

## Legislative Assembly of Alberta

Title: **Wednesday, March 6, 1996**

**Subcommittee D**

Date: 96/03/06

8:01 p.m.

[Chairman: Mr. Clegg]

### **Committee of Supply: Subcommittee D Energy**

THE CHAIRMAN: If the committee could please come to order.

Before we start with the minister giving a few opening remarks, could we have unanimous consent to revert to introductions?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Hon. Member for Lethbridge-West.

MR. DUNFORD: Thank you, Mr. Chairman. I'd like to introduce to you and through you tonight a couple of new friends. I met them at the independent schools reception. They're sitting in the public gallery, and it's Art and Debbie Swartz from Edmonton. Stand up, and we'll give you a warm welcome.

THE CHAIRMAN: Thank you.

Hon. Minister of Energy, would you like to give a few opening remarks?

MRS. BLACK: Thank you very much, Mr. Chairman. Members of the committee, it is indeed a pleasure tonight to submit for your review and approval the 1996-97 estimates for the Ministry of Energy. The ministry is comprised of the Department of Energy and the Alberta Energy and Utilities Board. As is customary on these occasions, I have brought with me this evening several members of the ministry staff who along with others have prepared the estimates that are before you. With your permission, Mr. Chairman, I would ask them to stand and receive the acknowledgement from the committee.

As one of the ministry's primary goals is to maximize the benefits to Albertans from the province's energy and mineral resources, I would like to begin by giving committee members a brief report on the state of Alberta's energy industry.

I am pleased, Mr. Chairman, to say that after its record-breaking performance in 1994, the industry maintained a healthy level of activity last year. Allow me to cite a few statistics which should provide a clearer picture for committee members. The number of wells spudded in the province last year totaled 8,270, which is only about 600 short of the 1994 level. Well completion stood at 8,390, excluding service wells. This represents a drop of just over 5 percent from the previous year. While the rig utilization figure of about 60 percent was considerably lower than the 74 percent achieved in 1994, it is still almost double the rates we saw between 1990 and 1992. In 1995 bonuses paid for petroleum and natural gas rights totaled \$635 million, which is down almost one-third from the \$999 million paid in the previous year. However, the \$635 million is still well above the yearly figure for the four years prior to 1994.

Overall, Mr. Chairman, despite disappointing natural gas prices the oil and gas industry recorded another relatively strong year in 1995, which is good news for the whole province. As committee members will know, the petroleum sector continues to play a dynamic role in Alberta's economy and is one of the biggest factors in keeping our economic growth rate among the highest in Canada. You may recall that the third quarter update presented in January by the Provincial Treasurer showed a surplus of \$573 million, a marked contrast to the Budget '95 estimate of a \$506 million deficit. One of the major reasons for the tremendous turnaround was the sharp increase in resource revenue, up \$382 million from the budget estimate.

So the oil and gas sector is contributing in a significant way to

the elimination of the deficit and the paying down of the provincial debt. Add this to the number of jobs provided by the industry, the value of its exports, both product and expertise, and the huge capital investment it makes every year, and it is easy to understand why a strong energy industry is so important to the economic health of our province.

The Energy ministry helps promote a healthy and vital energy industry in Alberta. We do our part not by direct participation but by creating the right kind of economic climate. Three examples of ministry initiatives will show the committee what I mean. Over the past year we have pushed ahead with our comprehensive regulatory review. While ensuring the protection of public interests, we are simplifying and streamlining our regulations and processes in order to reduce the costs and burdens of regulatory compliance. Our review has covered more than 900 statutes, regulations, directives, information letters, guidelines, and other instruments affecting the industry. Now we are in the third phase of the review, implementing the action plan.

Another initiative the government announced towards the end of last year was a generic royalty regime for new oil sands projects in the province. This move is a response to one of the recommendations in the National Task Force on Oil Sands Strategies and should encourage further development of this tremendous natural resource. Over the next several years we expect to see more than \$2 billion invested in at least six oil sands projects. This is a tremendous initiative for this province and clearly recognizes the oil sands as one of the most strategic resources in all of Canada.

The third initiative is the restructuring of the province's electric industry to make it more competitive and better positioned to take advantage of regulatory changes occurring throughout North America. Legislation to bring this about was passed last year and took effect January 1 of this year. The new structure replaces the Electrical Energy Marketing Act, better known as EEMA, and introduces a competitive power pool for all electric energy bought and sold in Alberta. It also ensures that new generation is the result of fair and open competition among all market participants. In addition, stronger incentives are provided to promote better performance by regulated utilities, which should result in cost savings for all customers. This initiative, which helps us maintain the Alberta advantage, puts us in the forefront of worldwide changes to the electric industry and makes us the leader in North America. In fact, Mr. Chairman, we are the only jurisdiction in all of North America to effectively have implemented the deregulation of electrical generation.

Mr. Chairman, I hope these remarks about the industry and the ministry's role have provided a useful context for the committee's consideration of Energy's 1996-97 estimates. The estimates I am presenting tonight seek a total allocation of \$71,538,000 for operating expenses. This figure is in keeping with the government's budget reduction program and our own three-year business plan. The amount represents a 9 percent decrease from the comparative estimates of a year ago. As you will see, we have made substantial cuts in both departmental programs and administration. A portion of our spending cuts is offset by the \$3.9 million earmarked for operations of the department's mineral revenue information system, better known as MRIS. We also have an increase in amortization of \$1.8 million. Overall we have reduced our operating expenditures by \$7.4 million from the comparative estimates of 1995-96.

Like other government departments in this period of restraint, the Energy ministry has made significant reductions in its operating budget over the past three years. This has not been an easy task, nor has it been a painless one. As the minister I can

say that much of the progress we have made is attributable to the co-operation and determination of both officials and staff of the ministry. Many of them are here tonight.

Moving on to capital investment, we are asking approval for a total of \$11,079,000, which compares with \$8,487,000 in last year's estimates. Members may recall that on February 26 in the Legislature, I asked to supplement the department's capital spending by \$8.7 million. So in fact the 1996-97 capital budget is lower than what was spent in 1995-96. As in '95-96 the major portion of capital funding for the fiscal year is dedicated to completing the MRIS.

Now on to staffing. Reductions continue to be made in staffing levels, and again the ministry is on target. At the conclusion of fiscal year 1996-97 full-time equivalent employment in the ministry will stand at 1,155. This is 116 lower than last year's estimates and down 281 from our 1993-94 level. This meets the commitment made in the 1994-97 business plan. The loss of staff is the most difficult part of our budget reduction program. We have tried to minimize the impact by using attrition, voluntary separation packages, and other measures. I am pleased to report that our business plan calls for greater stability in staffing levels in the future, beginning in the years following 1996-97.

Let me now turn, Mr. Chairman, to resource revenue figures in the estimates. For the 1996-97 fiscal year we forecast total resource revenue of \$2.646 billion, which is only slightly higher than the \$2.512 billion in the 1995-96 estimates. These figures are not adjusted to include the revenue cushion that has become part of the government's bookkeeping practices. By 1998-99 we are projecting resource revenues to increase to \$2.814 billion, again without taking the cushion into account.

#### 8:10

Mr. Chairman, I would briefly like to go over some of the components of that resource revenue picture. For conventional oil, using a flat price scenario of \$18.50 west Texas intermediate, we forecast a decline in royalties from \$1.078 billion in 1995-96 to \$958 million in 1996-97. This decline is due to a shift from old-new production to third tier, which is a lower royalty rate, and to increasing production of heavy oil, which also carries a lower royalty rate. We expect this downward trend in royalties to continue through 1998-99.

Royalties from synthetic crude oil and bitumen are expected to increase from \$259 million in 1995-96 to \$282 million in '96-97. However, a decline is expected in the next two years with the flat west Texas intermediate oil prices and then appreciation in the exchange rate, lowering Alberta net-back prices.

The royalty scenario is better for natural gas because of projected increased sales and a gradual upturn in prices. For 1996-97 we are forecasting royalties of \$712 million, up from \$581 million in 1995-96. By 1998-99 we expect natural gas royalties to total \$1.137 billion.

Royalties on gas by-products are also seen to be on an upward curve, the result of stable prices and increasing production. For the next fiscal year they are forecast to reach \$380 million, \$29 million more than in 1995-96. In 1998-99 the forecast figure is \$451 million.

As industry's accumulation of land inventory slows, we don't anticipate the yearly bonuses in sales of Crown leases over the next three years to approach the \$978 million received in the fiscal year 1994-95. For 1996-97 we are forecasting a total of \$450 million, down from \$525 million expected this fiscal year. By 1998-99 bonuses and sales are expected to reach \$500 million.

Mr. Chairman, a final word about energy resource revenue. Some committee members may not realize just how much the

resource revenue picture has changed over the years. For six years starting in 1980 the province averaged \$4.4 billion annually for nonrenewable resource revenue. In 1981 that revenue accounted for more than 52 percent of the province's budgetary revenues. For fiscal year 1996-97 resource revenue is estimated at \$2.6 billion, almost half of what it was in 1980.

Some members will remember that we used to have \$30 a barrel for our crude, and that dropped very quickly in 1986 to \$15, a 50 percent reduction. Unfortunately, Mr. Chairman, the government spending was not cut to match the reduction in revenue. As a result, Alberta had run up an annual deficit for several years and had accumulated a very heavy debt load.

Now, thanks to budgetary reduction measures introduced three years by Premier Ralph Klein, spending has been brought into line, the annual deficit eliminated, and the budget balanced. The spending cuts have been felt in one way or another across the province, but now we have re-established financial stability and are paying down the debt. All Albertans stand to benefit through a stronger economy, increased investment, and more new jobs.

Mr. Chairman, in these opening remarks I have only touched on the spending and revenue figures contained in the estimates. I hope this brief overview has been useful to the committee. Thank you for the opportunity to allow me to make these introductory statements. I will be most interested to hear the comments of the members and will certainly try to answer their questions either tonight or in writing after this session.

THE CHAIRMAN: Thank you, Madam Minister.  
Calgary-West.

MR. DALLA-LONGA: Thank you, Mr. Chairman. It is with pleasure that I rise to speak to the Energy estimates this evening. I appreciate the comments from the Energy minister, and I'd like to start off with some questions I have concerning the estimates. However, we seem to have had a problem in previous years in not getting responses to all our questions, and I would kindly ask the Energy minister if she would help us in that regard.

Anyway, I'd like to start off right at the beginning with the estimates themselves and the amounts being voted on under program 1, page 143. I'll try to go slowly enough so the minister has a chance to find out which numbers I'm talking about. Under vote 1.0.3, corporate services, I was wondering the reason for the increase there; as a matter of fact, I'm not even entirely certain what corporate services comprises. It's not a big figure, but if she could comment on that.

Under program 4, vote 4.0.3, page 146, external relations and communications. Although that figure has gone down, I don't think I've ever discovered what external relations and communications is spent on. The estimate is \$855,00 this year. What sorts of things is the department spending its money on here as it relates to external relations and communications? It seems like a fairly high number, given that this department is a little bit different than the other departments. I was just wondering if the minister could comment on that.

Program 5. First of all, sort of a general question: why are we still calling it the public utilities and the ERCB? Why do we still have it categorized that way? Is that just to make it comparable to previous years? I thought we'd put these two entities together into the AEUB. We still keep their costs separate, but there was supposed to be some overlap and some savings. How do you do that?

Now, there's a big drop in the Energy Resources Conservation Board's costs, which is to be expected. I'd like to know what the nature of those cost decreases are. Like, what was the reason?

What areas did we save money in or are we anticipating saving money in, going from \$20,568,000 to some \$11,900,000?

I'd like to just spend a little bit of time now on the business plan summary. The business plan seems to be getting more in line with business plans that I've been used to, and there are some very good things in here. I have some questions about some of the comments made in here. On page 151, the second-last bullet, where it starts off, "The Ministry will reduce funding for the EUB from \$21.5 million to \$12.8 million." The last sentence there says, "Funding will be broadened to include other energy sectors." A minor point, but what does that mean, "Funding will be broadened to include other energy sectors"?

On page 152, I note with interest these statistics about employment and capital spending and exports and all this sort of stuff. I find these statistics kind of interesting, how the Department of Energy would be able to calculate those statistics when they can't even send out their invoicing on their royalties. I'm not necessarily disputing them. I mean, I have no basis for disputing them, but how did we get those numbers? For example, 62,900 employment in 1995 is the target, and it's a target for every year thereafter, yet our revenues are bouncing around. Was this just for ease, or is this based on some sort of scientific forecasting method or what? If you look at the capital spending, the capital spending is bouncing around as well, yet the employment stays the same.

**8:20**

Then the value of exports. I would have thought that the export figure would have increased more than what's shown there. Now, maybe I'm not taking into consideration enough the currency fluctuations and that sort of thing, but volumes certainly are supposed to be going up, so why isn't the export figure going up at a faster rate?

Page 154: I looked at this for a while. Well, before I get into that, this reminds me. You know, I've never really fully understood, although I've read the literature, how the Department of Energy and I guess Treasury are calculating what they call the cushion. I know what a cushion is in accounting terms, but I don't understand the concept of cushion as it's described here and as the minister alluded to it. It seems to be different than the cushion I understood, so maybe if the minister would be kind enough to explain that.

The other thing is these consolidation adjustments on 154. If I look at the detail for the consolidation adjustments on page 162 – this is sort of an accounting question; I couldn't resist. [interjections] We'll just ignore the idle chatter.

We have, for example, under expense, grant funding to Alberta Energy and Utilities Board, \$12,830,000. So in other words that's a grant, I presume, that the department is giving to the AEUB and these are the expenses, yet it shows up as a credit. I would have thought it would have been an expense as well. I don't understand this consolidation thing. I used to be good at consolidations, but I don't understand this. Undoubtedly it's right, but I just don't understand it.

I would like to go back to the business plan summary that's in the other document, and I'm referring to page 202. It's the one that starts off with the accountability statement. Nice signature. On page 202 there's that nice table that lays out all of the expenses and revenues through to 1998-99, starting with '92-93. I'm just going to restrict my comments to a little itty-bitty question about the Alberta Petroleum Marketing Commission. Why do we still have expenses for the Alberta Petroleum Marketing Commission in '97-98, '98-99 – those figures are \$2.307 million – when we probably aren't going to have an Alberta

Petroleum Marketing Commission in those years? As a matter of fact, we might not even have it for '96-97. So just a bit of curiosity there as to how we arrived at those numbers. I ask that question because it sort of gives me a sense about the integrity of some of the other numbers.

Just backing up to page 197, the minister talks about – you know, we have the strategies and action plans and the milestones. Under strategy 1.6, on page 197 once again in this business plan summary, which is advocacy: "Act as an advocate for Alberta's energy and mineral sectors." One of the action plans is to develop options to ensure a level playing field so the tax treatment of investor-owned utilities is the same as Crown utilities and tax policies do not provide any barriers toward privatization of utilities.

I'm aware of the Bill that was passed last year, but is there not any consideration given, seeing as how we've got the surpluses coming through overall, to the province bringing back its share of the PUITTA rebate so that we could go to Ottawa and say: we would like you to reinstitute the federal portion of the PUITTA rebate?

One of the other questions is – I'll just talk about it briefly because I know some of the other members are going to ask more questions about this. I'm really concerned about the MRI system, mineral revenues information system. The DOB, the *Daily Oil Bulletin*, and the annual report of the Auditor General, March 31, 1995, both have fairly, I guess I'd say, condemning comments in there about the way this thing has been handled. I understand you put in a new computer system, it's a complicated computer system, and things don't always go according to plan. But particularly the *Daily Oil Bulletin* on October 30, 1995, was pretty critical about how this whole thing has been handled.

I have some questions still waiting to be answered from the supplementary estimates that maybe would have been answered had I got the answers to them. The *Daily Oil Bulletin* says that a project manager should have been hired, as does the Auditor General. They say that when the estimated cost of this thing was put together, the department forgot to include departmental staff costs, when they first estimated the \$17 million to \$20 million, which sort of really makes me kind of concerned about the ability to estimate costs, but you know, I understand these things happen. We seem to be wildly out of control in terms of our costs. As I've seen sometimes in industry, what is the likelihood that we'll have to cancel the whole project? I'd just like generally some more comments from the minister on what happened with the MRIS. Why did the first set of consultants get let go, released? What is the likelihood that we'll actually get this thing finished?

**8:30**

One last question, Mr. Chairman, and then I'll let someone else ask some questions. I get asked this question a lot by people in the oil industry, and it's one that's starting to get them more angry and more angry, and it's not covered necessarily in these estimates. Well, it sort of is under the land sale category. They're getting increasingly agitated or angry about this surface lease issue. I can understand that this government doesn't want to deal with it because on the other side you have the other interested party. But clearly from my perspective and, I would have thought, clearly from the Energy minister's, who maintains that she has a good rapport with the industry – and I think she does with the exception of this point here. This service rights leases issue – and I don't need to go into it because I think she knows the issue – needs to be dealt with. I'd like some comments from the Energy minister as to when she thinks she's going to deal with that and how she's going to deal with it.

With that, Mr. Chairman, I'll conclude my comments and possibly come back a second time, and I'll let someone else speak. Thank you.

THE CHAIRMAN: The hon. Member for Fort McMurray.

MR. GERMAIN: Thank you very much. Madam Minister, I recognize that the time allotted for estimate discussion is short. Some of the questions that I will ask you, as has the previous speaker, border on detailed accounting, and we recognize that you won't be able to glibly provide us with an answer right off the top of your head today. So I'd be grateful if any that you can't answer you'd simply notify me in due course as to the outcome.

However, Madam Minister, because your Energy department is a significant portion of the financial picture of the province of Alberta, both from oil and gas revenue and also from the expenses of your department and its various areas, I would be most grateful if you could make every effort to retrieve the answers to the information before we vote on these very important issues in the Legislative Assembly. Many members do not like putting their hands over their eyes, crossing their fingers behind their backs, and hoping for the best when they vote.

Madam Minister, I must give credit to the minister responsible for science and technology. In her particular budget she broke down all of her manpower departments by virtually the group, by almost the program, and I would be grateful if you would break down - for example, in the minister of science and technology's department she produced figures as to how many employees are in the deputy minister's office, how many employees are in the minister's office, and all the way down the line. I commend her for that. I recommend it to all of the ministers of the government, and I would ask you formally to break your 1,155 employees down to the different programs that you have so that we can get that particular trend.

While I am on the issue of employees, I would be grateful if you would confirm in your budget this year whether any of the employees are taking a reduction in pay, whether any of them are getting raises, whether there are in fact any time off with pays in lieu of compensation and whether any bonuses have been paid or will be paid to any of the employees in the department. I would also be grateful if you could provide for me some summary of the traveling of the various department heads in your various industries and if you could advise me as to how many out-of-the-province trips are contemplated and what the costs are for those trips and where that is found in your particular budget.

Now, Madam Minister, earlier today you gave us a very interesting stat. You indicated that the energy resources coming into the province were \$4.4 billion in 1980 and are expected to be \$2.6 billion in 1997. Many Albertans, of course, pray for another oil boom so they won't make the same mistakes the second time around. I must say that I was encouraged this evening by the announcements from Ottawa concerning their interest in assisting the heavy oil industry. I know that you are likewise undoubtedly encouraged by those announcements. If you feel, by the way, that there is anything more that can be done or accomplished in continued goodwill and intergovernmental planning between the federal and the provincial governments concerning the oil sands industry, which is where I reside, I'm happy to hear from you on that private matter and do what I can.

It would be interesting though, Madam Minister, if you could tell me by way of historic contrast, since you raised the very interesting stat that I'm hoping to utilize - if you could advise me, in relation to the \$4.4 billion of revenue for 1980, what the ministry's total expenses were in 1980, handled by your predecessor,

so that we will get a good benchmark of how effective you have been in managing your department and your \$2.6 billion of revenue.

Dealing, Madam Minister, with your Energy budgets, I want to ask you a little bit to help expand the capital expenditure commentaries. Eleven million dollars of expenditure is being spent. You have conceded your requirement to come forward late last year for supplemental funding for one department. I would be grateful if you would advise us in some detail what the specifics of that capital spending are, if you could tell us what controls are in place to ensure that there are not capital spending overruns, what steps you have taken to abbreviate capital expenditure if there are overruns, how many of your departmental employees will be supervising the capital expenditures, and how much competitive bidding there will be in the capital expenditures that you are contemplating.

In your Energy department's budget, at page 143, you indicate that there will be nearly \$5 million of depreciation, identified as amortization in your budget. I would be grateful, Madam Minister, if you could advise me as to what amortization schedules, percentage depreciation rates, your department utilizes. If you are able to calculate an amortization rate, it must mean that you are able to ascertain the capital asset against which those depreciation figures are calculated, and I would be grateful to receive that particular estimate. I notice that none of those are supposedly onetime or extraordinary write-offs, but if there is any depreciation/ amortization that is relating to an extraordinary expenditure for a write-off, I would be grateful if you would inform us.

I must tell you that I have some embarrassment in not being fully cognizant of what you identify as corporate services in the capital investment, and I notice that you are proposing to spend \$2.6 million in capital for a heading of your department called corporate services. I'd be grateful if you would advise us as to what exactly that \$2.6 million is going to buy, what controls you have put in place against overruns, how many independent contracts there will be in that, and how much scrutiny there will be of those particular budget items.

On page 145 of the main budgets for the year, Madam Minister, and dealing with your Energy portfolio, you have a program identified as 3.0.2, which is policy development and analysis. Since that department has \$4.3 million of expenditure, I would be grateful if you would be able to inform me as to what the cost breakdown is between so-called policy development and what is loosely described as analysis. If there are two different line functions that flow into that department, if it's possible, you can advise me as to the economic breakdown between those two.

**8:40**

I also have noted, of course, as did the hon. Member for Calgary-West, that your department has an external relations and communications budget of \$855,000 in addition to what I would suggest to the minister are reasonable budgets both for your ministry office and for the office of your deputy minister. I'm always curious about that, and I wonder how that \$855,000 proposed this year is to be spent and where that figure was calculated from. If that figure was taken from a series of communications or public relations initiatives, then it must obviously be the case that you have some detailed information as to where that money is going to be spent. How many of your department employees, for example, will be going to oil and gas technology shows? How much of that will be travel? How many high-gloss colour brochures will your department be putting out this year, and what will be the cost of all of those? In other

words, what are the so-called external relations and communications programs that will amount to \$855,000 of the taxpayers of Alberta's money?

On the Public Utilities Board I do note that those expenditures have gone up, albeit marginally, and I wonder if you could tell me whether there is anything other than perhaps inflation at work in the Public Utilities' expenditure to justify any form of increase.

Now, Madam Minister, you have cut profoundly the costing to the EUB. It's a significant drop, and while at first blush one might laud that effort and say that is certainly a tremendous savings, I wonder if you can tell me at what expense those savings have come. The function of the EUB is to "regulate energy development in a manner" – and I quote from your business plan – "that protects individual, public and industry interests with respect to the resource and environment." While I think Albertans are all very much enjoying the revenue from oil and gas and what it has done in this province to our tax rate and what it has done to be able to provide schools and hospitals in our province, they do not want that to come at the expense of the public interest that they want protected. You have an expense cut here of approximately 50 percent. You describe it as a new funding relationship and streamlining of operational processes, and I would be grateful if you could expand on exactly what is proposed in the streamlining and what measures your department has put into place to ensure that any of the public duty of this particular board is not going to be eroded.

Now, the mineral revenue information system is one that I think has caused – and I say this with the greatest of respect – some embarrassment to your department in terms of its cost overruns. The cost overruns have been significant, and you make the profound statement that you will save \$25 million, that the industry will save that much. I want you to tell me, Madam Minister, who it is that says that and from where they contemplate that those savings to their department will come. You also indicate that it will lead to additional annual revenue of \$15 million to the province.

I want to make sure I understand on what basis you make that statement. Is your statement, in fact, a statement that you feel that the contributors to the royalties have been shorting the province by that kind of money, or are you admitting that their own method of calculations and accounting leads to interpretive errors? You might wish to tell us exactly how it is that we are going to get "increased annual revenue of \$15 million" in an industry that most experts would say is now a mature industry in the province of Alberta. Now, why do I say it's a mature industry in the province of Alberta? Because your own business plans indicate the indicia of a mature industry. Your employment figures for the industry are calculated to have plateaued and to remain about stable, around 63,000 employees. Your capital spending is suggesting that it will remain stable, between 6 and a half and 7 and a half billion dollars per year, and your exports have less than 3 or 4 percent variation between the years. As a result, those seem to be the characteristics of a mature industry. So how is it that there will be an additional \$15 million of improved royalty to the province simply by imposing a new calculation and tracking system?

I want to commend the department on the increasing public-to-state funding of the research investment, but I'm curious as to how those particular investment figures for the future target years were calculated; that is, how is it that you were able to calculate that industry would be putting in \$4 for every \$1 that you would put in and make that bold statement in your business plan at page 152?

In your assessment of the preservation of public safety in the

environment you indicate that you are tracking and are interested in the number of blowouts per thousand wells and the pipeline leaks per thousand kilometres of pipeline. I would think, Madam Minister, that more appropriate measurements would be the acreages or hectares of land lost in an environmental catastrophe, and I would also think that the response time to capping a blowout would be a performance measure that you might want to record. You have taken the two most readily ascertained figures, the number of blowouts per thousand wells and the pipeline leaks per thousand kilometres of pipeline, and have turned those into performance measures. I think this is one area where it is clearly the quality of the disaster not the quantity of the disasters that would make a difference to you, and I wonder if you have given any thought to that.

My friend from Calgary, who is by trade and training and definition a chartered accountant and a member of that honourable profession in industry, indicated that he was confused by your consolidated adjustments. I want to try and put it in layman's terms. You deduct from the revenue the consolidated adjustment expenses to your various government departments, and then you also deduct from the expenses those similar amounts. I'm hoping that represents a spread which reflects only a few million dollars of actual additional cost, but I'd be grateful if you would reconfirm that. I have already spoken to you about the capital amortization and the percentages used, and I know that you will be happy to provide that.

You also indicate that there will be some capital investments in the Alberta Oil Sands Technology and Research Authority for this particular year, significantly lower than in previous years. I wonder if you could give us a little bit of a statement as to what that reflects and if that loss or reduction is simply the new arrangement with the industry participants and how much they put into it.

Dealing with your Energy department statements in more detail. Madam Minister, under other revenue you indicate \$740,000 of various other revenue. I consider a figure of \$740,000 a large figure. It represents a significant amount of money. I would be grateful if you would help define what "various" means vis-à-vis the eyesight of the Minister of Energy.

You have also taken a five-year average reduction to your oil revenues. I understand this is to be the government's attempt to create a revenue estimate that is closer to average, but I'm wondering if you factored in any factor other than simply the five-year cyclical average in getting that artificial deduction of \$265,000. That is to say, do you have any written opinion, any study, any documentation that reflects that to be an economic reality, or is it in fact simply now your department's practice to say that we will take this reduction if our revenues are greater than the five-year average? If that's what it is, that's fine. That will be your answer. But if you have real, empirical reason to believe that five-year reduction will in fact come to pass, then I would, with respect, Madam Minister, be grateful if you would share that information with us up front in the year as it begins rather than at the end.

I want to say to you, Madam Minister, there's nothing wrong with booking an arbitrary figure against that contingency. If it is simply that, that's fine. But if there is any hard suggestion that we will not basically collect those revenues this year, then I would like to have that explanation in these budgets.

Madam Minister, I suspect you will undertake to divide your research and external relations portion of your budget. Others have asked you about your public relations budget. I want to talk to you about the Alberta Energy and Utilities Board. This board will also be undertaking some new capital investment of \$1.3

million, and as a result I would be grateful if you could tell me exactly what projects are contemplated, what controls against overruns you are putting in, whether those will be tendered by independent contract, and how those will be advertised.

**8:50**

Again, this particular department has an amortization of \$2 million. That tells me that you have, then, used a percentage figure to come up with that amortization, and you also have a book value for those assets against which that amortization was provided. I'd be grateful to receive both of those figures from you.

On your revenue of the Alberta Oil Sands Technology and Research Authority I see that you are reflecting revenue of \$7.8 million for that agency coming to the government. I would be grateful if you would confirm whether that's the sale of the product to the participants or whether that is the sale of the technology to other in situ oil sands technology plants.

I also notice in that particular statement, your statement on AOSTRA, Madam Minister, you show a decrease in capital assets of \$1.35 million. What specifically was sold off there to give that section of your department that extraordinary income for this particular year that was not reflected in that way and in fact constituted a capital expenditure of \$8 million the year before? I'm wondering if that was the same item purchased the year before for \$8 million that is now being sold for \$1.3 million.

Under the Alberta Petroleum Marketing Commission income statement again we see "various" and a figure ascribed to it of \$600,000, which is considerably less than the figure for last year and the year before. I wonder if you could tell us your definition of what "various" means in that department, and what is the explanation for that diminution?

Mr. Chairman, I have numerous other comments, but I regret that because I am also sitting concurrently at the other subcommittee, I now must excuse myself. So I will not be able to present the rest of my questions to the minister. But perhaps, since she is always gracious about providing information, she will do so at another time.

MR. DAY: Point of Order.

THE CHAIRMAN: A point of order from the Government House Leader.

MR. DAY: Just a clarification. The member opposite has used 20 minutes, and after somebody else rises to speak for a few minutes, he's perfectly able to take another run at it, as he is upstairs. So I just want to reassure him that there's lots of time for him to make those remarks.

THE CHAIRMAN: Okay. It's not really a point of order, but I was going to ask for unanimous consent for you to continue for a few minutes, hon. member. Would you like to do that?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Agreed. For a few more minutes? Agreed that you continue for another five minutes?

MR. SMITH: Does the giving ever stop?

MR. GERMAIN: Well, I missed the minister's previous speech, so at least for those few minutes the giving did stop.

Mr. Chairman, thank you very much, and Members of the

Legislative Assembly, thank you for your unanimous consent to allow me to continue irritating the minister with these questions concerning the definition of "various."

I would be also grateful, Madam Minister, if at some point before the evening ends, you would formally identify those members from your department who are here. I didn't recall you mentioning their names, and I'm always interested to see which men and women of the dedicated civil service of the province of Alberta have come here patiently in the night on a cold evening to hear what the Member for Fort McMurray wants to be told. I'm always grateful for their attendance here, but as a lawyer by profession it's always tense when people are behind you and you have your back to them. So if any of your staff feel my tension, that's the reason.

In the Alberta Petroleum Marketing Commission statements under premiums, fees, and licences you describe \$3.4 million with the word "various." Perhaps not to the minister but to myself and to the good people who live in Fort McMurray, that kind of number sticks in your mind. I wonder if you could give us a definition of what "various" means there?

Again, we have an amortization of capital assets in this department, Madam Minister, and that presupposes that you are using a percentage rate and that you have an asset value upon which to do that depreciation. I would be grateful if you would supply me with that information.

Madam Minister, I have other matters, but I am going to go upstairs now. Hopefully, if there is time left at the end of the evening, I will come back down and not wear out my welcome by overextending the graciousness of the Assembly. I must now go back upstairs to another committee. I am on both of these committees this evening, Madam Minister. I'm trying to do my best for the constituents of Fort McMurray, so I know that you'll excuse me.

THE CHAIRMAN: The hon. Member for Redwater.

MR. N. TAYLOR: Thank you, Mr. Chairman. My colleague from Fort McMurray is on a high tonight because, as you probably noticed, he's been very successful in getting some rather advantageous tax considerations through for the tar sands. Apparently he's had an offer to become king up there in the constituency, but I think he's going to settle for just being the only unopposed Liberal in the next provincial election.

DR. L. TAYLOR: I hear he's running for the Reform in the federal election.

MR. N. TAYLOR: Who knows? My namesake is coming awake there and squeaking a little bit, but if you pat him on your shoulder and let him burp, he usually keeps quiet.

The first thing I wanted to bring up to the minister – and she will not be surprised at this – is the fact that the grant mechanism she has for research in the tar sand area has consistently refused a very well-known geologist and frontier thinker in the oil patch who asked for \$250,000 to finish testing a well that is now standing suspended in the granite up there. It went through the tar sands and on into the granite and has encountered two or three fracture zones. Now, the minister's answer is: well, why doesn't he go to the market? My answer is that it's a very, very long risk, and so all anybody that buys shares on the market would get would be the oil that would come out of the hole and the land that more drilling would put up. But the provincial government, interestingly enough, has literally – well, I would say, let me see, there are 100,000 acres in each four townships, so there is

roughly about 40 by 40 – about 1,600 townships there. If this thing produced oil in the granite – and the land lies underneath the tar sands – it would realize something like \$40 billion to \$50 billion for the Alberta government. Instead we have the minister saying no, she will not do it.

When you look at the Calgary Stampeders and the Dallas Stars and the Pocklington interests and Purity dairies and all the mistakes that were made that there was no possibility of upside on, why would they turn this down? Of course, I think the reason they wanted to turn it down was that the minister, I believe, is being led astray a bit by the holders of tar sand licences all through that area. If you know – I'll just take a minute, Mr. Chairman – the tar sand licences are only for the tar sands, and they cover this granite that our gentleman Mr. Hunt wants to test and the well is already in. The point is that they seem to dominate the thinking on that type of tar sand research, but what we should be doing is . . . Somehow or another this government is roughly 15 years behind time. Fifteen years ago, 20 years ago it was a good idea to put money into trying to figure out ways of developing the tar sands, but now we should be moving on. As Tennyson said – and I know I don't want to be that romantic to the hon. minister, but maybe she remembers some of her high school poetry. Remember *Ulysses*? He said:

All experience is an arch wherethro'  
Gleams that untravell'd world whose margin fades  
For ever and for ever when I move.

Now, if you could think about this and also bring it up with the little gremlins that you have up in the gallery there: that nowadays looking at tar sands development is passé. The experiment has gone on; it's gone past. You should be looking at new horizons that are fading, and one of those new horizons is finding out whether indeed there is light oil underneath the tar sands.

9:00

Now, here's one of the cheapest ways they can do it. My hon. friend and person that I've known for many, many years is a very, very front-thinking scientist. Sometimes he's a hundred years ahead of everybody, other times he's 50 years behind, but you're never sure. The point is that here is an area where we could very cheaply find out, and the government has all the land around. They own all the mineral rights. They could even go farther and ask them to give back some of what he's already got in order to test the zone. So I just bring it up because I think it is an example of looking backwards or trying to drive your car down the road by looking into the rearview mirror. They're still sitting here worrying about testing tar sands and how tar sands are going to progress when they should be looking farther down the road at this concept – it's not a new one – of testing underneath. I'll agree; one chance in probably – what? – maybe a hundred. That is correct, but the upward rewards are great.

I might remind the minister – if she looks at my gray hair, she'll probably suspect it – that I was the first engineer on the old Mildred Lake project. I was the first engineer or geologist that drilled original core holes back there in the – I hate to go back that far – '50s. Consequently, I'm fairly familiar with the area, and there's always been conjecture as to where the oil came from that charged the sands. That's one theory of many, and it would be very cheap for the government to try to do it, and I would ask her just to challenge her advisers to look ahead, not down or backward, but look ahead and see whether there is a possibility.

The other thing. I'm going to jump around a lot, Madam Minister. I am concerned a little bit about the Alberta Energy and Utilities Board. Is there any funding or any system going to be set up so that intervenors can be financed that want to question

some of the hearings or decisions that will come before the new Alberta Energy and Utilities Board? I can't seem to find that. I think that one of the concerns we have today when you say let free enterprise reign amongst the utilities companies: it may become devil take the hindmost because quite often the smaller towns and some of the smaller consumers, smaller industry, do not have the wherewithal to compete with high-priced lawyers and accountants that the utility companies use to spin such a web – I wouldn't say web of deceit – of confusion so that the average small-town boy or small consumer cannot figure out what they're talking about.

Worst of all, what bothers me in all this is that the utility companies, Mr. Chairman, are allowed to deduct their expenses for the high-paid lawyers and accountants from their operating expenses and build it into the rate base. So here we have a large company that doesn't need help anyhow being allowed a tax deduction, whereas these other people that want the intervenor or want to complain about what the hearing may be looking at have to finance with money out of their own pocket. No farmer's allowed to deduct from his or her income the cost of hiring a lawyer to go down and talk to the public utility company. So I would think that an intervenors' fund would be worth while. Mind you, you have an intervenors' fund quite often in environmental hearings, so I think that in utility hearings it would be rather interesting to see whether we're going ahead on that.

The other one was way out in left field again, Madam Minister. Do you remember a couple years ago – and I'm not even taxing the memory of a Tory when I say two years ago – there was a huge diamond rush in Alberta? All the land was staked. Yet I notice on page 5 of your Energy department summary of operating expense, mineral operations have gone up 18 percent. Now, I'm just kind of curious there, whether you could report back. I know I wouldn't expect you to have it at your fingertips, and maybe even your gremlins don't have it. I don't know; they may want to go back and look. I'd be interested in how many diamond permits are still in place and if you have any idea how much money was spent in exploring for diamonds in Alberta and if there's any forecast of what more exploration would be going on. You might recall off the top of your head why eight mineral operations are up 18 percent when, as I suspect, the diamond things and a few others are declining.

While we're playing around with a rather solid subject, why don't we jump over – I'm sure the minister has noticed, probably with some trepidation, that there has been a very big increase in the price of uranium. Saskatchewan, for instance, will realize this year, I think, something like four to four and a half times as much income from uranium as they did last year, and the minister will also be aware that part of the Canadian Shield that yields the Saskatchewan uranium discoveries comes into Alberta, the Wood Buffalo area. I'm just wondering if her department is doing anything in the area of encouraging uranium exploration in northeast Alberta, or is it a little bit like the tar sands: they're looking backward rather than looking ahead.

While we're on it, another intriguing part was the capital investment, also on page 5. Departmental support services for mineral operations are also up 21 percent. I'm just having some trouble figuring why that should be. Page 6. Can the minister explain – I hope I didn't miss this and I'm repeating – why her office spent \$30 million more in 1995-96 than forecast? That's an increase of 10 percent. Unless I'm misreading this thing here, vote 1.0.1 forecast \$281 million. I think you spent \$311 million or something. That's just a thought. I know it's a mere bagatelle, but \$30 million even looks good to a company like Multi-Corp. It isn't that small. Sorry, Mr. Chairman; that was a shot. I'll take it back.

THE CHAIRMAN: Okay.

MR. N. TAYLOR: Another thing that's rather intriguing. The minister is playing around with a mineral revenue information system, MRIS. It sounds like a disease, but I don't think it is. Mineral revenue information system. Now, something has gone haywire there. I don't know just what. You estimated that the simplification of royalty would cost \$17 million to \$20 million. Now, this project was expected to be completed by next June at a cost of \$32 million. Well, \$12 million more is a lot of money to be spending on computers. I just bought one from you the other day to donate to the library out there for only \$250. I think, Madam Minister, you should think of retaining the opposition. We might be able to modernize a little cheaper. Twelve million dollars sounds a lot.

MRS. BLACK: They sold me one for 400 bucks. You got it for \$250.

MR. N. TAYLOR: This is particularly intriguing when I can't even get the leader of Members' Services to come out and check why our E-mail isn't working out of our Calgary caucus office.

MRS. BLACK: You've got E-mail?

MR. N. TAYLOR: Yeah, and here you've got \$12 million that is apparently going up the – I wouldn't say going up the flue. That's not the right word when you're putting in computers. I don't know; what is it?

To the minister – you don't really have to answer the question – could you provide us with a copy of the most recent consultant's report on MRIS? If you could do that, that'll solve it and then we won't wait around, because we have our little gremlins, too, that like to get into computers and try to figure out what exactly has gone wrong. So maybe you could do that for us.

#### 9:10

The Alberta Petroleum Marketing Commission. As you know, you and I will never agree on that. You're proceeding with the privatization of APMC in spite of the reports by Purvin & Goertz, the P & G report. That's not Procter & Gamble, but Purvin & Goertz. I guess the same idea was to clean up things, and they were going to market the province's crude more efficiently. I don't know; the minister may have time to answer why she ignored the report and is going ahead under the system that she's presently using when the province itself could do that.

Also, Mr. Chairman, to Madam Minister, this is vote 4.0.1. This is a case of storing in the Underground Test Facility. She called it a UTF. Now, somehow or another there's an agreement between the province of Alberta and Gibson Petroleum on that. Gibson Petroleum, of course, is a very well-respected and well-known company, much more respected than the Alberta government is. Nevertheless, I wondered whether or not it would be possible if she could provide us there again. When she was kind enough to do a copy of the report on the computer, MRIS or whatever it was, maybe she could dig one out as far as Gibson Petroleum. Not the report; it was a letter of agreement. I understand you are retaining Gibson Petroleum to manage underground test facilities. At least, that's the way I read these things, and sometimes I can be wrong.

Now, let's get over to pollution, something that always happens in oil and gas. It's been around for some years, since I think I first raised the question 20 years ago that some of our cattle were suffering selenium deficiencies down along the foothills and

needed shots against white muscle disease as soon as they were born. The only reason that we as humans don't get it is we don't run around barefoot in the grass like the cattle do, Mr. Chairman, but if we did, we would probably get selenium deficiencies also. The glove industry has always played that down and so has the minister, but we're now getting an increasing worry about it because there's been a report out that's hard to get hold of. The minister of agriculture says it is not ready to go out yet. The president of the cattlemen's association doesn't want to put it out because he's afraid that people will suddenly start eating fish instead of beef when they worry about some of the poisons in the air coming back into cattle. Then the Minister of Energy herself feels that she should defend everything. I was just wondering if the minister would like to comment on what we are going to do about that report.

Like most people in the opposition, you get little brown envelopes with things delivered to your door. I must admit that I have read it, Mr. Chairman, and I must admit that there is a certain amount of argument that it is not maybe as scientific as it should be. In other words, given that study and a young reporter just out of Ryerson or out of SAIT or out of the University of Alberta, you could get some pretty scary stories out of it. But I think that it may be incumbent upon this government and the minister to publish, not a defence – I don't think there's really a defence – but an in-depth study, or initiate an in-depth study, to see what pollutants from our hydrocarbon industry may or may not be doing to our agricultural products, animal life and also milk and grains.

To sit here and say, "Hear no evil; see no evil; speak no evil" doesn't make sense. I think that as long as the Minister of Energy and the minister of agriculture stay silent like the three monkeys – hear no evil, see no evil, speak no evil. I'm sorry; I don't know how we would build it to three, unless I include you, Mr. Chairman, just to make it round out the analogy, to round out the story. I have to put three Tories in there, so I'm just gonna use you for the time being. Better you than the Premier. The point is that covering your eyes and nose and mouth and saying that this pollution does not exist and that these studies are all base canards, a calumny of lies, or whatever it is, doesn't make sense. So I think the minister has a responsibility to clear up in the minds of Albertans whether or not this is occurring and if there is any poisoning going on.

Most of all, if we're going to continue to export products – we sit there and worry about whirling disease for fish and laughing disease for bulls, and foot-and-mouth disease for other types of animals. We've got every disease in the country that we're worried about, that's going to hurt our export markets, but when somebody comes along and says that we may be poisoning some of our beef that we're putting out, then we're in trouble. [Mr. Taylor's speaking time expired] I was just getting rolling, Mr. Chairman. I had set her all up on a pin and was getting ready to lower the boom. But, okay, I'll come back.

THE CHAIRMAN: Well, hon. member, the bell has rung. You're not bringing a good excuse to the chair that you should continue.

The hon. minister wants to reply to some of the questions?

MR. N. TAYLOR: I had only one more question, if I could.

MR. DAY: Time's up, Nick.

MRS. BLACK: Let him ask it. Let him ask it.



THE CHAIRMAN: Oh, we gotta have unanimous consent. All those in favour? Can we have unanimous consent that hon. Member for Redwater can ask one more question?

HON. MEMBERS: Agreed.

MR. N. TAYLOR: The last question then is: will Alberta be able to reach the national target of stabilizing greenhouse gas emissions at 1990 levels by the year 2000?

THE CHAIRMAN: The hon. Member for Leduc.

MR. KIRKLAND: Thanks, Mr. Chairman. I'm going to take a little different tack and a little different approach to some of the questions I'm going to pose here this evening. I have had the good fortune and the learning experience to be included in several Surface Rights Federation meetings as of late, and I'm sure the minister knows that it's a growing controversy.

Just to frame my questions, I would remind the minister of the minister's mission, and that is

to ensure Alberta's energy and mineral resources are developed and used in an effective, orderly and environmentally responsible manner in the interests of Albertans.

Then when we go down to the goals, we see that

the EUB goal is to "regulate energy development in a manner that protects individual, public, and industry interests with respect to the resource and environment."

Again, when we look at strategies, you also find a reference to the environmental implications of resource development. When you look at the Alberta Energy and Utilities Board, they also refer to the environment.

So, Madam Minister, when we look at that particular aspect of it and we look at the thought that's coming forth from the Surface Rights Federation group – and I would just quote from their newsletter here and indicate that the first reason for the loss of gains is "the failure of the provincial government to hold the oil and gas companies responsible for contamination and environmental damages." They go on to relate the story of a Lacombe farmer that in fact had to pay or was expected to pay the cleanup costs from some of the surface rights payments that he received.

[Ms Calahasen in the Chair]

Madam Minister, when we look at that and we know full well, as you indicated, that certainly 50 percent of the provincial government's budget is comprised of royalties, I would suggest that there's an opportunity for the minister to take a leadership role on this particular issue. I would ask if the minister or her department has entered into negotiations with the oil companies to ward off some of this growing concern within the farming community, that the provincial government is abandoning in the environmental cleanup.

I would ask if the minister and her department have broached with the oil companies perhaps a new system whereby a bonding or a deposit is actually put forth to ensure that there are funds there to clean up in the event that the oil company is not fiscally viable as the well is pumped dry and the company moves along. It's very much a large concern in the farming community, and I would ask the minister if she could offer some direction or comment or perhaps provide some sort of comfort to the many farmers that are experiencing difficulty with the oil companies.

It's becoming very apparent in the Leduc constituency because the Leduc oil field itself, of course, is nearing that age and that stage where there are a lot of pockets of oil that no longer

commercially or viably can be produced and sold. As a consequence, the oil companies are wanting to walk away from that and the poor farmer that's farmed his entire life there is being left with an environmental mess that in essence can quite easily wipe out any sort of retirement gain he may have thought he could achieve with the sale of his property. So I would ask the minister and her department for some thought on that.

9:20

Another little twist with a bit of a different twist to it is that I had a Beaumont resident, one Jim Watt, a constituent of mine, call asking for an explanation as to why propane prices have increased 35 percent in the last 12 months. I explained to him that I would certainly ask the department if they could offer some sort of explanation as to why that would happen. It was his thought that because Superior Propane has captured the lion's share of the market, the prices were being driven up simply by them alone. Now, I know that there may be some federal implications here as well, and of course I have attempted to research that with the Hon. Anne McLellan at the federal level. I wondered if the hon. minister can perhaps offer some sort of explanation to that particular constituent in Beaumont so that I might provide some explanation to him as to why he's having to deal with that 35 percent increase in propane prices.

The other question I would like to ask the minister about – and my knowledge, I admit, is somewhat limited here. I understand that the department itself is looking at privatizing the Alberta Petroleum Marketing Commission. I understand that the department or the minister commissioned a study with a private company that indicated that the government was doing an excellent job of actually marketing the crude oil, and in light of that particular report, is the minister going to go ahead and continue with that privatization? It would appear from the information that I'm working with that it's not a cost-effective move.

So with those few questions, Madam Minister, I will conclude my comments and ask other members to pose the questions.

THE DEPUTY CHAIRMAN: Thank you.

Go ahead hon. Member for Sherwood Park.

MR. COLLINGWOOD: Thank you, Madam Chairman, Madam Chairperson, Chairman, Chair. To the minister. I'd like to concentrate my comments on some of the aspects in the ministry's business plan, the aspect of environmental protection as it relates to the Department of Energy. I think it's fair to say that there is a blurring of distinction sometimes between the Department of Environmental Protection, the Department of Energy, the Department of Economic Development and Tourism as to what role is being played by what ministry in terms of environmental protection.

I noted with interest in the business plan summary under strategies, the department considers that one its strategies is to ensure environmental implications of resource development policy are addressed effectively, efficiently, and responsibly.

A laudable goal, but it strikes me that that is indeed the role of Environmental Protection.

I think it's fair, Madam Minister – the lines of ministerial responsibility are fairly clear. We want an advocate in Executive Council for energy development. We want an advocate in Executive Council for environmental protection. We don't want some confusion over who's wearing what hat, and I'd like you to just comment on what is meant by that statement and how does it distinguish from the role that Environmental Protection plays in

terms of resource development policy and the environmental implications of that and how we address those in an effective, efficient, and responsible manner?

I also note in terms of the Alberta Energy and Utilities Board that one of their strategies is to "ensure that industry provides appropriate protection of the environment." There has been some debate over the EUB's role in terms of environmental protection as it relates to hearings in front of the Alberta Energy and Utilities Board, how in fact we are to interpret various sections of the Environmental Protection and Enhancement Act with respect to environmental impact assessments. I believe there have been representations made to the EUB that it is not their responsibility to give consideration to protection of the environment. I'm very pleased to see in matters that come before the Alberta Energy and Utilities Board that indeed their mandate is to consider appropriate protection of the environment. So I'd like assurances from the minister that indeed that is part of their role and that confusion no longer exists.

In the same vein the minister indicates in the Agenda '96 document under strategies and action plans that one of its targets under the environment is

to ensure Canadian position in international climate change negotiations is based on federal-provincial consensus of national interest.

I note that the target for that is the third quarter of '97-98. This issue, Madam Chairman, as you know, is an ongoing issue. Canadian ministers, energy ministers, environmental protection ministers through CCME get together to try to find that position of consensus. Now, the irony of course is that Alberta seems to almost stand alone in terms of consensus. We approach this from a very different perspective than many of the other provinces. So the difficulty in finding the consensus in many ways falls upon our shoulders. I'd like to hear from the minister, because of the difficulty in finding that consensus, what new proposals is Alberta taking to the table to try and break the impasse and come to that consensus so that we can get on with those international commitments that we've made.

I did hear the Minister of Energy indicate to my colleague from Redwater that she doesn't think we're going to reach the greenhouse gas emission target reductions that have been set for the year 2000. I can ask that in a bit more detail, but perhaps the minister can advise us what the status is of that, where we're going with that, and why that would be her response this evening.

The key performance table on this issue in terms of the voluntary challenge and registry program and our efforts to participate in the reduction of greenhouse gas emissions that has been provided by the minister, I would suggest, Madam Chairman, leaves a great deal to be desired. The figure for the 1995-96 target, target in the sense that this is where we are today in '95-96, is that 50 percent of Alberta's emissions are covered by some voluntary action plan. The minister has noted that is an estimate. She's noted that it is "based on new calculations . . . different from emissions registered with VCR, the basis of November news release."

Now, Madam Minister, if this is based on new calculations, what are those new calculations, and indeed can you provide some specific information of who is involved in the program, where in the province of Alberta they operate, and what these new calculations are to come up with this figure of 50 percent and then the targets of 70 percent and 80 percent?

Now, the figures of 70 percent and 80 percent for the targets for '96-97 and '97-98 need some explanation as well. Where did that target come from? How do you know you're going to bring about a certain level of emissions by a particular date? Why can't

the target for '96-97 be higher? Why is it linear? Why isn't it exponential? Are these numbers picked out of the air? Some explanation as to where those target figures come from and at this point in time what the obstacle is that the minister faces in being unable to provide a target for the 1998-99 year.

**9:30**

The chart, Madam Chairman, simply indicates that that target is to be developed. Why can't whatever mechanism that was used to develop the 70 percent target and the 80 percent target be used to set the target for 1998-99? It's quite disappointing that the emission reductions reported to the VCR in tonnes of CO<sub>2</sub> really is no chart of performance measures at all. For '95-96 the minister indicates information is not available. For the target for '96-97 the minister indicates no figure is available. For the target for '97-98 the minister indicates it's to be developed. For 1998-99 the minister indicates it is to be developed. Again, Madam Minister, some information from you, if you can, as to what seems to be the obstacle in terms of reporting emission reductions to the VCR. I hope I'm reading that table correctly. We don't appear to have data from the Department of Energy as to what level of emission reductions we have so that we can continue to plan the process of CO<sub>2</sub> emission reduction and make a greater effort to achieve the targets that we have committed to in the international marketplace and in the international environmental community.

The same difficulty arises in the next table provided by the minister: greenhouse gas reductions achieved through Alberta government action plans. At this point in time we do not have information available. A target for '96-97 is not available. The '97-98 and '98-99 targets are to be developed. Madam Minister, it's not much of a performance measure when it's not quantified, so we need to hear from you why it can't be quantified and, perhaps more importantly, what solutions you can find to in fact provide some quantification for those targets to make them meaningful at all.

I want to move down the page to the table on the preservation of public safety in the environment. The minister has identified a target that she wants to be more effective in targeting those operators with the poorest inspection record. The minister has indicated that a pilot program has commenced. I apologize, Madam Minister, if the information is available. I don't know what the terms of reference of that pilot program are, and it would be appreciated if you could provide that.

For the year 1995, again assuming we're talking about this fiscal year in this budget, the minister indicates that the percentage figure in terms of a percentage target of improvement among operators with the poorest inspection record is not available. Again my question to the minister is: why not? What obstacles does the department face in providing this information, given that it is listed as a key performance measure? Now, through the target period '96 to '98, the minister anticipates that by the year 1998 there will be a 75 percent improvement among operators with the poorest inspection record. I'd like to know from the minister why she's being soft on operators with the poorest inspection record. Why can't that target be a hundred percent so that we at least indicate to the energy industry, to the environmental community, to Albertans who are interested in environmental protection that where we have operators who are operating and who the department finds have very poor inspection records - let's get a little tougher. Let's send a message out there that that's simply unacceptable.

The Minister of Environmental Protection is in this year's budget indicating that industry is going to police itself. He is

continuing with his business plan in Environmental Protection to move the job of environmental protection out of his ministry into the private sector. Now, in many cases, Madam Chairman, this is going to involve private operators who are in the oil and gas industry. Downstream, upstream, regardless: they're going to be participants in one of the major industries in the province of Alberta, which has and can have potentially a significant impact on the environment. We see that over and over again.

If the Minister of Energy is only targeting a 75 percent improvement among operators with the poorest inspection record, that leaves me with some discomfort. If the Department of Environmental Protection is going to be doing less, if potentially the Department of Energy is going to be doing less in terms of inspection, if the target of the Department of Energy is simply some laudable figure that is less than a total effort to address operators with the poorest inspection record, my concerns about the future efforts of the government of Alberta in protecting the environment are confirmed and reinforced. I'd like the minister to give us some information about how those target figures are arrived at and why it's not possible for the minister to do more in the area of environmental protection.

We raise each year, Madam Minister, as you know, the clean air strategic alliance. Here we are again; it's still there. We still haven't really seen much action from the clean air strategic alliance. I can tell the minister that air quality, while it is not an issue that attracts a great deal of political activism, is an issue that is on the minds of everyone. I could tell the minister that in my own constituency the Imperial Oil Strathcona Refinery is applying to the Department of Environmental Protection for its new 10-year approval, and in that approval it is asking for the ability to increase its sulphur dioxide emissions. I could tell the minister that on that issue I have received more inquiries in my constituency office than on any other issue I have ever raised in my constituency.

It's not that the people in my constituency are against having a refinery in their constituency. That refinery contributes tremendously to the well-being of the community that I represent. But underlying that is a concern from the people of Sherwood Park and the people of Strathcona county about air quality. The Strathcona Industrial Association will provide the residents with their empirical data from the ambient air monitoring stations indicating that air quality is satisfactory, well below the provincial standards. Nonetheless, there is still an underlying concern by the people that increases in emissions at this point in time are a concern, and there are concerns about air quality.

It's all part and parcel of the clean air strategic alliance. That organization is attempting to tackle a very, very difficult and complex problem. We are looking for something definitive coming out of that alliance and something definitive from the Minister of Energy about how to implement some of the decisions and processes that are coming out of that. So I am once again looking forward to an update from the Minister of Energy on the clean air strategic alliance.

I think I can conclude my comments at that point, Madam Chairman, if the minister wishes to respond or if there are other members who have some questions. I'll take my place.

Thank you.

MR. KIRKLAND: Madam Minister, one more time, if I could.

THE DEPUTY CHAIRMAN: The hon. Member for Leduc.

MR. KIRKLAND: Well, thank you, Madam Chairman. I overlooked a couple of questions that I wonder if you could

provide some assistance with. It's a little outside your area, but it impacts your area. I know you're capable of great influence in bringing about change, of course, that would assist with some of these decisions that cross many department boundaries.

This one is in 1996-97. In that particular tax year municipalities will be billing the farmers for the well sites that sit on their property, and it places the responsibility for that assessment on the farmer and places the farmer in a situation of actually collecting the taxes from the oil company. Now, it takes on the same sort of concern for the farmer that an abandoned well or an oil company that in fact doesn't clean up its mess does, and then they have to pursue them. This, again, comes out of a meeting with the Alberta Surface Rights Federation. This is the direction that they're receiving from their municipalities. It would strike me that what we're doing in that particular case is putting the oil companies in a situation where they will have to be accountable to the farmer, and it would seem to me that that puts the farmer in a very onerous position, particularly in light of the many oil companies that come and go.

9:40

The other item that I neglected to ask about transcends the environment department. As the hon. Member for Sherwood Park indicated, those cross boundaries quite often. There's a gas plant up at Zama Lake that is in a situation of receivership. There is a concern by the residents in that area as a result of that about the lack of production and maintenance there and because it's sitting in a very sensitive bird nesting area. I wonder if the minister is aware of it and whether the minister knows of any activity that may be undertaken to ensure that that gas plant is either off-loaded or put into a situation where the environment may not suffer as a result of it. I'll leave those two questions with the minister to see if she can provide some sort of elaboration and collaboration with the environmental minister to determine whether it is a concern or it isn't a concern.

Thanks.

THE DEPUTY CHAIRMAN: Do you want to go back, hon. Member for Sherwood Park?

MR. COLLINGWOOD: Okay. One more question for the minister. My apologies; I made a note to myself and then skipped right by it.

In its role as an advocate for the Alberta energy and mineral sector, Madam Minister, I understand that your department strongly advocated the Express Pipeline route from Hardisty, Alberta, down to Wyoming and advocated strongly at the NEB hearings for that Express Pipeline route. The route that has been offered goes through the Cypress Hills and some very environmentally sensitive areas of the province of Alberta. The minister will no doubt know that many of the environmental communities in the province had given their commitment that they would work with Express on trying to identify an alternative route for that pipeline to avoid some potential environmental damage as opposed to mitigation after the fact. They have since felt that Express was not particularly interested in finding an alternate route. Some of those environmental groups have simply backed away from attempting to work with Express. Other environmental groups are indicating a continued willingness to work with them on an alternate route that does not trespass on very environmentally sensitive land.

The Department of Energy, through its counsel advocating approval of the pipeline through the NEB, appears to have ignored the concerns of the environmental community about the impact on

very, very sensitive and unique ecosystems in the Cypress Hills, where this pipeline will be going through. I'd like to hear from the minister that if part of her mandate is to ensure that environmental implications are on an equal footing with advocacy for Alberta's energy sector, why wasn't the department prepared to accept some of the concerns of the environmental community about the route of the pipeline, not the existence of the pipeline. There was no concern in terms of the existence of the pipeline from Hardisty through to Wyoming – I forget the name of the town in Wyoming – for distribution to the U.S.

MRS. BLACK: Opal.

MR. COLLINGWOOD: Opal, Wyoming. Thank you, Madam Minister.

It was not a concern of the environmental community that the pipeline exist. The concern of the environmental community was the specific route of the pipeline and why the department chose to advocate the existing route and not make an effort to work with the environmental community and with Express to find an alternate route acceptable to all parties. I'd like to, through our estimates this evening in budgets, ask the minister for her explanation on the department's position on the pipeline.

Thank you, Mr. Chairman.

[Mr. Clegg in the Chair]

THE CHAIRMAN: The hon. Minister of Energy.

MRS. BLACK: Mr. Chairman, I just wanted to be sure that there were no other questions from the opposition before I begin.

Okay. Well, then I'll begin, with the committee's indulgence, to try and answer a number of the questions that have been raised tonight. Some of them I will have to get some detailed information back because they go back to elements that are not specific within the presentation of the budget document, but I will endeavour to do that. Any that I have missed and we pick up from the *Hansard* record, we will definitely get back and answer those questions even if we have to say to you, "We don't have an answer to your question."

So I'd like to begin with questions that were raised by the Member for Calgary-West. He asked a number of questions. Just a minute; I'm getting things a little muddled up here. I guess I'll start off with: he asked how the department calculates the revenue cushion. In fact, a couple of members asked that question. If you go back to the Deficit Elimination Act and the debt retirement Act, it was clearly laid out that the revenue cushion was listed in those Acts as a means of trying to give some sort of semblance of stability to revenue forecasting within the budget process. So what we did was go back over the previous five years and take an average of the revenue for those five years, which we felt would be a period of time that would give us the trending for revenue changes and shifts, and then average that out and build in a cushion so that you wouldn't have the dramatic shifts in price forecasting that we've seen in the past, then build that cushion in, or take 10 percent of the forecast and use that as the cushion, whichever is the greatest. That was to try and get away from the uncertainty of forecasting.

I can remind hon. members that – I believe it was two budgets ago – I had forecast, I believe, about \$18 a barrel. Three days before budget day, it had dropped to \$13 a barrel for crude and then swung back within, I believe, 90 days to \$19 a barrel. So the fluctuations in forecasting oil prices make it almost impossible to tie it to a science. So failing an exact science being there, we

implemented this revenue cushion or five-year averaging approach to try and put some sort of stabilization factor in place when we're doing revenue forecasts. That's basically how that came about.

Quite frankly, I have to say I believe it's been most effective, because we've seen all too often where forecasts have been very bullish, and unfortunately when you have a bullish forecast, you quite often have the spending departments spend to the bullish forecast and then find out that there isn't enough money to deal with the necessary expenditures at the end of the year, and you have more deficits. That's the last thing we need within government: continued deficits.

So I'd rather stand and err on the side of being conservative in my forecast, even beg forgiveness at the end of the year than come in with some bullish number and then have to say: I'm sorry; we didn't have the money to meet the expenditures. So I don't make any apologies for being conservative on the forecasting. I believe it's the necessary approach because it is, in fact, just that, a forecast and an estimate. Until the entire year is over with, we cannot give you an exact number of what that will be.

9:50

The hon. Member for Calgary-West also asked what comes under corporate services. Clearly it comprises our business and strategic planning group, our financial management, our human resources, our information systems, accommodations. In fact, a couple of members asked about it. So when we restructured our ministry, we restructured it in such a way to try and group together things that make sense. Remember, we rolled a number of agencies into the department and went through a rationalization process within the ministry itself. We also looked at how we would best reach out and facilitate relationships for the framework that we were trying to develop which was conducive to bringing investment to the province and one that would provide information on the natural resource availability for development.

That brought us to look at how we could look at external relationships and international relationships. But one of the factors which was critical was to have a communication linkup to that. So we combined, again, another group called external relations and communications and brought them into play in the restructuring. We've now taken that and brought it into a different framework where it will also couple with the research component. It will come into that, because it's critically important that you have partnerships from outside working with us on the research side. So it's a new area as a result of the restructuring of the ministry.

The hon. member also asked about the MRIS project; in fact, I believe two or three members asked about the MRIS project. This was a project that actually evolved out of a tremendous amount of consultation with industry in the beginning of 1992 as to how you could simplify a very complex system for calculation of gas royalties. The system, I believe, had over 170 variables attached to it. It's probably the most complex system in the entire government. As a result, a group called PRIDE worked with our ministry to try and analyze how to simplify this project. It was thought at the time that through this kind of project not only would industry save – I believe the number was \$20 million a year – but also the government would save \$20 million a year in administrative costs by simplifying the whole process.

In July of 1992 the framework for this new process of simplification was brought forward and was announced in October of 1992. It was felt that it would take a minimum of a year to put the program together, and as I said in my supplementary estimates, there was a firm that was hired to lead the project, work

with the industry group and our department group. It soon became apparent, in about 1994 – I'm losing track of the years because it took so long – that this project was in serious trouble. In fact, I was at a point, I believe in November of 1994, where I was going to cancel the entire project. However, we were so far along in the project, as were our industry counterparts, that we had to put a new project team in place. We in fact removed the original project team both internally and externally and brought a new team in to carry on and try and pull the project back on course.

This is, in many ways, a classic example of how projects can take on lives of their own. It started off to be a project that was to go from A to D and went A, B, and missed C and D and went all over the map and became a vehicle for a number of people inside our industry and inside government to try and resolve personal goals and ambitions and have resolution to outstanding issues, resolved in a simplification, change. So it had to be brought on stream, and I'm pleased to be able to say that under the very good guidance of our current team, they have brought this project back on target. They've worked very, very hard to get it back on track and to bring it up in fast order. There were a lot of business rules that had to be corrected to bring it back into the scope of where it should have stayed all along.

I do commend the people who have put the seven-days-a-week time frame into bringing this thing back together, because they have made a commitment to see this project completed by the end of this year and all of the backlog caught up. They are now putting out invoices between every six and 10 days to play catch-up. They're committed to the completion of it.

It's had a tremendous cost overrun. You saw me bring a supplementary estimate in here, I guess two weeks ago now. It was with great reluctance that I had to bring a supplementary estimate to this House, but in all honesty and in the openness of this government we laid the facts on the table that this was overspent. When you're considering that this program was accountable for over a billion dollars of collectable revenue, to come in and ask for a \$5.7 million supplementary estimate – I believe that it was important enough to do that, to complete this project so we can have the assurances that the collection of those revenues is there. So it will be completed this year.

We have moved to protect cost overruns from time and material contracts to fixed-price contracts. So we have some assurances as to where our budget is going. Our budgeting process was not up to speed when we were doing this, and probably that came out of, again, not necessarily having the right team in place. I believe we do, and I give my ADMs and directors and staff members full credit for pulling this back. It was not easy when they found how far off track this was, took this project over themselves, and had to face the wrath of the industry for being so far behind. But they have done it. They're on track, and I'm pretty proud of the way they've dug in there. So it is coming, and it will be completed and completely up to date by the end of this year.

I also want to say on that same topic that I'm very pleased with the way the industry has co-operated. We've gone through two very difficult year-ends, and through the co-operation of the Institute of Chartered Accountants and the industry players through the various associations, they've worked very diligently to ensure that our numbers are accurate and are able to be monitored. They were in fact filed based on estimates, and the estimates had to be brought into line so that they would be acceptable not only from their auditors' standpoint, their joint venture audit standpoint, but also our own Auditor General's standpoint.

The comment was made that the Auditor General took a couple

of heavy shots at us over this project, and he was quite right in doing so. We accepted his comments and decided that we would not dwell on them. He was correct. We worked with his department and with his office to ensure that we had appropriate numbers going into the financial statements for the province.

Okay. Why is the PUB estimate shown separate from the ERCB? Keep in mind that while we merged the two boards to have a one-window approach to regulatory processes, what we did is we maintained the two legal authorities under the Act, the PUB and the ERCB. So there are two reportings. However, they are one merged board. Some of the synergies have been gained by combining some of the administrative functions. However, some of the responsibilities that are directly attributable to those two separate pieces of legislation have also been maintained, and that's why you see both of those identified within the budget.

The drop in the budget for the AEUB – we're referring to it as the EUB now. Why is there a drop in the budget? Well, there's a change in the funding formula that would be presented this year on what is listed as ERCB funding. It will bring it in line with what was the traditional PUB funding. As we merged these two boards together, we also tried to merge the funding and the employment standards for the two to bring them together – so that funding formula is changing this year – and also to bring it in line with other regulatory boards across Canada. Most of the regulatory boards across Canada are funded 100 percent by the industry. Our board is not, but we are moving it to a one-third, two-thirds funding formula that is consistent with the PUB traditional funding, bringing it more in line, even though it's not quite in line, with other boards across Canada.

*10:00*

There was a question: why do we still have expenses for '97-98, '98-99 for the APMC? Well, we're in the process of going through the concept of privatization of the APMC or the marketing function within it. I'll remind hon. members that under our restructuring we collapsed what was known as the traditional APMC and rolled a lot of the market functions into our policy division within the department. We maintained the marketing function and continued to market the Crown's oil. Keep in mind that instead of privatizing that right away, we wanted to review the benefits of the marketing of crude oil by the private sector. We went through an eight-month process of the industry working with our ministry to look at the concepts of the industry marketing our crude. That process failed last year. It was a very costly review. At that time I made the decision that because of the cost implications that were involved in moving in the direction that was presented, it would cost the province more to move to a cash royalty scenario because of changes in taxation, because of administration, because of how we have policy initiative control. It was going to cost us a lot of money to do that; therefore I could not justify it to the shareholders of the resource, the people of Alberta.

What we did is left it with the industry and said, "If you can think of another way, bring it forward," but I'm not going into another study. That study was very expensive from the standpoint that our market was disrupted. There was uncertainty as to what was going to happen with our crude barrels. It cost us money. We were discounted. On top of that, I lost all the marketers. They were snapped up by the private sector. So there was no way I was going to put our marketing process in peril again on the premise that there may or may not be a program that could come forward to take over that activity.

I still believe that it's absolutely feasible to have the private sector effectively market our crude while at the same time for us

to be able to maintain policy initiatives and be able to monitor the revenue streams from a private marketer. However, I am not prepared to go to a cash royalty scenario. I am not prepared to do that for one very important reason. From the legal opinion that I have had on that, to move to a cash royalty, where I have to sign over the ownership of the crude oil, I could in fact put the province's constitutional and jurisdiction in jeopardy, in detriment. I am not prepared to take the chance of jeopardizing the constitutional or jurisdictional rights of the province of Alberta to move to a cash royalty system. So that is not on the table, nor will it come back on the table.

If through the process that we have gone forward with, where we have had 24 proposals out of 40 potential marketers, it develops into where there is an actual – one, two, or three, whatever that number is – group of people who could feasibly market this crude under some very rigid criteria, then we will move forward without any waste of time to privatize this function. I expect to have information back from my task force team in the next few days, and I will be making a decision which way we'll be going on. We are down to seven companies on the short list, and they've been under review by a task force from inside my department with some outside help. So where we have the advantage from forming a client/agent relationship is that we gain from the upside revenue received from the leverage at the market. Clearly, Albertans deserve to receive the best value for their crude barrels. As the Minister of Energy I have to make sure that happens. [Mrs. Black's speaking time expired]

Do I have to sit down now?

THE CHAIRMAN: Well, hon minister, the hon. Member for Edmonton-Meadowlark has just one or two comments, and you can certainly stand up again.

The hon. Member for Edmonton-Meadowlark.

MS LEIBOVICI: Thank you. Just a quick question. On the Express Pipeline deal that was just endorsed recently by the Alberta Energy department, I was wondering what, if any, direct or indirect subsidies either your department or other departments in the government – for instance public works or transportation – might be providing for the infrastructure and what kinds of infrastructure we might be looking at in the development of the pipeline. I would imagine there would have to be some roadways or something. The minister is showing me a big zero. That's comforting. If maybe the minister can explain how that works, I would appreciate it.

Thank you.

MRS. BLACK: Actually, I was just going to get to the comments that were made. I don't normally like to make comment on regulatory hearings that are under way. I believe this hearing is before the NEB still, is still under way. [interjection] It is under way? [interjection] It's a little bit under way. Well, I don't normally make comment, but what I will say in some general terms is that we don't subsidize projects like this. We're not in that business. They must stand on their own economic merit. What happens in a case like this is that they would go to the marketing division, and if in fact it is the best deal for the movement of our crude, then they would enter into that. My office does not get involved in that, and we do not subsidize it. There is a toll charged for transportation, naturally. Everybody pays the same. Based on that, it has to be competitive, and it has to be able to stand on its own. We do not provide funds nor does anyone else provide funds for that kind of construction.

I wanted to touch briefly, if I might, on the oil sands. The

Member for Fort McMurray talked about oil sands development today and about how pleased I must have been with the announcements coming out of the federal budget. It's pretty tough sometimes to stand up and be excited over a budget when you realize that in the last four years \$112 billion have been added to the national debt and you realize also that the debt financing costs are going to be \$50 billion. So 50 cents of every dollar is going to debt-financing costs. It's pretty tough to get excited.

However, from the energy side it would appear that the hon. Member for Fort McMurray has reason to show optimism, because there was mention of a response to the National Task Force on Oil Sands Strategies, where at least two of the very critical recommendations from the task force seem to have been embraced in this budget insofar as the treatment of the class 41A capital. That has in fact, we believe, been extended to include in situ projects. That would be a positive for the industry. The other recommendations that were in the task force, I am not aware as yet whether they have been dealt with, but we are hoping through the Internet to have the actual budget documents and everything finalized when we get through tonight. So he has some reason to be excited about it.

*10:10*

The Member for Redwater has an extreme interest in the oil sands area as it pertains to what might be underneath the oil sands or the tar sands. Clearly, when I was in the Public Accounts and the heritage trust fund committees – I really would recommend that every member of this Legislature go up to the oil sands and see how tremendous an asset that is for all of Alberta and for all of Canada.

MR. DAY: Every school group should go.

MRS. BLACK: Yes, but every member of this Legislative Assembly, before they leave here, should go and tour the oil sands, because that is there as a strategic resource for the next 40 years with what we have today. I would also think it's very important for you to go and actually visit the Underground Test Facility. You go down, I believe, about 400 feet below ground and you come out underneath the limestone level, and you can see the tremendous work that the UTF, the Underground Test Facility, has done in testing out different methods for extraction of those sands.

There is a theory that there may be oil underneath the limestone level or down below. I don't know. The hon. Member for Redwater has asked me on a number of occasions if I would be supportive of funding a grant to test a well, to go down there. Quite frankly, I've told him on a number of occasions that that's not the business of government. That's not the role of the government, but there is no reason, if there's a feeling in the geological community within this province that there may be something there – and I'm not a technical person, so I can't tell the House whether there is or there is not. There should be support, if there's any thought that there might be something there, from the geological community within the industry to put the dollars forward. It's only \$250,000, from the estimate of the hon. Member for Redwater, and I'm sure that with his contacts, he should be able to raise that money within an afternoon to support a test well that could mean so much to the future development of those sands and the reservoirs up in those areas. So I would encourage the hon. Member for Redwater to go out and help his friend raise those funds, but I have to say again in this House: it is not the role of government to invest in those kinds of opportunities. It is actually the private sector's responsibility to

carry the financial burden there, not the role of government.

So with those comments, Mr. Chairman, I will endeavour to get back to hon. members with the balance of the questions. I believe a lot of them were going to need some detailed answers. The energy industry is very critical to this province, and I do thank the hon. members from the opposition for their keen interest in seeing this industry develop.

Thank you.

THE CHAIRMAN: The hon. Government House Leader.

MR. N. TAYLOR: Mr. Chairman, I just wanted to ask one more question.

SOME HON. MEMBERS: No.

THE CHAIRMAN: The hon. Government House Leader.

MR. N. TAYLOR: You're not supposed to close debate.

MR. DAY: Mr. Chairman, I must be indeed getting old. My heart is weak. We'll allow one quick question before we adjourn.

MR. N. TAYLOR: It's nice to know that the House leader is following that ancient oriental tradition of paying respect to the elderly.

MR. BRUSEKER: Being a grandfather himself.

MR. N. TAYLOR: Yes, it's one of the things, Mr. Chairman, I guess, that the sprouts don't understand. There is a sort of a grandfather union, it works out.

The question I would like to ask the hon. minister is: in view of the fact that we're putting millions of dollars into Westaim – Westaim is the joint research facility out in Fort Saskatchewan – that we put megabucks into AOSTRA, the Alberta Oil Sands Technology and Research Authority, how can she then say that

no, we can't put a measly quarter million dollars into testing the granite when we've got millions going into these other two projects?

THE CHAIRMAN: Hon. minister, do you want to answer that question?

MRS. BLACK: Well, I don't mind answering it one more time for good old time's sake. I have reviewed this situation, and I firmly believe that the hon. member should go down and talk to the geological community in Calgary or elsewhere and gain support to test this well. I'm sure that with his contacts, if there is any thought . . .

MR. N. TAYLOR: Point of order, Mr. Chairman. I just want to make sure that the hon. minister knows, because I'm a geologist myself, that the only thing that two geologists can agree on is what the third should give to charity. So she's asking me to do an impossible mission.

THE CHAIRMAN: There's no point of order.

MR. DAY: Mr. Chairman, I would move that the subcommittee report progress when the committee rises and reports.

THE CHAIRMAN: All in favour of the motion by the Government House Leader, say aye.

SOME HON. MEMBERS: Aye.

THE CHAIRMAN: Opposed, if any?

SOME HON. MEMBERS: No.

THE CHAIRMAN: Carried.

[The committee adjourned at 10:19 p.m.]

