. Chairman, we were able to do that, and that's partially how we came up with our business plan.

The hon. members asked about cost recovery insofar as research projects. Well, let's be very clear. I would ask hon. members to go back and review some of the annual reports of AOSTRA and refresh their minds as to how much industry support does go into and has gone into the AOSTRA projects. These have been joint projects with industry for a number of years. Almost 50 percent of it is private-sector funding that has gone into those projects for their development. You will also note that the funding that goes into the ERCB is 50 percent industry funding, and the Public Utility Board is 66 and two-thirds funding from industry. So there is a direct participation and cost recovery for the elements within the Ministry of Energy.

A question was: oil sands research didn't get cut; perhaps you could borrow research from the state of Texas. Well, first of all, oil sands research is in fact a priority of this government. We feel very strongly that the oil sands is our future, and as such we have created a focus on oil sands development, on bringing research into play that can be used in a commercial sense to develop not only extraction but upgrading techniques within that area. I'm not aware, but I don't believe Texas has oil sands research to draw upon from down there. I think quite frankly that we have leading edge research and are promoting our research components not only in Canada but also abroad. There is interest internationally in looking at the research components that have been developed within the province of Alberta.

Also, there was a question that came out: will the Energy Research Council duplicate anything at the Alberta Research Council? No, it will not. This council will be a voluntary council of industry players who have expertise in the area of oil sands development who can volunteer their time to sit with us around the table, with people from our research component, and discuss areas that are of critical importance to moving to a commercial environment in our upgrading areas and our other research components but mainly in our upgrading area. We have a window of opportunity to come in with state-of-the-art technology and upgrading that can give us that competitive edge to make our oil sands truly a commercial entity so that we can go and compete in the marketplace. That is fundamentally important: to focus all of that energy into one area and make sure we take advantage of that three- to five-year window that is there for competitiveness in the marketplace. So no, it will not. We still will be supporting activities in the Alberta Research Council, but that will come under the chairmanship of the Alberta Research Council, not under the Ministry of Energy.

Someone asked about the NCUT process, and that was, I remind hon. members, a joint arrangement between the federal government and the province of Alberta. I will leave that up to the minister responsible for the Alberta Research Council and the chairman of the Alberta Research Council. We have been supportive of that process from the beginning, and we continue to support NCUT and are looking forward to some of the enhancements that will come out of there.

Regulations. Well, hon. member, the types of regulations that we are reviewing are best suited, I believe, to be reviewed by the regulatory bodies and the industry players that have gone through an extensive review of these things and are familiar with the terminology and the implications that they have not only on the industry but on the public at large. This is a long process that has brought in many stakeholder groups to review this, and I don't think it would be appropriate to have a parliamentary committee sit down and have to go through that. In fact, there's been extensive input from industry and environmental groups on this. It will go back out. If you are interested in reviewing it, we certainly can give you a copy of the regulations that are in place at the Energy Resources Conservation Board and throughout the ministry, and any input that you would like to have to it in review – certainly we would be delighted to have you go through all of the thousands of regulations that are in fact there. It's a very important process, and I would encourage you to have a look at it.

I was quite surprised when one of the hon. members was talking about energy policy. I will remind you that the budget for energy policy is a culmination now of policy from all sectors. The various agencies that were sitting separate from the ministry have all been pulled together under one policy area, and as a result there is an over 18 percent reduction in budget for the policy area. I think that by pulling everything together, we will have a more comprehensive policy development that takes place within the ministry. So I'm looking forward to working with that group. I'm quite pleased with it quite frankly. I think, Mr. Chairman, that the main focus of our capital expenditures of course will be in our mineral revenue system that we're developing.

The hon. member mentioned: do we have surplus equipment? Naturally when we make a request to buy equipment, we do check with public works and other departments to see if they have surplus equipment on hand that we can in fact utilize, and of course we will be going through a process with all our previous agencies, pulling them together and seeing what type of inventory we have available before we go out and purchase equipment. We're not in the business of buying new equipment for the sake

of buying new equipment. I might add that the Energy ministry has been one of the ministries that has been able to actually come in under budget on a regular basis, so it's not the type of ministry that goes out and spends money for the sake of spending money to get rid of it. It's a very businesslike ministry and has demonstrated that year after year, and I'm sure that they will continue in that mode. So I can assure you that we don't buy equipment just for the sake of buying it.

With that, Mr. Chairman, I believe I've answered as many questions – we will check the *Hansard*, and if there are some that we have missed and more specifics, we certainly will get them back to you. I was here only a week ago, and you're right: we haven't had time to respond to all the questions in written form. But I have kept my word on it in previous years, and I certainly will do that again. We will get the answers to you.

9:40

MR. CHAIRMAN: Are you ready for the question?

HON. MEMBERS: Question.

Agreed to:

Program 1 – Departmental Support Services	
Total Operating Expenditure	\$22,193,000
Total Capital Investment	\$1,734,000
Program 2 – Mineral Operations	
Total Operating Expenditures	\$12,843,000
Total Capital Investment	\$112,000
Program 3 – Energy Policy	
Total Operating Expenditure	\$7,197,000
Total Capital Investment	\$76,000
Program 4 – Oil Sands and Energy Research	
Total Operating Expenditure	\$20,640,000
Total Capital Investment	\$125,000
Program 5 – Petroleum Marketing	
Total Operating Expenditure	\$3,334,000
Program 6 – Energy and Utilities Regulation	
Total Operating Expenditure	\$19,885,000

Summary

Total Operating Expenditure	\$86,092,000
Total Capital Investment	\$2,047,000
Department Total	\$88,139,000

MRS. BLACK: Mr. Chairman, I move that the vote be reported.

[Motion carried]

MR. CHAIRMAN: Hon. Deputy Government House Leader.

MR. EVANS: Thank you, Mr. Chairman. I move that the committee now rise and report.

[Motion carried]

[Mr. Clegg in the Chair]

MR. TANNAS: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions, reports as follows, and requests leave to sit again.

Resolved that a sum not exceeding the following be granted to Her Majesty for the fiscal year ending March 31, 1995, for the department and purposes indicated.

For the Department of Energy: \$86,092,000, operating expenditures; \$2,047,000, capital investments; for a total of \$88,139,000.

MR. ACTING SPEAKER: Thank you, hon. member. All in favour of the report?

HON. MEMBERS: Agreed.

MR. ACTING SPEAKER: Opposed, if any? Carried.
The Deputy Government House Leader.

MR. EVANS: Thanks, Mr. Speaker. I had considered moving to Committee of the Whole to discuss further Bill 5, and I know how much interest there is in doing that, but given the hour, I now move that we adjourn.

[At 9:48 p.m. the Assembly adjourned to Tuesday at 1:30 p.m.]

