

Legislative Assembly of Alberta

Title: **Tuesday, February 28, 1995**

8:00 p.m.

Date: 95/02/28

head: **Government Bills and Orders**

head: **Committee of the Whole**

[Mr. Tannas in the Chair]

Bill 7

Appropriation (Supplementary Supply) Act, 1995

THE CHAIRMAN: Committee members are reminded that we're in the Committee of the Whole to discuss the particulars of Bill 7, the Appropriation (Supplementary Supply) Act, 1995, as proposed by the Provincial Treasurer. Are there going to be some opening comments from the minister? No?

All right then, Edmonton-Highlands-Beverly.

MS HANSON: Mr. Chairman, it's a pleasure to rise to speak to Bill 7 tonight. In the Department of Family and Social Services there is \$14 million which has been transferred to the operating expenditure vote of Advanced Education and Career Development from community and family social services to help increased spending on the skills development training support program. We ask that the minister of social services direct his staff to work with SFI recipients prior to being transferred to determine the levels of literacy, social skills, and capacities of the individuals before they are moved over into training programs and to follow up with a tracking system to determine the effectiveness of these programs.

It's generally not possible to break generational dependency overnight, and to do neither preparation nor follow-up will set people up for failure and will not further the goals of the department or of the people it serves. By simply cutting individuals off social assistance with no follow-up, the responsibility for those people who cannot manage is left to the community agencies. These nonprofit organizations are left to pick up the pieces of people's lives after the government has turned its back on them. We are not asking for follow-up tracking to be intrusive on people's lives but at least to record where the individual has gone; that is, school, employment, et cetera, and why.

The recent information sheet from Connection Housing Society of Calgary recognizes the well-documented, growing trend of child poverty. Between 1981 and 1991 Alberta's rate of poverty tripled, Mr. Chairman, from 8 percent to 23 percent. The document goes on to state that

"These children live in poverty because their parents, many of them single mothers, can't make ends meet."

In January, Connection Housing figures show that 338 new households (approx. 1,000 men, women, children) registered with the agency over the same time last year. That's a 28-per-cent increase.

About 50 percent of those people were absolutely homeless (no fixed address and no shelter within 24 hours). In addition, the agency was only able to fill only 196 of 600 requests for emergency food hampers for street adults.

The final paragraph in the paper correctly states:

"We have to start thinking about the level of crisis and the loss of hope among families and children who have lived in poverty for an extended period of time. None of the long-term consequences of that have been included in the current calculations of balancing the budget."

Connection Housing is only one of the many agencies and communities across Alberta struggling to deal with the fallout from the last two budgets. These nonprofit agencies have

increasingly inadequate budgets themselves. It becomes more and more difficult to raise funds privately, and the combination of cutting staff and dealing with more and more requests for help has put many organizations in a crisis situation.

Since 1993 more than 80,000 people in Alberta have either been kicked off assistance or sent to training and education programs. The minister argues that tracking the results of these programs is too costly to implement. But we cannot afford not to evaluate the training programs. To keep throwing tax dollars into initiatives without any idea of the benefits to Albertans simply doesn't make any sense. The shifting of SFI recipients to student finance helps to artificially and temporarily reduce caseloads, giving the appearance of meeting the government's objectives of the day, but the department has no means to determine if what they are doing with people on assistance is working. We suspect that this may be a partial explanation for the increase in caseloads since December. People have been forced back on assistance because they can't find work.

The minister tells us that the budget targets have been met two years ahead of schedule. In spite of that he plans to cut another 5,800 cases over the next two years without bothering to determine the fate of the victims of the first round of cuts. I would urge the minister to make every effort to find out what happened to those 80,000 Albertans he has already cut loose before he does any more slashing. It's easy to toss off figures when you just say them, but these aren't just figures. They're people. They're men, women, and children. They are young adults who have finished their schooling and have no opportunity to take their place in the work force. They are heads of families, and they are dependent children. Even though the budget is balanced, the government intends to continue to hit on the most vulnerable. In Alberta today we no longer have a social contract. We have winners and we have losers, and the losers are the people that the government judges to be expendable.

Thank you.

THE CHAIRMAN: Other further comments, questions, or amendments? The hon. Member for Edmonton-Mill Woods.

DR. MASSEY: Thank you, Mr. Chairman. I'll be brief. I'd like to return to a question that was asked in question period and a question that was asked at the consideration of the supplementary estimates the other evening. I'd like to re-pose the question, and this is specifically to the Minister of Advanced Education and Career Development. We've asked in all these instances for some explanation to account for the \$10,400,000 shortfall in his department that he made up from the student loans program. Now, the minister, if we understand what he says - and we're having some difficulty deciphering his comments in *Hansard*. If we understand them correctly, first of all he found \$5.4 million in the living allowances that are paid under the Canada student loans program. So there was a windfall tax find under that Canada student loans program. We would like to know the history of that windfall. How did it come about? Was there poor planning in the first place? Did the federal government change regulations or stipulations midstream? What is the history of the \$5.4 million? Why is it suddenly, when the department is short \$10.4 million, there's \$5.4 million to be found in living allowances?

Secondly, students that I've tried to share the minister's explanation with would really like a straightforward answer on what is the impact of cutting \$5 million of loan funds for students in upgrading programs. There has to be some impact, some

effect, some cause and effect. Exactly what is it? Will there be fewer loans available? Will the loans that are available be less? Where is that money, and how are students going to be affected? As I indicated, there has to be some effect, and students and I as the critic would very much like to know what that impact was and how it was determined by the minister and his department.

Thank you very much, Mr. Chairman.

8:10

THE CHAIRMAN: The hon. Member for Redwater.

MR. N. TAYLOR: Thank you, Mr. Chairman. I have pretty quick little comments, a very quick one on the Metis transfer to the minister of social services and native affairs. I wanted to point out to the minister that, as a member of the opposition, I often get requests from both Metis settlements and Metis associations. In some way they're very unhappy with the self-government they have. Now, that's not unique to the Metis organizations. That happens quite often in nonnative organizations. One of the arguments they often make is that there has been misuse of the funds.

Time and again I have suggested in the House in the past number of years that there be an extension of the Auditor General's department that would, on request by a significant number of electors in either the settlement or the Metis association, go out and do an audit of the organization. After all, they are using public funds. Make a public audit as the Auditor General does here, and do it at the expense of the Alberta government. That's one of the things I wanted to be on record as doing because I think such a branch of the Auditor General's department, which would be done at our expense of course, would, I think, go a long way toward developing self-government amongst our Metis people, Metis settlements, our aboriginal people.

Right now one of the big problems is that none of these organizations - although we're promoting self-government, we have not put in place an Auditor General that we can call. I think an Auditor General that's not connected to the Metis administration or anything else that would be able to come in every couple of years or even at the request of a significant number of the members would go a long way toward assuring other Metis people that their funds are being spent correctly. Then maybe more so, nonnative people who from time to time read about these ruckuses in the newspaper would feel they had been audited and all is well and working out all right.

Thank you.

[Title and preamble agreed to]

[The sections of Bill 7 agreed to]

THE CHAIRMAN: Hon. Provincial Treasurer, are you requesting us to report?

MR. DINNING: I move that the Bill be reported, Mr. Chairman.

[Motion carried]

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

[Motion carried]

[The Deputy Speaker in the Chair]

MR. DUNFORD: The Committee of the Whole has had under consideration certain Bills. The committee reports the following: Bill 7.

THE DEPUTY SPEAKER: The Assembly having heard the report from the hon. Member for Lethbridge-West, do you concur?

HON. MEMBERS: Agreed.

THE DEPUTY SPEAKER: Opposed? So ordered.

head: **Committee of Supply**

[Mr. Tannas in the Chair]

head: **Main Estimates 1995-96**

Energy

THE CHAIRMAN: Any comments that the hon. Minister of Energy would like to make to begin this evening's debate?

MRS. BLACK: Mr. Chairman and members of the Assembly, I am pleased to be with you tonight and to submit for your review and approval the 1995-96 estimates for the Ministry of Energy, which comprises the Department of Energy and the Alberta Energy and Utilities Board.

We feel honoured to be selected again to lead off the committee's examination of estimates, especially in view of the fact that the Energy Ministry accounts for only .7 percent of the government's gross capital and operating expenditures.

In preparing our estimates we are fortunate in Energy to be able to draw on the expertise of a very knowledgeable and dedicated staff, Mr. Chairman, some of whom have accompanied me here this evening. I would ask them to stand and be recognized by the committee.

Mr. Chairman, before considering the estimates, it may be helpful if I first provide an overview of the energy industry and the role played by the ministry. Sometimes we in Alberta take for granted the importance of the oil and gas industry and how much it contributes to our economic well-being. What took place in the energy sector last year should serve as a useful reminder of that contribution. Alberta's oil and gas industry enjoyed a remarkably active year in 1994, so active, in fact, that records were established in certain sectors. Allow me, Mr. Chairman, to cite a few figures, certainly of that activity.

The focus during the year was on natural gas and the number of gas wells drilled, 4,192. This was the highest ever recorded in Alberta and an increase of 92 percent over the 1993 figure. Overall, combining oil and gas, 8,851 wells were completed, 30 percent more than in the previous year. Our average rig utilization rate was 74 percent, which is the highest rate recorded in the province since 1980. Our land sale bonuses totaled over \$900 million, almost double the 1993 total of \$503 million. If we add the oil sands sales, the 1994 figure will pass \$1 billion. The robust performance of the oil and gas industry fueled other sectors of the economy. As a result, the province's economy grew at a pace that was almost double the national average, and 52,000 jobs were added to the provincial total by the private sector.

Mr. Chairman, the government also benefited from the high level of activity within the energy industry. Thanks primarily to higher than anticipated royalties and far above average land sales, the Provincial Treasurer was able to report a \$110 million surplus in his third quarter update for the fiscal year. I hasten to add, as

the Treasurer did when he presented his budget last week, that this was windfall revenue and not something we can count on in the future. However, the point I am making is that the energy industry continues to be an important catalyst for investment, development, and economic growth in Alberta.

The government is well aware of this, and that is why the Energy Ministry is so determined to create and maintain a climate that encourages an active and vigorous oil and gas industry. Our approach can be seen in the strategies outlined in our 1995 to 1998 business plans. Among other things, those strategies call for ensuring a responsible regulatory framework and regulatory processes that are fair, consistent, and objective, promoting strategic research, maintaining an appropriate fiscal regime, and promoting timely and efficient access to resources.

8:20

One important way we feel we can improve the operating climate for the energy industry is through regulatory reform. We want to eliminate needless regulation and cut the red tape that so often hamstring industry. In full consultation with our industry, we reviewed all regulations under the ministry's jurisdiction and prepared an action plan. That action plan was submitted to the stakeholders for comment and suggestions, and we anticipate that in the very near future we will be in a position to recommend those that need to be revoked and those that need to be retained. Then we will focus on items recommended for change or further review. Implementing these measures will streamline operations, reduce regulatory burden, speed the decision-making process, and reduce costs for both industry and the government.

Mr. Chairman, over the past year we have also restructured the ministry to create a leaner, more tightly integrated organization. We believe we are now better positioned to work effectively with industry while protecting the interests of Albertans, who are indeed the resource owners. We reduced the number of reporting agencies from five to one and reshaped divisions within the department to achieve a better grouping of responsibilities. For example, we have brought a new focus to oil sands development through the creation of the oil sands and research division, which includes two former separate agencies: the Alberta Oil Sands Technology and Research Authority, better known as AOSTRA, and the Alberta Oil Sands Equity.

One of the most significant changes brought about by restructuring was the amalgamation of the Energy Resources Conservation Board and the Public Utilities Board into a new quasi-judicial regulatory authority called the Alberta Energy and Utilities Board. A chair to head the board was appointed earlier this month, and just recently legislation creating the board was proclaimed by cabinet. By providing a one-window access, the AEUB will streamline the regulatory process, help ensure co-ordinated and consistent decisions, reduce overlap, and cut costs. Overall, Mr. Chairman, restructuring has enabled us to reduce staff by approximately 92 while continuing to maintain the services previously provided.

Recently the ministry assumed the responsibility as well for the Alberta Geological Survey, which previously came under the jurisdiction of the Alberta Research Council. This change consolidates in one area the expertise of both the Alberta Geological Survey and the department and will promote greater efficiency. The department received \$1.6 million previously budgeted by the ARC for 1995-96, but no additional funding is being transferred.

Our core structure is now in place, Mr. Chairman, but it will continue to evolve as we strive to meet one of the goals of the ministry's business plans, and that is to establish a more dynamic,

progressive ministry which provides efficient and effective services. The ministry is well along the way to achieving the 22 percent budget reductions committed in the 1994 to 1997 plan. Under our 1995 to 1998 plan, though responsibilities have been expanded as described, the ministry's operating expenditures will be reduced from \$79.2 million to \$73.9 million in 1997-98, a difference of \$5.3 million. At the same time, capital spending will be reduced by more than half, from \$8.5 million in the new fiscal year to \$3.3 million in '97-98. The plan also calls for a reduction in staff over the three-year period, from 1,272 in '95-96 to 1,156 in '97-98, a difference of 116.

Regarding staff levels, Mr. Chairman, I should point out that the number of FTEs in the department was reduced by 43 in fiscal '95-96. However, department manpower has increased by the transfer of 91 FTEs. These FTEs are associated with the remaining petroleum marketing functions, the Alberta Geological Survey, the AOSTRA library information services, and other small transfers. The result is a net increase of 48 FTEs. Let me emphasize that this increase is to perform duties previously carried out by other areas of government.

The department has received approval to begin net budgeting for two activities in 1995-96. The first allows for a portion of the revenue generated during times of above average land sales to be returned to the department, allowing us to offset costs to meet the higher industry demand for land sales. The second allows for part of the Alberta Geological Survey costs to be recovered through the contracting of specialized services.

In studying the estimates, the committee will note that roughly \$21 million, or about 27 percent of the ministry's budget, is earmarked for oil sands and energy research. This clearly shows the great importance that we attach to research and the development of our oil sands. Clearly, the oil sands are the future for Alberta. As conventional oil reserves decline, Mr. Chairman, we will increasingly come to depend on our tremendous oil sands reserves, and the key to further development of this resource lies in strategic research, which I mentioned earlier. A collaborative research and development program will enable us to achieve the technology breakthroughs required to help meet Canada's petroleum needs well into the 21st century.

Now let me turn briefly to the revenue forecasts for 1995-96 and the two years beyond. I should preface these remarks, Mr. Chairman, by reminding the committee that it is a very uncertain business, trying to predict what will happen in the energy market.

For conventional crude oil we forecast \$964 million in the coming fiscal year, falling off to \$776 million by 1997-98. This will be the result of an expected shift from old new oil to third-tier production, which has a lower royalty rate. Also, royalties will decline if the exchange rates increase as expected.

In synthetic crude and bitumen the \$172 million in royalty forecasts will probably stay about the same for the next year and then move up to \$190 million as production increases.

For natural gas we see the price increasing from \$1.50 Canadian per mcf in the coming fiscal year to \$1.85 by 1997-98. This will mean a significant increase in gas royalties from \$778 million in '95-96 to \$1,247,000,000 two years later.

Mr. Chairman, Albertans know only too well how oil and gas prices fluctuate, sometimes to an alarming degree. So our resource revenue estimates have a built-in cushion created by deducting from the forecast total the lesser of a five-year average or 10 percent of the forecast. In 1995-96 the 10 percent forecast rule method provides a cushion of \$251 million.

In these opening remarks, Mr. Chairman, I have tried to touch on the salient points of the industry and the Energy ministry. I

hope I have succeeded in establishing a context that will help committee members as they examine the estimates in detail.

Before concluding, I wish again to pay tribute to the officials and the staff of the Energy ministry for the way they have responded to the challenges posed by tighter budgets and fewer resources. The restructuring, Mr. Chairman, is never easy, and this year it has involved the human side of it. Through their strong commitment the ministry will maintain and seek to constantly improve quality service to the industry and to the Alberta public.

Thank you, Mr. Chairman, for giving me the opportunity to make these opening remarks. I look forward to the comments and the questions from the committee. If for some reason I am unable to deal with any questions this evening, I will review the *Hansard* and respond in written form.

Thank you very much, Mr. Chairman.

8:30

THE CHAIRMAN: Thank you.

Before the Chair recognizes the hon. Member for Calgary-West, if it's agreeable to the committee, we'll take questions back and forth, and then when the minister is ready to reply to two or three sets of questions, we'll recognize the minister.

HON. MEMBERS: Agreed.

THE CHAIRMAN: Okay.

The Member for Calgary-West.

MR. DALLA-LONGA: Thank you, Mr. Chairman. I'd like to thank my staff too. I guess they didn't come here tonight. They couldn't make it. We cut them out of the budget.

Mr. Chairman, I'm glad to have the opportunity to review the estimates this evening. I must start off by saying that I think the Department of Energy has led all other departments in terms of trimming its costs. From my knowledge of its operations and from where it was about five or six years ago, it's done an admirable job in keeping its costs in line. But, of course, there's always room for improvement. An area of improvement has occurred in the business plans. The Minister of Energy will recall last year's business plans, and she may recall my comments. I didn't think that the business plan was all that good. I guess she decided to take our advice, and the business plans were redone. Although the format was a bit complicated, it was good to see that there's a response.

Now, speaking of response, I would ask the Minister of Energy that this year she respond to our questions not by giving us a copy of *Hansard* but rather maybe specific responses. Last year, unfortunately, the responses to our questions were done by giving us a copy of the February 28 *Hansard*, and we didn't really get that much out of it. We asked the questions, and we would have expected the answers to be followed up by a letter or something. So I would ask the minister . . . [interjections] God, they're a rowdy bunch tonight, Mr. Chairman. I don't know if I can handle this.

THE CHAIRMAN: Order. Hon. committee members are asked to let the hon. Member for Calgary-West form his questions and then ask them.

MR. DALLA-LONGA: One concern that I have, Mr. Chairman, is an ongoing concern, and I wish it would get resolved. Maybe with repeated attempts we might be able to resolve it. I find that these program estimates are quite general. I mean, you look at

the various categories and you can't really tell what's in them. It would be appreciated if in the spirit of openness and freedom of information, I guess, we could have more detail as to what's in those accounts, and then we wouldn't have to ask these sorts of more generic questions. We could get down to more specifics. I know the hon. Member for Calgary-North Hill, who used to sit on city council, made this comment one time. He felt that the accounts were rather general and they did need more specific breakdowns.

MR. MAGNUS: A point of order.

THE CHAIRMAN: There's no point of order, hon. member. You're not in your place.

MR. DALLA-LONGA: Mr. Chairman, in the book entitled *A Better Way II* there were several charts indicating the performance of the drilling industry, the performance of the oil and gas industry, and it gave information such as gas production, non-conventional oil production, and that sort of thing. I wonder, you know, if the minister might comment as to the tangible effect that the activities of the department have on industry achieving these benchmarks. We've got in this chart – and I'll just show the minister a copy so she knows what I'm talking about, what I'm referring to. It's these charts right here. They're found on pages 14, 15. Not much. Anyway, what is the . . . [interjections] Mr. Chairman, they've got to . . .

THE CHAIRMAN: Hon. member, speak to the Chair and ignore everything else.

MR. DALLA-LONGA: Okay.

The other thing I'd like to ask, Mr. Chairman, is: what benchmarks were ever established? [interjection] The question was on pages 14, 15 of *A Better Way II*.

THE CHAIRMAN: The hon. Member for Calgary-Shaw is rising on a point of order. Will you share the citation?

Point of Order Speaking Time

MR. HAVELOCK: Just a point of clarification, Mr. Chairman. Is there a time limit on this, or does the amount of dead time in his speaking time count against his total time allotted?

THE CHAIRMAN: I will take that as a straightforward question. Only when others raise points of order and the Chairman then chooses to respond to those is that not counted against the time allotted to the member, but while the member pauses for whatever reason, that is included in the time that he's allowed. Does that clarify your question, hon. member?

MR. HAVELOCK: Thank you. An excellent response and one that I was looking forward to.

Debate Continued

MR. DALLA-LONGA: If we can continue now. Anyway, Mr. Chairman, the minister had asked which pages I was referring to, and I think she now knows.

MRS. BLACK: What's the question?

MR. DALLA-LONGA: I was just going to get to that. The question was: what tangible effects has your department had on

achieving these benchmarks in areas such as oil and gas production, the level of employment in the upstream oil and gas industry, drilling success activity? These were all performance measurements that were put in A Better Way II.

My second question on the issue of business plans, as the business plans were revised this year: would the minister indicate if there were ever benchmarks established to evaluate the department's performance according to the business plans and then, say, in relation to equivalent industry organizations; for example, the amount of administrative resource dollars allocated to non-administrative positions, analyzing the success of the oil sands and energy research teams, dollars recovered for each dollar of audit that you have for the royalty audits? Are there, sort of, success measurement benchmarks?

Now we'll go to the estimates. She's one step ahead of me. I just can't shake it. Okay. Vote 1 or program 1, if we could go to that one. Vote 1.0.1, under minister's office. Can the minister explain why her office expenditures are being increased by about – I think the number was approximately 2 percent, when departmental support services is receiving a 4.8 percent reduction in its expenditures?

8:40

This isn't necessarily with regard to the numbers, but under the deputy minister's office, can the minister explain why it was decided to have the financial and legal services division report directly to the deputy minister as opposed to the minister? [interjections] I see that there are all sorts of answers coming across. I'm looking forward to receiving them.

Under vote 1.0.3, external relations, why was there an overrun last year of about 4 and a half percent on the original estimate?

Moving on to vote 1.0.4, strategic resources, given that the objective of the strategic resources is to eliminate duplication and overlap within the databases and industry reporting procedures – and I think the minister and I have spoken about this once before – can the minister explain why this section experienced a \$3.2 million, or a 27-odd percent, overrun in its budget for '94-95? Also, under that same program subheading but under capital investments, would it be possible to get a breakdown of the capital expenditures for the 7 and a half million dollars? I'm not sure if she had spoken about it in her opening statement, but I did miss it if she did. Just sort of a general point: can the minister indicate what information technology improvements are being examined by this section – that's the strategic resources section – in order to improve the level of service and minimize the costs?

I think I asked this question last year, but I don't ever recall receiving an answer. It's under 1.0.5, financial and legal services. What is it that we're spending in there? I know I asked that question last year because I went back and checked. What's in that department?

Moving right along. Well, let's just jump right up to vote 5. How's that? But we'll be back to number 2. My hon. colleague from Redwater will be doing number 2. My concerns here – and I've had a number of people in the oil industry ask me about this and, you know, wonder what's going on, members of SEPAC mostly: what's happening with APMC? Some of the problems that have been experienced there, as I understand it: they've lost a lot of good people, and the feeling in the industry is that they're probably not operating as efficiently as they could be, and the decision was reversed to keep them as a separate entity and to continue marketing as a separate entity. The concern has been expressed about their loss of key people, that they are a training ground for some of the marketing companies. What are the plans

for the APMC in the future? It used to be, in the eyes of many, a lot more efficient.

Another question that I have under the same program, program 5, petroleum marketing: could the minister indicate the cost of retaining Purvin & Gertz to provide an outside assessment of the proposed options, and has their preliminary report been received by the department?

Which reminds me of another report that I wanted to ask the minister about, the one done by Coopers & Lybrand. The minister I think will confirm that Coopers & Lybrand did a study concerning the restructuring of the Department of Energy for \$204,000. It was probably well spent. In the spirit of openness and accountability, will the minister release a copy of the report publicly so that Albertans can evaluate the effectiveness of restructuring in comparison with the recommendations made by them? [interjections] Mr. Chairman, let the record say that it doesn't look like we're going to get a copy of that report.

Okay. I think, Mr. Chairman, that in the interests of letting some of my other colleagues ask some questions – and I know they have some questions – I will defer to them. Maybe if there's some time left at the end, I might see if there are any other questions I might want to ask.

THE CHAIRMAN: Calgary-Buffalo.

MR. DICKSON: Thanks, Mr. Chairman. I appreciate my colleague from Calgary-West starting off and identifying a number of the areas that are problematic or at least warrant some clarification. I have questions for the hon. minister in three specific areas, and those relate to element 1.0.5, element 3.0.2, and then those portions that relate to goal 2: items 2.1 and 2.2. Just to repeat that, Mr. Chairman, it's element 1.0.5, element 3.0.2, and then questions pertaining to the goal strategies and actions, goal 2: 2.1 and 2.2. Those are the areas on which I had some queries for the hon. minister.

Just dealing with them in reverse order, coincidentally this afternoon we dealt with motion 502, which was an attempt to reassert the control, at least the nominal control, of the Legislative Assembly over this morass of regulation and statutory instruments we have in Alberta. It's of particular interest to me that when we deal with the single most important industry in this province, the one that should be showing the way in terms of regulatory reform, we have an example of the Legislature being shut out in a process which really is operating extra the Legislative Assembly. My concern when I look at the description in terms of phase 1 and phase 2: phase 1, we clearly understand, was to involve a solicitation of use from industry associations, and phase 2 was the public input phase. I find it disquieting, Mr. Chairman, that everything I hear in terms of the so-called public input phase has a look very much like it's a narrow list indeed.

I think I would ask the hon. minister to tell me whether she accepts, as was suggested in the 1974 Zander report on regulations in the province of Alberta – and I'll just read the quote from page 32.

Before final drafting of any regulation, all regulation-making authorities should make efforts to engage in the widest feasible consultation, not only with those most directly affected, but also with the public at large.

It seems to me that since the government to this point has ignored the Standing Committee of the Legislature on Law and Regulations, and they've gone outside and they've hired some kind of a third-party consultant, an independent consultant to engineer some kind of a consultation process, I want to know that not just

stakeholders are being involved, that Albertans, whether they live in Drumheller or downtown Calgary, are going to have a chance to have input on these regulations. No set of regulations in this province, I daresay, is more important to Albertans than regulations that affect the energy sector. So I'd like to hear from the minister. When her department and she talk about phase 2, will she provide us with a list of the stakeholders? Will she tell us specifically what public hearings will be held, what solicitation has been held for Albertans, not somebody who's directly associated with the energy industry and not somebody necessarily with a known . . .

8:50

MRS. BLACK: Point of order, Mr. Chairman.

THE CHAIRMAN: The hon. Deputy Government House Leader is rising on a point of order.

Point of Order Relevance

MRS. BLACK: We're only dealing with the estimates for the department, not policy direction or debate from this afternoon.

THE CHAIRMAN: The hon. member is using the supply estimates to refer to other things?

MR. DICKSON: That's absolutely what I'm doing, Mr. Chairman. I'm asking questions. It's surely a question not of the budget driving what the department does but the mission of the department which drives the budget. If members are deprived of the opportunity to look behind the numbers and ask what the policy decisions are, then this process is indeed a hollow one.

THE CHAIRMAN: The Chair would also observe that discussing items such as the hon. Member for Calgary-Buffalo was talking about is as old as the parliamentary process itself, that the taxation part has been used as the lever for debate. So as long as we're staying within the department, then I think we would be willing to hear the man out.

Debate Continued

MR. DICKSON: Thanks very much for that direction, Mr. Chairman. I guess what I'd like and what I think members would like to hear and what Albertans would like to hear would be a status report on phase 2 of the regulatory reform. I'd like to know if the hon. minister has received recommendations from Intenco Energy Consultants with respect to streamlining the regulatory regime. Does she intend to make those recommendations public? What is her plan for the implementation of those recommendations, if in fact she's received them? Now, in terms of phase 2, regulatory reform, does that include review of the coal development policy? We're anxious for an established report on that as well. Are there going to be changes to the Freehold Mineral Rights Tax Act? Is that going to be part of the phase 3 simplification?

Mr. Chairman, I think that we want to know what we would expect in terms of changes to the petroleum and natural gas agreements with respect to phase 3 of the regulatory reform. What changes are contemplated in terms of regulatory reform, if any, of the Coal Conservation Act? What changes are contemplated of the Hydro and Electric Energy Act and those regulations? Just so the minister is clear, my concern about this so-called public consultation that the minister and her department are

engaged in: is this going to be as effective? I'm going to ask her to tell me: what assurances will members of this Assembly have that this is not going to be simply industry driven? In saying that, Mr. Chairman, I don't minimize the important role the industry has. Heaven knows, I think all of them are headquartered in my constituency in downtown Calgary. But it's the very reason that this industry is so important that every Albertan should have an opportunity, if he or she is motivated, to have some input in terms of this massive and complex regulatory regime. That's what I'm about.

I'm also interested in knowing: are there specific regulatory changes contemplated to the Pipeline Act? If so, will she detail those for us? Also, what changes are contemplated to the Gas Resources Preservation Act and regulations? What changes are contemplated relative to well licensing and the industrial development permit information requirements and approval under the Oil and Gas Conservation Act?

I said there were three areas. The other one has to do with policy development and analysis. In policy development and analysis, the last explanation I saw for vote 3.0.2 related to Alberta's representation at regulatory hearings in jurisdictions outside the province of Alberta. Since, at least in my limited experience, that often involves legal representation, is the role of legal counsel working for the Department of Energy, whether from the Department of Justice or whether they're outside counsel – are those fees and disbursements picked up in vote 3.0.2, or in fact are they found exclusively in vote 1.0.5? I'm interested in clarification there.

Then with respect to vote 1.0.5, financial and legal services follow-up – this had been raised before by my colleague from Calgary-West – I wanted to ask specifically if in fact Alberta taxpayers are spending \$2.8 million or \$2.9 million a year for legal services. I'd like a breakdown in terms of how much of that is in-house and how much is through independent counsel. We have Legislative Counsel available to every minister; we have those offices and very competent counsel there. We have the Department of Justice. As the Justice minister can tell us, part of the mandate of his department is to provide legal assistance to other departments. So I guess I'd like a breakdown in terms of whether we effectively use those considerable resources in the Department of Justice and the extent to which those are outside counsel. I'm also going to ask the minister to make available to us, for at least the last financial year, the names of outside counsel that bill Alberta taxpayers at \$2.8 million, \$2.9 million.

So those are my queries, and I'd just conclude by saying that I think it's important that the information sought in Committee of Supply be made available to all members before the vote is called. I know that this particular minister works very hard to accommodate requests for information, and I acknowledge that. I just state that my expectation as a member of the Assembly is that when questions are asked of any minister, it's surely not unreasonable to expect that responses will be tendered before this is put to a vote. I think that Albertans expect all members to have their questions not simply asked and not simply to go through the exercise but that we in fact receive substantive responses before the time of the vote.

Thanks, Mr. Chairman.

THE CHAIRMAN: Hon. members, just a reminder to committee members that we would like only the speaker to be standing and talking at one time, so whatever member it is that's speaking, if they would . . .

Now, we said we'd go back and forth. Hon. Minister of Energy, are you wishing now to respond to some of the questions?

9:00

MRS. BLACK: Well, I might, Mr. Chairman, just so that we don't have the questions repeated, and we can have a variety.

Calgary-West made a comment about the detailed information from February 28 of last year. Just so committee members know, the Energy ministry was before the Committee of Supply on February 28 for two hours and five minutes, on March 22 for two hours and two minutes, and on March 28 for an hour and 48 minutes, so there was plenty of time for discussion before Committee of Supply last year.

Mr. Chairman, when you review the business plan that is in fact in *A Better Way*, you can see that the thrust of this ministry is one that we feel is very important, and that is to see the development of our natural resource in the best interests of Albertans. The hon. Member for Calgary-West said: what are some of the tangible things – where did he go? – that this ministry does to see that orderly development of the natural resource within the province, keeping in mind that it must be done within the best interest of Albertans because they in fact are the natural resource owners?

When we put in place performance measures and benchmarks to look at that, we're very serious about that. You've heard me brag about this industry a number of times, Mr. Chairman, as one of the mainstays and the motor industry in this province. We pride ourselves, and we make no apologies if we have a close relationship with this industry. If we work in partnership, we can affectively see that development take place. So part of the measurement of our success is to see the success of the industry. It's not something we created, but we feel we create a framework conducive to seeing that balance of development take place in the best interests of Albertans. So when we put in place benchmarks that show activity levels, that show successes, it's not a bragging position from the Ministry of Energy; it's to say to us that we have a framework that allows for that development to take place in an orderly way.

Some of those tangibles, Mr. Chairman, are that we have clear, concise regulatory processes in this province. They're tough and they're intended to be tough, but they're very fair. There's an opportunity for involvement and direction in the development of this. We feel that we have a very competitive royalty structure in the province of Alberta. Again, it's responsible back to the resource owner but is not unfair to the industry. At any one time we have been asked to review that system, again, to make sure that framework is conducive to development yet at the same time accepting the responsibility back to the resource owner. So we talk about those reviews quite often, because we have to make sure that our royalty system is in keeping with the economic times.

The other thing we have to look at is the access to information. As part of that, we feel this year it was important to move the Alberta Geological Survey into the ministry, because that becomes the Bible. That information is critical to the long-term investment opportunities and the long-term development of our mineral resources and natural resources. So those things are coupled. It's the framework that is so important.

We also have to look and make sure that our land tenuring process is conducive to development. Again, it combines a number of departments from across government. It's tough but it's fair, and it's that framework. So when we show performance measures for internal use within our department and compare them with external performances, it's because it's a partnership arrangement. It must be that way. You cannot have successful

development if you do not have a framework that is conducive to development.

So I guess when the hon. Member for Calgary-West talked about the business plan and asked for additional performance measures, I agree that we expanded our plan. In fact, we expanded our goals. As we got into this a little more in our restructuring, more things became apparent. Different benchmarks were available to look at. We had gone through a different philosophy for 20 years in Alberta of how ministries operated. When we reinvented government, which we've made no secret about, we changed the way we have reported these.

As you know, our first plan was a plan of redesign. Today it is a plan of implementation. So the overall plan was laid out. This is an implementation plan of how we're going to get from point A to point B. There are performance measures and critical paths laid out within this business plan that we will follow over the next three years.

The hon. member talked about how we compare. Well, I have to be honest with you: I don't think there's another jurisdiction in North America that has as close a relationship with the community – not only the oil and gas community but the environmental community – as we have in the province of Alberta, and I believe we should be very proud of that. As I've gone through meeting after meeting with other ministries across this country, it has become very apparent that in Alberta we have a special relationship where our minister of the environment and the environmental community and the oil and gas industry and the oil and gas community sit together. We don't always agree, and that's okay. But we've developed that framework of communication and partnership that is critical, and we're the only jurisdiction in this country that has that. So we value that. If that's a performance measure, I accept that. I think that's important to have.

[Mrs. Forsyth in the Chair]

Now, as we get into the specific issues, the hon. Member for Calgary-West asked about vote 1.0.1, the minister's office. Well, I hate to remind you, but the estimates for last year were actually \$350,000, and they're down to \$311,000. There's a decrease in expenditure between last year and this year, not an increase. It's a decrease. The estimates have actually gone down by \$39,000. He asked actually about information all the way down. It was \$350,000.

MR. DALLA-LONGA: Forecast.

MRS. BLACK: Well, you've got to compare estimate to estimate, Danny, or forecast to forecast. I mean, which are you going to do? [interjections] I mean, Calgary-West. Sorry. I apologize.

There was a lot of interest, Madam Chair, in vote 1.0.5, financial and legal services. I want to just give a brief description of what's involved in this. It's not just lawyers. Anybody that knows me, I guarantee you that it's not lawyers. [interjections] Well, don't worry; it's not. We've got the accounting services, which is very important, the accounting work; financial records; planning and preparation of our budget area is in there; our monitoring of expenditures and our quarterly reports on our budgets come under that area; our financial policies and procedures come under there. This is more of a financial function than a legal function. You might ask my deputy sometime where the legal function was on the chart when we did our restructuring. If you xeroxed the page the right way, it all fell off. It's not made

up of a lot of legal things. It's more the financial end of things, which the hon. Member for Calgary-West will appreciate is very important. So that's why I'm giving you this. We do have a couple of legal staff there who are very important to our department, but we do not have a large legal staff as we quite often prevail upon our deputy, who has a legal background, to give us an unofficial opinion.

9:10

The hon. member also asked about a report that we had prepared for us on a confidential basis by Coopers & Lybrand on a restructuring plan. I will not be making that public. In fact, there are only two copies of it. It's part of the agreement that we have. As he knows, being with a competitive firm, that you don't put restructuring plans out there of a competitive nature. So that was an agreement we had.

[interjections] If you'd quit yelling, we could answer questions. Would you like to just settle down for a minute?

The other study you asked me about was the Purvin & Gertz study. I have in fact received the copy of the Purvin & Gertz study. Right now it's under review. It's a very important study because it pertains to a review of a change in the way we market our crude oil. If you go back to our original restructuring plan, one of the questions we asked in that restructuring model was: was it the role of the government to be marketing crude oil? The answer that came back was no, it wasn't the government's role to market crude oil. Well, if you take that answer, then the next question is: if it's not our role, how do we place our marketing function back out to the private sector?

There were two fundamental purposes we had in marketing crude oil. One was to make sure that in our opinion we had the best value of our royalty, that we received the top value for the royalty as a responsibility back to the resource owner, and to effectively be able to do it at a reasonable cost. So we said: go out and find a method that will satisfy the financial responsibility of the Crown back to the taxpayers, or the owners of the natural resource, so our position is not put in peril, and secondly, find a way to do it that is less expensive than what it is costing for the functional responsibility today. There was concern that we weren't getting best value, and I have to say I heard it as well. As it turned out, for Calgary-West's benefit, the results were quite astounding as to how good a job the APMC had been doing marketing our crude. In fact, if you reviewed it, in the one area they had done an exceptional job, and the study in fact showed that.

So we have received that report. It was, I think, a good exercise to go through to validate that information and to look at what the cost was and what schematics in fact could be used to answer the question: should the Crown be marketing crude oil? But I must insist that anything we do accept must satisfy the two conditions, and it cannot cost us additional funds to proceed with.

The hon. member also asked me about strategic resources. This is a new division that came together under the restructuring that took into effect the IS department, the human resource department, and on a temporary basis some of the financial accounting area that then will go back to the mineral revenue side. The big focus, of course, has been on the IS department, on the development of our MRIS system. That's a massive undertaking. It's a three- to four-year proposal that came out of October 1992 with a commitment to simplify the natural gas royalty system. It's unbelievable how large a system this is. In fact, it's the largest system in all of government. It's a very complex proposal and has required an awful lot of manpower and money to take this

system forward. It again has been a system that's been worked on by industry in co-operation with the department. It's had some stumbles, and it's had to be picked up, dusted off, and started again. It's had difficulties. It's a very complex program, so we see it again in the implementation stage.

The hon. Member for Calgary-Buffalo wanted to have input into the regulatory review process and to have public hearings. Well, one of the difficulties you have with the regulatory review of a very technical side of our operation is that first of all the principles and the policy direction are laid out in the legislative framework. The regulations to effectively put that policy and that legal side into place are through the Oil and Gas Conservation Act and the Mines and Minerals Act.

We went through an extensive program of going out and first of all gathering together all of the regulations that pertain to this ministry. That was a mammoth task. We then documented this information, regulation after regulation, interpretation bulletin after legislation, and put it all into a booklet. It's something like a tax guide. Then we sent it out to stakeholders. We asked them to make comment on those regulations, to look for things that were duplication, overlap, redundant, or simply just not necessary anymore, or to identify areas that were not sufficient in today's climate. They came back. We then responded to their answers and sent it back out. We then hired Intenco and said: "We need some additional support on this. This is a mammoth task to take all of this and compile it. Work with our regulatory people to put forward a package that could streamline the process, but also identify those regulations that have to have further review." So we've gone through that process. We're the first ministry out of the chute on this, because we are committed to having that framework that is so very important to this industry, that is conducive to development in an orderly, environmentally friendly fashion.

So we're now at the next stage. Apparently – and I haven't gone through this yet – the Intenco report is ready to be reviewed by myself. I haven't done that. In fact, I think it's next week that we do that review. Then I will be reporting back to this Assembly on progress as we go through this session. Clearly this has been a very long process that has involved stakeholder groups looking at these regulations. They're very complex. It's well under way.

Now, the suggestion by Calgary-Buffalo to go out and hold public hearings obviously tells me that he knows absolutely nothing about this industry, absolutely nothing. If he would like to have a copy of this workbook – I would be well prepared to make one available to every one of you if you wish to look at this workbook. I'm not going to print them off if you're not going to look at them, because they're that thick. I'm not going to print them just for the sake of printing them. So if you want one, phone my office, and I'd be delighted to give it to you. Fill it out and get it back to us. If you want to take it back to your constituency and compare it with people, go right ahead, but please be careful that you don't go out and start talking about something you don't know anything about. The worst thing that can happen is to have speculation and uncertainty evolve in this industry. We have to have clear, concise directions. We will not be going to public hearings on regulatory review, but I certainly would make this available to any one of you.

Madam Chairman, I think I've basically answered the questions that have come forward to this point, and I'd be delighted to take more questions.

THE ACTING CHAIRMAN: The hon. Member for Redwater.

MR. N. TAYLOR: Thank you very much, Madam Chairman. I'd be pleased to once again go through the estimates. I will wander around a little bit, but I'll try to stay within the votes.

One of the first questions I have would probably come under administration. You were talking about a three-year plan. I noticed last year the minister took the Member for Calgary-Mountain View down on a trip to Albuquerque. I don't know whether it was his honeymoon or what, but I was just wondering if she would have time to explain just what needs she will have for different MLAs this coming year, and if it's wide open, I'd like to put in my application too.

9:20

The second item is a general item too. Why do you still have the Alberta Petroleum Marketing Commission? I hope I don't get a rock in the back of the head here, but it seems to me we just don't need that. I mean, why would you have a marketing commission to market royalty oil? The last time I looked, free enterprise and competition were working for good energy prices except in the lumbering sector, and our lumbering minister of environment was doing his best to change that around by insisting that operators up in the Peace River country, for instance, had to sell to Peace River mills.

The reason I raise that is if that type of disease is spreading through the front cabinet over there, where local operators of lumber have to deliver the lumber to a cartel that's setting less than the world price, I hope the minister isn't thinking of forcing oil and gas people, who also harvest Crown-owned rights, to deliver to some plant or someplace that's not making a living just to keep a local business going. The hon. member might well check, because there's a disease that seems to have started. I don't know if it's a cancer or just a bad cold, but when the minister starts saying that certain people have to sell their produce in a certain area just because they harvested it from the Crown, that's dangerous indeed, Madam Minister, and I hope you do everything you can to squelch that.

The other area that hasn't been touched – and this is general, before I get to the votes. This may be partly in native affairs. As you know, a lot of land is under land claim questioning around Alberta by our different aboriginal groups, yet I know, as you know, when we got our oil rights transferred from the Crown in the late '20s, there was a caveat put on by the federal government – he looks like he's going to take off from that elevator in his constituency – that if indeed some of the land that was transferred to us had to go back to the Crown, we would have to restore those oil rights back to the natives.

I think there's a strong impression out there amongst many people that royalties go directly into the Treasury here, and therefore the Alberta government has a vested interest in trying to hold up settlements for native land claims because they're spending the royalties in the meantime. I would think the minister should give serious thought from the appearance of justice – and maybe the Minister of Justice could look at this. I didn't want the Minister of Justice to settle it right now, but nevertheless I was hoping he might look at some of the Alberta government's royalties from native-disputed lands being put in escrow so at least we'd give the appearance to the world at large that we're trying to be as fair as possible instead of just spending it.

Now, two questions come up, Madam Minister, in vote 2. One, I don't understand why the holdup in the selling of low royalty wells. I know you have an experiment going on in natural gas. That natural gas is one of the worst things you could do. Because it's a fluid and the law of capture and how fast natural

gas moves, oil wells would be a splendid area to try it on. I think we're getting more and more stripper oil wells around this province, or just very marginal oil wells, so why not give the operator of these wells a chance on an arbitrated basis to buy up all the ongoing royalties from that formation till the well dies? That would be cheaper. There are no forms to fill out. I think it's fairly easy to negotiate. I think you could do that, and you could do it well by well, because as you know, Madam Minister, being an old oil person yourself, oil doesn't migrate very far. I've wished it migrated farther sometimes in a lot of the holes I've had, but it doesn't go far, whereas gas is a problem. You damn near have to unitize a gas field if you're going to get down to letting the producers buy out the remaining royalty. So why don't we try a few on the oil? I won't criticize you. You can't lose your shirt; you can just try a few and see how it works. I think it might work quite well.

The other area is surface leases. That bothers me. Of course, representing the Redwater constituency, where there are a terrific number of surface leases, I've got to be very careful here. The only money some of that land out there makes is from surface leases. The point is that I was looking at some surface lease prices around the province the other day, and it's \$14,000 to \$20,000 to move onto a lease, and then they're getting another \$7,000 to \$8,000 a year for a few acres. I don't want my farm voters thinking I sold out to the oilmen in Calgary, but it seems to me that there should be some sort of an elastic meeting that should go on between the oil industry and the surface owners, which means the FMA owners, to get things more realistic.

Farmers, being the inveterate gamblers that they are, maybe should just be a little sporting about it and allow them to get half a percent override or 1 percent override. I can hear the minister of environment shaking his head again, but nevertheless he is not a risk-taker, Madam Chairman. Some farmers may want to take a little gamble and take the 2 percent GORR or 1 percent or half a percent rather than set payments. But something seems to be wrong, although I must from very first defend the right of the surface owner to get as much as they can on the free market. Mind you, the oil companies shoot themselves in the foot. Often they wait till the last minute, till the lease has expired, and then they want to get surface rights. So they go in and they pay the arbitrated price plus a few more dollars so they don't have to wait for arbitration, and then that higher price becomes part of an average that just keeps going up and up and up as the years go by. So it's hard to feel sorry for the oil industry too. I'm going to toss the problem back to you. As Solomon would say: something doesn't seem to be working that well.

I'm wondering: can the minister indicate on horizontal wells, which are getting to be the in thing – there are more wells going out there horizontally now in some ways than vertical – what she is contemplating on the new royalty rates? I think they're under consideration. There is the Saskatchewan model of a lower royalty rate based on incentive volumes. I think that seems to have spurred horizontal drilling there, and it might over here. Mind you, geology still has something to do with it. You can't do it all by regulation. But we have some shallow fields here that we could sneak along. As a matter of fact, I'm thinking that just out of Edmonton some of these old fields might be brought back to life if we could sneak along horizontally and get something done.

The other thing before we leave vote 2: is the minister working on any sort of system to see that the windfall that happens from some of the surface leasing on grazing leases accrues to the taxpayer rather than the grazing lease owner? I met a grazing

lease owner the other day from southern Alberta – and I won't tell you where – but he was bragging about getting \$22,000 a year in rent from surface gas wells for a grazing lease for which he's out about \$7,000 a year. It would seem to me that maybe he is right to get his \$7,000 back even and maybe a few other things, but he was getting a 300 percent rate of return on his lease. Now, it seems to me that here again you could look over to Saskatchewan and learn something. Once the surface lease is paid back to the Crown, and the Crown pays back to the surface lease owner what is an arbitrated loss of value, how many cows could graze there and so on and so forth – so the surface lease owner isn't hurt in any way, but at least he isn't making a pile of money. Now, it's like everything else. There's probably a lot more conjecture. I see the Member for Chinook perking up because she knows that down in that country next to finding a gold mine or a diamond shaft is getting a shallow gas field drilled out on your grazing lease. That way you can spend the winter in California and just come back every couple of years to vote for the minister.

9:30

MRS. McCLELLAN: And a wise vote that would be.

MR. N. TAYLOR: Yes.

Under vote 3, moving along, can the minister explain why program support is now a 6.7 percent increase in '95-96? That's in 3.0.1. I'm going to keep cruising along here. Oh, my God, I've got 12 minutes yet. Gee whiz, I can roast the minister.

Also, while we're in vote 3, we talk about the development of power and the new EEMA, that I see sticking its nose out around the corner, electrical energy. I was wondering if the minister could bring us up to date a little bit more on the conjectured future power energy system. I've always argued for some years that the vertical integration between the power producer, power transporter, and power distributor should be broken.

[Mr. Tannas in the Chair]

Oh, I see the Member for Calgary-Mountain View is coming back ready to answer some questions and help you out. I knew there was some reason for his trip.

You have these three units. I gather what's going to happen is that in the future consumers will be able to arrange what power producer's deal.

What I don't like – and I smell a bit of a rat here – is that in fact one of the big power producers in this province throws a picnic for the PCs every year. I'm referring to the southern organization and Canadian Utilities. TransAlta is also wired in very close to the government. When a PC grunts, TransAlta starts to moan. I know that they're in that close relationship, and I am afraid that the transporting sector, that you are talking about, between the producers and the consumers may be controlled by the large power companies. What I would like to see is something that's entirely independent. God bless Ron Southern. I'll probably get a letter in another week or two from somebody in his empire saying: why did I do this? But the fact is this: if these major producers are going to control the major transporters, then we're not going to have that free enterprise system that you're talking about. I would like to see a co-operative ownership.

As a matter of fact, I will toss this idea out to the minister. I can see statues being built all over the province because she had put this idea forward, and she needn't give me any credit at all. The Social Credit Premier of many years ago came up with the Alberta Gas Trunk, which kept him in power another 20 years,

and allowed the public to buy shares. She might think of an Alberta electrical trunk owned by the citizens of Alberta which would transport all electrical power at a nice base rate.

MR. PASZKOWSKI: That's called socialism, Nick. You're a real advocate of socialism; aren't you?

MR. N. TAYLOR: Sure. Call me a communist. That's what you usually do. I just throw that idea out, because I'm very suspicious of what I see being formed now. They're taking a good idea, what the minister is working on.

MR. PASZKOWSKI: Ross Harvey would love you.

MR. N. TAYLOR: Quiet, minister of agriculture. I am talking to your one intelligent minister right now. He shouldn't get in the way. We like each other. We're on the same wavelength.

She might just bear that in mind, because that could be a system that would work fairly well.

Also, while I'm at it, could Madam Minister tell me: are we doing anything to ensure clean power gets its fair break versus dirty power? Of course, there again TransAlta's going to give me hell. Let's say, power that when it's generated causes pollution – sulphur, erosion, or anything else – versus clean power like wind or sun. Now, to say that they should be sold at the same price – and I think now we give 5 percent – is that really fair to the clean power producer? I'm not talking about a carbon tax; I'm talking about a dirty tax. It seems to me that if the power producers are dirtying our environment, they should have to sell either at a little less to the consumer or have to pay some premium for the sulphur they're putting into the air when they generate the power, versus the one that's generating the power by wind or by sunshine or some clean way. Methane gets a little bit ticklish. But I think there's nothing mentioned here, and I imagine she could.

Also, on a net factor, while we're talking about CO₂ – and I see I got the minister's attention over there – why do we always look so stupid when we go down to these national and international conferences? We dig our feet in the ground and say we're not going to do anything about CO₂ and that it's all going to be voluntary. After all, CO₂ pollution, or warming, is the net of what goes in the air. Now, in Germany and some areas of the world they calculate out how much the trees take out; therefore, how much is put out. Why don't you sell the area – and I'm going to give this to you free, minister of forestry – that we have maybe more trees out there fluttering, taking CO₂ out of the air, and therefore our net contamination isn't as bad as it looks. Take that bald-headed prairie in Saskatchewan. If you put a sulphur plant there, there's nothing to drink up the sulphur for about 500 miles. Well, here we got it right.

AN HON. MEMBER: What do you think we've been telling them? Why do you suppose we . . .

THE CHAIRMAN: Order.

MR. N. TAYLOR: Don't shut him up. If he's saying something intelligent, it'll be the first time.

I just mention that I think we should do more about CO₂ than what we're doing.

Also, it's not out of the realm of possibility to give the oil and gas industry incentives to compress some of the extra CO₂ back in the ground. I'm older than most people here, and I can remember when natural gas used to go off in the air because we had no use for it. As a matter of fact, the Chairman comes from

an area where at about midnight he could read a book by watching the gas go. Nobody had any use for it. Now we're putting a lot of CO₂ up into the air saying it has no use. A lot of it's coming from our hydrocarbon thing, so we might pay a certain amount to help them put it back in the ground, and who knows what it'd be worth down the road. I know it makes dry ice. I don't what we're going to do with dry ice. [interjection] Is that right? Oh. Well, that's better than putting it in a Coke, I guess, and some of these others.

Now, while I'm on vote 4, I notice a great deal of research, and I'm impressed by it. The minister of forestry has told me about research that's going on there. The Minister of Health has told me what's going on there. Now, this is not quite in your line, Madam Minister, but what in the dickens is the minister for science and technology doing if all this research has been going on here? I'm just wondering what we're doing with another department, with the Member for Cypress-Medicine Hat also running some sort of a technology thing. We've got all kinds of people running around saying that they're doing research. I think you're doing a great job in research. I think forestry's doing a great job in research. But what those other two characters are doing, I don't know. Maybe I'm asking you to squeal on them, but on the other hand it would be nice to know.

9:40

THE CHAIRMAN: The hon. Member for Redwater is reminded that the bell has tolled for thee.

The hon. Minister of Energy.

MRS. BLACK: Thank you, Mr. Chairman. I'd like to respond to, I guess, a number of aspects from the Member for Redwater, and I have to say that I always appreciate his comments. He is one member that has a wealth of experience in the oil and gas sector. He knows the industry, he respects it, and he's worked in it. So he has hands-on experience there. I do appreciate his comments each year. I don't always agree with you, but I do have quite an element of respect for your input, and I appreciate it.

Mr. Chairman, the hon. member talked about what we're doing in research. One of the things that's very important is that when we were looking at our strategic planning for the future, we identified that our future rests – and I wish the Member for Fort McMurray was here, and I'm not being disrespectful. He comes from an area that is critically important to this province's future. Our oil sands, I call them one of the eighth wonders of the world. They're there. There are questions scientifically as to why they're there, but it is the future for not only Alberta and Canada but all of North America. The development of that oil sands not only supports us economically, but it provides all of Canada and North America with a security for the future in a fuel. It's come a long way from the beginning in 1967 to where it is today. It was a vision and a dream that didn't necessarily always seem like there would be any reality come out of it, but today we have, we know, 300 billion barrels of crude oil on the ground, more than all of Saudi Arabia. You probably get tired of hearing me say that it is the jewel of Alberta, but it truly is. It's our future. So when we were looking at our strategic process and setting priorities, we recognized that we couldn't do everything, but our focus had to be on the future. So we decided to draw our resources together and focus on the development of the oil sands for the future.

I came from a company that was involved in the oil sands a number of years ago, back in the mid-70s. At that time, the cost of extraction or mining of bitumen was roughly \$38 a barrel. Today through enhanced technology and experience that price has been brought down to under \$15 a barrel and under \$12 a barrel

in some cases. It's commercial today. Back in the '70s when I started at a company called Sun Oil, now Suncor, it was a long shot. It was a vision only. But it will provide for our future. So we have drawn all components within research, things that can be put into a commercial state, into our oil sands research and development division. We've dedicated over 20 percent of our efforts within that specific area to deal with things that can bring upgrading costs down, extraction down, different types of recovery so that we can make that one of the biggest competitive advantages and securities that we have in Canada and in North America.

The relationship between the research authority is very clear. We have said that the authority must know and be aware of the co-ordinated efforts between all of the departments to ensure that there isn't a duplication of effort. The scarce resources must be focused. It's a co-ordination process. So what we have done is we have appointed a person from our research division to co-ordinate with the authority to ensure that the direction is clear and it's not a duplication somewhere else. It must be focused. We believe clearly that research and development must go hand in hand. It also must be partnered by the private sector. If you're going to have development take place, the private sector is going to have to have a capital infusion into that development.

In conjunction with the research division, we have created an Energy Research Council, which is a voluntary body from industry, because not only do we expect ideas to come forward; we also expect financial support to come forward to support the development of that research to enhance the development of our oil sands. There must be a commitment from industry, working in partnership with government. We have about a three- to five-year window in which to ensure that the technologies we're putting in place have a competitive advantage for the development of the oil sands. It's very clear. So we take that very seriously because that's the future in our security of supply.

The hon. Member for Redwater also talked about CO₂ and why we go down and have arguments on the national scene. Clearly what happened in this process – and my hon. colleague the minister of the environment traveled with me through a process that took us through Saskatoon, Bathurst, and then to Toronto two weeks ago. In fact, we spent Family Day debating climate change in Toronto on behalf of all of you in here.

What was very important was that we put forward a process back at Saskatoon which said that there must be a coming together of people, that we must use the CASA model to forward a proposal on this, the CASA model of course being a gathering together of the environmental groups and the industry groups, because we clearly believe that economic development must be balanced with environmental protection. As I said in my opening comments or in response to Calgary-West, we are the only jurisdiction in this country where economic initiatives and environmental protection initiatives are pulled together. They must go hand in hand, so we put forward a CASA model to the rest of the country and asked them to embrace that. CASA has been very successful. The clean air strategic alliance has been very successful in Alberta. They haven't always agreed, and that's fine. You can't expect them to always agree, but they have come forward with positions and proposals that are workable.

We took all of the information we had on climate change and fed it through that CASA process. In fact, we refused to circumvent it. We said that it must be in place, and then we went back with a program, a voluntary challenge program and registry. At the meetings in Toronto – and this was just a random listing – we were able to list off, in part of the meeting, a number of initia-

tives that have already taken place in the province of Alberta from our industry players on a voluntary basis, where we had a 200,000 tonnes a year reduction in CO₂ emissions. Some of that came from injecting CO₂ in an enhanced recovery scheme by one of the companies. Some was from energy efficiencies that were put in place, and we listed them off.

You know what? It was an interesting thing. In all of the nattering that has gone on from the groups across, we were the only province that was able to say: "Look; here's a program that's starting to work. Embrace this." Those that do nothing will accomplish nothing, but the buy-in by the industry and the environmental groups together will make this successful. They'll always be arguing over the scientific information, and we sat back a number of months ago and said that for every scientist who says there is a problem, you have one who says there isn't. So why not go forward with no-regret policies? Let's do things that make sense because they provide efficiency and because they show initiative in putting forward good environmental policy. Let's do that because they make economic sense, there are no regrets, and they are environmentally friendly. That's what we did. That's the program we took forward, and we were able to sit side by side, the only two in this entire country, and put forward a program. And you know what? It was embraced. It was embraced by minister after minister across this country, and that has now formed the basis of the national action plan on climate change.

9:50

I think it's a plus. I think it's a plus that can be carried forward and something we can be proud of. Coupled in that national action plan is the ability and the flexibility of every province to go back to their jurisdiction, where they have the control, the responsibility for the development and the responsibility for the regulation, to ensure that they have in sync environmental protection and economic development. That has to be there.

One of the questions that came up was: what are you doing on renewable energy? Well, as the hon. Member for Redwater knows, we have had a program in place since 1988 on our small power production. We also had a SWAREI development program.

Now, one of the other provinces, the province of Saskatchewan, said, "We're going to dedicate three megawatts to small power." We said, "Ah, excuse me; we have 108 megawatts that has gone to small power programs." And certainly those programs have been subsidized, but they're working. They have gone now from the embryo stage to the commercial stage. In fact, one of the programs that I think we should be very proud of has been able to take their program and go to the global marketplace, and today they have a contract with the Indian government to provide hydro in India, based on the model that they created here in the province of Alberta. This has been successful; this has been a very successful program. Other provinces haven't started that, but maybe they can learn from Alberta, because today Alberta has the largest wind farm in all of Canada, down in the Pincher Creek area. Members should go down and see that. Go down to Cowley Ridge and see the wind farm. See the demonstration models that are down there that could in fact lead the way for development not only in Alberta but globally. There's tremendous opportunity. So we've gone from that embryo stage now to the commercial stage.

MR. COUTTS: By the private sector.

MRS. BLACK: Yes, by the private sector. By the private sector because the government created a framework in which this could

happen. The government doesn't do that. The private sector must do that.

The hon. Member for Redwater also asked about surface leases. That's a topic that has raged on in the industry for probably 15 years that I can remember. We have had a breakthrough on that because the minister of the environment, the minister of agriculture and rural development, and myself have joined together and said that we cannot resolve this without the involvement of the stakeholder groups. So we formed a task force, and I can tell you that when they started off, it was like the Hatfields and McCoy's sitting at the table. People were lobbying scud missiles across the deck, and it was hit one, strike two, back and forth. There were some very dug-in positions on this, and nobody was budging. We gave out a challenge and said: "This has got to be dealt with. Better you deal with it than us having to, because we're going to stand together as a team, and we believe the consultative process is the best way to deal with this." They have now parked the scud missiles at the door. It's taken a long time, but this issue has been there for so long. We expect them to come back to us with a direction on how to resolve access and land use issues, both on Crown and private. So we're looking forward to that in the very near future.

Low oil productivity. I'd be interested, Member for Redwater, in sitting down with you and getting your ideas because of your wealth of experience on this. We did look at some models on low productivity, and in fact as the industry . . .

MR. N. TAYLOR: You're going to have to take me to Albuquerque.

MRS. BLACK: No, I'm not taking you to Albuquerque, that's for sure, but I'd be very keen on sitting down and talking to you and tossing some ideas back and forth on that topic.

Insofar as the EEMA and the change in the power, we have gone through a very long process and, as you know, announced a new framework at the end of December last year. This framework will take us into an open access system for generation, a pool transmission so there won't be any disadvantages to Albertans within the province, and bringing competition into the marketplace.

I believe that the future in electricity will be substantially different from what we've had in the past. Part of the reason it'll be different is because of the processes of incentive regulation. It will provide for fairness and efficiency. I'm looking forward, Mr. Chairman, to seeing these changes come forward.

The marketing commission. As I said earlier, our goal was to say: get out of the marketing commission business; turn that over to the private sector. We've taken the regulatory process and the market analysis, and that has been merged into the department now. All that is left is the actual physical marketing side of it, and as I said earlier, there are two things that must be recognized. One, the Crown share of the revenue cannot be put in peril, and secondly, whatever process for marketing crude comes forward must cost me less than the functional thing is costing me today. That's the challenge that was put out last spring, and that's the challenge that industry and the marketing commission are coming forward with. It's a great idea to say get rid of it. Okay; what's the scheme? If you have an idea, bring it forward. I'll be finalizing this within a month and a half, so I need to have any input now. Don't wait, because the decision will be made on this. So please bring it forward if you have ideas.

Mr. Chairman, I know you're saying I have to sit down, so I guess I will. [interjections] Well, what are you giving me hand signals for?

THE CHAIRMAN: Three minutes.

MRS. BLACK: Okay. There were a couple more questions he had, Mr. Chairman. One was on horizontal wells, and we've been reviewing the royalty policy on that. We'll probably get back to that, I would think, in the next few weeks. The department is reviewing that, and you're quite right: there are different initiatives in other provinces. You're also right that the geology in Saskatchewan is substantially different from what we're used to in Alberta. Some schemes work better on the flat plains, because of the geology of Saskatchewan, than they do in the foothills of Alberta, but we certainly are reviewing that.

I guess that's - oh, land claims. Land claims was another thing. I don't think there's another province in this country, Redwater, that has had as much success in settling native land claims as we have had in the province of Alberta. The process has been very thorough. It has involved the Department of Justice, native affairs, the minister responsible for native affairs, and of course our ministry as well. We've taken it very seriously. I think we've probably demonstrated the most successful approach to it in all of Canada, a record we're quite proud of.

Mr. Chairman, insofar as the trip to Albuquerque, I went to Albuquerque to meet up with New Mexican producers who had objection to Canada, in particular Alberta, moving into the U.S. market. Clearly Canada, in particular Alberta, moved into the United States quite quickly and went from a 4 percent share of the U.S. market to 12 percent. That caused grave concern for some of our producers south of the border. We went down to meet with what's called the IPAA to settle some of the misconceptions that were there. At the same time, we met with the governor and his officials, and what was supposedly going to be a 15-minute meeting ended up being a two and a half to three and a half hour meeting to talk about different initiatives with the trade links between Alberta and the integrated marketplace. We also met with their representative Bob Light, who is on the Energy Council, on which we have an affiliate seat, and then we had an opportunity to go to a company down there who had a new process on extraction in oil sands. At that point I asked the hon. Member for Calgary-Mountain View, who is our representative on the Syncrude board, to join me and have a look at the process. If there's a difficulty on that, I believe that it has been addressed here. He interrupted his vacation to join me and then went back on his vacation, and I proceeded home.

10:00

THE CHAIRMAN: The hon. Member for Leduc.

MR. KIRKLAND: Thanks, Mr. Chairman. The minister spoke in her opening comments about the importance of the oil industry in the province. Certainly, originating from Leduc, I'm fully aware of that. It's impossible to overlook it when you live in that community. It has been the heartbeat of the community for many years, and it certainly deserves due respect. The minister also spent some time expounding on the importance of the oil sands in her opening comments, so I will keep my comments as brief as I can.

I'd like to deal with vote 4 of the expenditures and keep it contained to that particular aspect. One of the areas that popped out at me was a large reduction, and I compliment the department for those reductions. Certainly that's the area to move. Vote 4.0.1, program support. The expenditures there represent about a 64 percent reduction from the previous year. I wonder if the minister would provide us with a bit of an explanation as to how

we arrived at such a large cut. I may have missed that comment when she was chatting there and I was chatting over here.

Moving along to vote 4.0.2, project management. My understanding is that Alberta has about a 12 percent share in Syncrude and a 10 percent share in the OSLO undertaking and also a 25 percent interest in what is known as the Underground Test Facility. I see that there is a reduction in that particular aspect as well, and again my compliments would go to the department for moving in what I think is the correct direction. When we look at the OSLO case, it's been a while since I've been on top of that particular subject, but if I can recall correctly, there were some leases that OSLO had and also OSLO technology that I believe the government owned there. Are we making some moves to off-load, or sell, the technology in particular?

When we look at some of the other joint ventures that we're dealing with in the province of Alberta in the oil industry, I indicated in my opening comments that Alberta had 25 percent of the Underground Test Facility. This Underground Test Facility, since we have 25 percent of it, and following along with the government's philosophy that we hear day in and day out, I would ask the minister if there are some initiatives there to market its remaining three shares of the test facilities and if there have been some initiatives to the partners in that particular outing, if they would take it over as private operators.

I also understand that the joint venture board is considering an expansion of Syncrude. If that expansion is approved, I wonder if it's too early at this point to ask the minister if there'll be some thought provided for the engineering studies to facilitate this Syncrude expansion at the cost to government.

Just quickly skipping over this information that's been provided by that excellent research staff by the name of Lennie Kaplan, he indicates that Morgan Grenfell and the Lancaster Investment Counsel were at one point being retained to facilitate the sale of the Syncrude 11.74 percent shares. Are those two companies still on retainer? Is the minister able to share whether we've been able to identify or capture interest perhaps from markets outside - I can recall that the Japanese at one point were very interested in that - whether that's come any closer to fruition?

Looking at research and development - and again, I heard the minister speak at length about research and development and how important it was to the oil industry - in looking at the notes provided here, the Alberta Oil Sands Technology and Research Authority, as I see here, was being incorporated in the oil sands and research division. That would bring to mind a question: are there cost efficiencies to be arrived at or achieved? There's that particular undertaking, and the oil sands being very important, I wonder if it's not wise to stand as a separate entity to ensure there's no dilution of funding to that aspect.

According to the research that has been provided to me, 12 of the 14 staff were released in March of '94. Would those staff be redeployed within that combined or incorporated venture?

When we look at one of the aspects, and it falls a bit into the environmental area, if the minister could provide some information on how much of the \$85.6 million royalty credit has been accessed by Suncor as of December 31, based on the criteria of total spending on approved SO₂ and odour emission reduction projects. Would the minister confirm that the maximum payment reduction in any given year is 4 percent, and would the minister also confirm that the minimum royalty payment under the royalty assistance package is 1 percent of the revenues, depending on the amount of the royalty credit pool? Just to follow up on that particular point - I don't pretend to be overly knowledgeable

about it – would the minister agree to provide a copy of the Suncor royalty assistance agreement?

Looking at the last vote there, the Alberta Geological Survey. Again, I guess working on the bent of the government to search for efficiencies and the like with department amalgamations, I wonder if the minister could comment on the Department of Energy and Natural Resources of Canada in their attempts to harmonize with the Geological Survey of Canada and the Alberta Geological Survey. I wonder if in fact there have been any moves to bring those together in search of efficiency.

So with those comments, I would conclude my questions on that particular section, and for the sake of time and brevity I would turn it over to another member to ask questions.

THE CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Well, thank you, Mr. Chairman. Once again I appreciate the questions and comments coming forward. I will make the commitment to answer the questions from the Member for Leduc. I would like to move that the committee now rise and report.

[Motion carried]

[The Deputy Speaker in the Chair]

MRS. FORSYTH: 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.

THE DEPUTY SPEAKER: Does the Assembly concur in the report of Calgary-Fish Creek?

HON. MEMBERS: Agreed.

THE DEPUTY SPEAKER: Opposed? Carried.

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