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8:09 p.m.

[Mrs. Gordon in the Chair]

Subcom.D: Energy

Subcommittee D – Energy

Gordon, Mrs. Judy, Chairman
Haley, Carol, Deputy Chairman
Amery, Moe
Barrett, Pam
Black, Hon. Pat
Boutilier, Guy C.
Broda, Dave

Carlson, Ms Debby
Coutts, David
Herard, Mr. Denis
Langevin, Paul A.
Lund, Hon. Ty
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Nicol, Dr. Ken

Paul, Pamela C.
Pham, Mr. Hung Kim
Sapers, Mr. Howard
Smith, Hon. Murray D.
Taylor, Hon. Lorne
West, Hon. Stephen C.

THE CHAIRMAN: Hon. members, we are going to start tonight's proceedings. Basically, this subcommittee is set up the same way as it would be if we were down in the Assembly. So we will start with the Minister of Energy. He, of course, is allowed up to 20 minutes, and then we will go from one side to the other side. The minister has indicated that he will answer questions when the need arises.

So go ahead, Minister of Energy.

DR. WEST: Thank you very much, Madam Chairman, and good evening. I guess this is the first of the estimates in this room this year. You'll be looking tonight on voting some \$71 million of the Department of Energy and the Alberta utility board of \$57,914,000.

I want to make some opening remarks on the significance of this department as well as on some of the directions that it has been taking and will be taking over the next few years and then ask you for your questions. The questions that cannot be answered here tonight directly will be answered in due course by the department and brought to you. We will have full disclosure as best we can, if we understand the question. So you can take that as a matter of notice, that I will be following up with the answers.

I want to start out first by recognizing one of our members here tonight: the significance that the Minister of Economic Development and Tourism has played in this department in the last four years, bringing it into a streamline direction and focusing the department so that it is what it is today. I trust that I can continue in that light, to finish many of the programs that she has started and work the policies through to the benefit of this industry.

I also want to acknowledge that I have staff with me tonight. I have the deputy minister, Mr. Bob King. Larry Morrison is the ADM of policy division; Dave Luff, the ADM of the corporate services division; and Jim Vine is our senior financial officer. There are some others with the team here tonight. I didn't get direct knowledge of who came. They will be here to listen and of course maybe give me a little direction during your questions. Otherwise, they'll take them, as I said, as a matter of notice.

Now, this department is very important to the province, and I want to start out by just indicating that. In 1996-97, compared to '95-96, our gas production was up 5 percent and the provincial revenues raised 31 percent, largely due to an increase in price from \$1.39 to \$1.76 per 1,000 cubic feet. I'm giving you this dimension so that you understand how it relates back to the budget that we have here and to the overall budget of the province. Our conventional oil productions and nonconventional oil productions, which are running at around 1.4 billion barrels per day, would

have increased the total revenues by 37 percent, because of the price increase from about \$18 to around \$22.

Of course, the other area where large sales have come is in the bonuses on the sale of Crown leases. Because of the activity both in gas and oil, we have had a 61 percent increase in land sale revenues to the province, which in return is about 25 percent of the total revenue coming to the province. Again, it's very significant. The land sales average has gone up from \$156 a hectare to around \$175, and we have some outstanding land sales in the ranges of \$2,000 to \$3,000 a hectare, depending on the type of pool they're working with.

I'm going to point out that if you go to the Provincial Treasurer's budget of February 10, pages 99 and 100 of that budget, which didn't change in the revised budget, it will show you the significance of this and show you that 70 percent of the announced new major projects in this province, over \$100 million, are in the Energy sector. Again, it's significant to say that so that you understand that Alberta accounts for 71 percent of Canada's energy production and fossil fuels.

Our share of Canadian production reserves like bitumen is 100 percent. You can say that the total bitumen reserves are 100 percent. We have 72 percent of the conventional oil and pentane production, 61 percent of the reserves including heavy oil, and 86 percent of the natural gas. Alberta has 83 percent of the natural gas liquid reserves. That's in Canada. I mean, if you look at that significantly, then you'll understand why some of the comments I'll make later are going to focus on Alberta. We have 49 percent of the coal production and 63 percent of the known reserves in Canada in that element.

Another thing before I start that you should understand is why we're so sensitive to the price of oil. A dollar change in a barrel of oil – you see it posted every day – means about \$190 million a year to the province. Ten percent per 1,000 cubic feet change is about \$134 million. On the exchange rate, every time the dollar changes a cent, a penny, it's about \$5 million. So you get the idea of why when you're forecasting you want to be in line. You can't dreamscape here, because that's what happened before and that's what caused the tremendous rock and roll in our budgeting, forecasting, and revenues.

Now let's look at the ministry role. One large role is to establish the legislative structure in which this industry operates. I heard today that we had hundreds of pieces of legislation that related to this industry, but we will be dealing with one in this Legislature, the Mines and Minerals Act. There will be some changes there. I'm not going to go into the details of each Act, but we do have many regulations and Acts that we work under in order to keep a stable regime in this industry.

The Department of Energy maintains the market and fiscal framework that promotes responsible resource development and contributes to the competitiveness of the Alberta economy. It exists also to assess and collect the Crown share of revenues

realized by development of Crown minerals and resources. To you that's the royalty structure, the tenure or the licensing that we do. It also has an important role in the promotion, financial support, facilitation, and research to advance energy technology so that the additional benefits will flow back to Albertans.

That's a significant area, the research highlights, of this department. I'll give you a few highlights of that. Many of you have heard of the underground test facility that's located at Fort McMurray. It consists of two mine shafts, about 1,500 metres of tunnels in solid limestone about 160 metres from the surface. It was the proving ground for what we call SAGD, steam-assisted gravity flow drainage, which believe it or not is coming of age now. All that money that was spent there is starting to prove that it works. It uses a pair of wells to extract bitumen by sending steam down one well pipe to heat the bitumen, which then flows via gravity into another well pipe where it is pumped to the well surface.

Currently, about 13 percent of the oil sands reserves are recoverable – we study this for the future – and this steam-assisted gravity drainage could double the amount by successful development of new technologies. You know, when they're stocking 3 trillion barrels in that area, you get an idea that the untapped potential through science and research in this province is unbelievable. The next many years ahead of us, if we allow the industry under a good structure of royalties and that to do the research, join with them, the standard of living for the province of Alberta and the services that we can provide – this will be a key highlight to it, this energy sector.

We have, of course, the other six lease operations. The cold water technology is another research area that does not require a caustic to improve bitumen extraction. It's an exciting direction that's coming forward. It has made the expansion of Syncrude's operations practical, because of the improved quality of the tailings that go into these large ponds that are up there at the present time. I think that's an exciting area of research.

Of course, this industry has other areas of research: solid waste treatment, to improve the methods of cleaning up contaminated soils found around wellheads, battery sites, compression stations, and processing plants. Again, that tailing treatment – that's the heavy oil water that comes off, the contaminated water, after recovery of the bitumen. We've got better ways. They're doing research on that as well as looking at the greenhouse gases. We want to develop areas of capturing these or disposing of them, and that gets into climate control. That's coming, the discussions that the hon. minister of the environment will have both federally and internationally as well as this department on the role Alberta and Canada will play in controlling greenhouse gas, or CO², emissions.

8:19

Now, outside of this is the Alberta Energy and Utilities Board. This is the independent, quasi-judicial agency of the government with the responsibility to regulate the safe, responsible, and efficient development of Alberta's energy resources: oil, natural gas, oil sands, coal, and electrical energy. This is the board that parallels – and any of you that look at the annual report of the Ministry of Energy will see that it's split by a line and that now we have a combined report. But this board runs independent of the Department of Energy. It has a definitive administrative structure as well as policy structure, and it's to keep at arm's length from the government and the resource industry the procedures and development of this resource and of course implementation of the policies of this government as far as licensing and extraction permits, what have you.

The EUB operating expenditures did increase from \$57,192,000 to \$57,914,000 due to increased operating requirements and to meet industry service level requirements. Again, the capital expenditures increased from \$984,000 to \$2,880,000 for oilfield waste management, land reclamation, and support of the orphan well facility abandonment program. That's now inside the EUB and jointly with the industry is looking at the difficult issues around many of the orphan well abandonments in the province. They go back a long ways. Some of the companies of course disappeared in certain time frames, and some of these wells were drilled many years ago. We're working diligently to clean them up, and I think that's a plus and a direction that we'll be looking at.

Now, what's the business direction that we're looking at in this department in 1997-98? If you look at the business plan, pages 135 to 144, we're going to take a couple of continued initiatives that the previous minister and department had been working on, and that's to continue to simplify, streamline, and increase the overall effectiveness of the regulatory framework. That's a nice term. This department and this industry have been surrounded over the years with massive amounts of regulations. There have been a lot of them removed, a huge percentage, but there's still time to work on many of those areas, especially in royalty simplification and some of the direction in our application processes.

We want to work with the clean air strategic alliance, or CASA, and the department of environment to develop agreements on the priorities and more cost-effective approaches to maintaining and enhancing the air quality in the province of Alberta. We have to study that carefully to ensure that we're on the right plane and that our moneys are being spent properly in this area, and I think we have to sit down with the department of environment and work some of those out.

We want to review with the oil and gas industry the management of the royalty business and identify opportunities to streamline and simplify the requirements. I said that we have had a thing going on called royalty simplification. I want to sit down continuously with this industry and work out a simplification, because anything that impedes this industry financially does not support the Alberta advantage. To those who would want it stricter, we want to be prudent in our rules and regulations, in our royalty business, but we don't want to stand in the way of progress. If you do, you're only stopping that research and the development of this resource that will provide you with the standards, the health, the education, and all the things that you so dearly want in the future.

We want to work with the federal and other provincial governments to develop a clear and certain regulatory structure for the development serving the western Canadian sedimentary basin, and that's the basin we deal in. For anybody who doesn't know it, that's what the geologists tell me we're sitting on, and it's a very healthy one for Alberta. Again, there is joint jurisdiction through the federal government, and it does overlap into Saskatchewan and other provinces. We want to work in that area.

Here's a big one: to continue the legislative change process to remove Alberta's electrical industry to a fully competitive generation market. That's to go from the regulated system that we've seen to one that's deregulated to continue cheaper power for the province of Alberta, and that will enhance the Alberta advantage again.

Implement an oil field waste management program to ensure operators handle and dispose of oil field waste in a manner that protects the environment. That's a given. I think the industry has matured tremendously, and if anybody hasn't acknowledged that,

I'll speak in their favour. You go forward now compared to a decade ago, and you see the maturity of the industry as it relates to cleaning up their field waste and their management programs. I think they'll get full marks. They need to go further, but they are willing to work. They set aside huge numbers of resources within their companies now to ensure that this happens, and we're going to work with them to do that.

We want to increase efforts to monitor the operating ownership of upstream production facilities to prevent the occurrence of orphan facilities and increase spending in conjunction with the direction from the industry to administer expanded orphan well facilities and pipeline abandonment. Now, that's quite a statement, but it goes back to what I said before. We want to work on orphan well abandonments. We also want to work on ensuring that we go back and get the most out of those pools, those wells that maybe have become inefficient or abandoned, because that's the resource owned by the people of Alberta, and the better we work with industry to enhance the recovery out of each one of those wells from 8 percent to 13 percent or from 15 percent to 20 percent the better it is. If you can increase that by technology as well as going back and helping in that, then the long-term benefit is a given. I don't think anybody would be against a program that would go backwards and get more oil out of wells that we've abandoned or ones that are low producers.

Now, as a minister that hasn't been long on the decks here, my first priority is to understand the policy issues as they relate to this industry and government. I want to work as closely as I can with the industry players, those that go out and take the risk as well as benefit from this resource, and I want to understand the benefit of working with them and its flowback to the people of Alberta. I want to know that enhanced benefit.

These budgets here will demonstrate that on the revenue side of it, but there is another side besides strict revenue, and that's the jobs, the standard of living, the sustainability that this industry has for the province. As I said, the diversification now in it – it isn't as unsophisticated as it was years ago, and there are tremendous areas to work in that we can see. It's a given. I see the hon. Member for Fort McMurray. We know what the potential is there, but we also know that there is enhanced potential in the petrochemical industry and some of the other developing industries around this resource for the province of Alberta.

Again, if you look at the throne speech, you can see that it said:
will consult with the industry on integrating the management of information . . . maintaining Alberta's pre-eminence in energy-related research and technology . . .

Which we have said here tonight.

. . . increase certainty for developers of the oil sands by entrenching the major features of the new generic royalty regime in legislation.

I've seen some criticism come across on that new royalty system, but what that does is ensure that that difficult resource, which is so beneficial to Alberta, is developed without government involvement, without government dollars, that the risk-takers come to this province under a regime that says that when you go in and put your investment in the ground and start, we honour that until you start producing and become an economic unit. That way we no longer have to expose government expenditures to the very difficult areas of upgraders and other developmental projects in the province. I've heard some criticism – and I've been studying this department for a short time – but it's very evident that you can't have it both ways. If you want a sound, safe environment around this as well as a dedicated, sustainable industry that creates jobs, that creates careers for our young people, then you'll do a royalty scheme that's intelligent and fair. Then we amend the

rules governing the 10-year minerals to give the industry more clarity and flexibility.

I'll stop there; I could talk the whole night away. At any rate, I look forward to your questions.

8:29

THE CHAIRMAN: Thank you very much, Minister of Energy.

Before I open it up to questions – and I am going to allow the first speaker to be the hon. Member for Lethbridge-East – I would ask those of you that wish to question the minister to send me a note indicating that so I can put you on a speaking list. Also, there is coffee over to the side. We will be carrying on; we will not be stopping the proceedings. We will be going right until 10:15. Those of you that wish to send me a note indicating you wish to question the minister, please do so.

The hon. Member for Lethbridge-East.

DR. NICOL: Thank you, Madam Chairman. It's a real pleasure to be here this evening and to begin the debate on the Energy estimates. I'd like to welcome the new minister and also appreciate the efforts of the former minister, the new minister of economic development now, and also to welcome your staff here this evening that's joined you to listen to the discussion.

I just wanted to start with a comment that builds off your conclusion in a sense that Alberta is a very fortunate province. We deal with a lot of opportunity here that's based on our resource wealth, and I appreciated your comments that reflected the commitment you and the government have to make sure that these resources contribute in the best way to the growth in our province for the future.

In connection with that, you talked about some specific issues. You talked a little about a need for the revision of the royalty regime, the package that exists for the industry. We've got to look at this in the context of how it can best be reflective of both the costs of recovery of the oil or the natural gas and the volume that's there to deal with it. We would look at it also from the perspective of what it means in terms of the ultimate revenue that comes to the province.

If we look at the income statement of the department in the budget books, we see that's there's an awful lot of revenue that does come out of the nonrenewable resource programs on page 167. The interesting point there is that when we look back to the Financial Administration Act, there is the requirement in there that the resource revenues be estimated below the commonly predicted value, yet you'd still have a resource revenue cushion built into the income statement here of about \$360 million. If you look back on the Financial Administration Act, the wording there indicates that we should be building in about 10 percent, or almost another \$300 million based on the estimates you give at the top there under the natural gas, crude oil, synthetic crude oil estimates. I'd just like some comment. Is that a double cushion that's built in there, or is the \$360 million the actual reflection of the 10 percent?

DR. WEST: Treasury.

DR. NICOL: Well, it comes out of your department and your royalties, and you're talking about this regime and how they're put together, Mr. Minister, so I just would like some answer on that. If it is Treasury, we'll pass it on to them as well.

The main issue that comes up, then, in terms of looking at the specifics of some of your budget items – I notice that the overall budget in terms of Energy has been really showing some progress in coming in line. You've made significant reductions in terms of

the overall budget. What we're looking at in terms of some of the specific areas is the operating expense under departmental support services. In terms of the corporate services part of it, it doesn't seem to have been coming down quite as fast as some of the other subsections, line items within departmental support services. What kind of structural change are you estimating or proposing? You talked about the need to redesign the department in terms of putting it more in line with the focus of the government's aspects of trying to be efficient, not, quote, top-heavy or whatever you wanted to call it.

The next comment that I wanted to look at a little bit dealt with your mineral operations in program 2. Here you made mention of your work with the clean air strategy and the voluntary challenge program that's out there to try and reduce the emissions that are affecting our air quality. I would just like to know the monitoring that's going on and how successful this has been, what kind of a relationship you have with the minister of the environment to look at these kinds of programs in the context of how the industry contributes its share of the voluntary compliance with reduced emissions, whether it's CO₂ or some of the other methane issues. Are you building in some concerns here in terms of the flare that comes off some of the facilities out there, the pipeline compression stations? Are you looking at programs there to try and reduce the emissions that are going on in terms of some kind of an incentive or initiative that would encourage companies to build a more environmentally friendly component into that part of their industry?

You mentioned that you've got a team being put together to kind of oversee this compliance, the relationship between the energy industry and the air quality. I assume that team has members from Alberta Environment on it as well as from Energy, so just a description or a little bit of an explanation of how that team is going to work, what its mandate might be, and how it is going to be able to bring back to the department, to the government issues and recommendations that will deal with how they want to see these compliances put in place.

Mr. Minister, I would wholeheartedly support the work of the voluntary challenge programs or any kind of an initiative that we can do to have the industries work to bring our CO₂ emissions or other pollutants down to standard rather than trying to deal with regulations that would control them, because we don't want to see government in there in a big way trying to control industry, nor do we want to see the issue of trying to put in, quote, economic incentives, whatever we want to call it, in terms of any kind of a penalty that would deal with disrupting the competitive position of Alberta's industry.

You know, this is one of the things that as we look at all of our changes in the royalty structure in terms of the environmental impact, in terms of the transmission costs of our basically carbon-based energies, we've got to look at how the industry in Canada competes and compares with the cost of production or the total cost of actually putting a barrel on the market of all the other competing producers in the world, whether it be the United States, whether it be the Middle East, some of the new oil reserves that are being found now in other countries of the world. So this is an important issue, and I didn't notice in any of your performance indicators any kind of measure that would look at that competitive cost of production or cost of delivery, cost of offering for our oil in terms of the indirect costs, you know, say, looking at some kind of a measure of the royalties, the environmental constraints or regulation that they have to meet in terms of additional costs. We're looking at kind of the nonproduction cost directly. I think it would be a very interesting and informative statistic if we could develop some kind of a cost increment that's associated with the nonproduction charges that are associated with putting both oil and

gas on the world market in competition with the other producers. I know this means that we'd probably have to try and get some kind of a measure of how these costs are developed and built in other countries as well as Alberta, but we still need to have a look at how we as a province are adding costs to our producers that would either create an advantage or create a disadvantage for them in the context of their relative competition, the major sources of their market competition.

8:39

The next area that I wanted to look at a little bit was some references that were made in your business plan and in some of your policy statements associated with your department and the Energy and Utilities Board in terms of its mandate, and those are the surface and subsurface impacts that occur to the land base that's out there. I was just wondering how the Department of Energy is going to be working with the new task force or committee that's being struck by the Member for Drayton Valley-Calmor. I think that's the correct new term for the constituency; I'm still not getting them all straight. I don't think the member's here tonight, but if that's approximately correct, I think you'll know which one I'm talking about. It's the new committee struck to look into the total aspect of surface rights, the lease payments and access payments in terms of the equity both from the producer of energy's side and from the landowner's side. So I would just get some feedback in terms of how you see the research that's gone on in your department fitting in with that committee and its structure.

You also made a comment that one of the things that your Energy and Utilities Board was going to be looking at is in terms of the competitive position of the electricity industry and moving it faster, I think was kind of the implication that you made, to make it a more competitive industry on a more rapid schedule. I was wondering how you saw the issue of wind energy. Is this going to be part of your mandate as Minister of Energy, or is this going to be a mandate that comes under Environmental Protection? Or if they're going to call them wind farms, will it be the minister of agriculture, as a farm? You know, these are the connotations, and I'd like to see how you see that fit in with the mandate of this revised competitive position you're talking about within the energy industry, especially with the electrical marketing aspect.

Again here we might want to look at some of the issues of what constitutes fair costing and fair pricing for the different sources of energy that are used in the production of electricity. We're hearing a lot of comment from the proponents of the wind energy issue that there are subsidies to hydrocarbon-based electricity production. We need to be able to document that and get that straight so the public is well aware of the true facts when it gets out into public debate so that we can see how the different sources of electricity compare in terms of their generation costs. That would be one of the other issues that I'd like to see.

In terms of your energy policy under section 3, you're talking there about the issue of trying to get better projections for your nonrenewable resource production and pricing. I was wondering if you had some new ideas or new initiatives that you were going to be putting in place there to try and create some more certainty, some more stability. We're all aware of the fact that especially oil prices are very dependent upon international political decisions as opposed to cost of production or supply/demand. So this would be an interesting discussion in terms of how you see that resulting in this better forecasting you're talking about that came out in terms of both your discussion and your business plan estimates.

The next issue I'd like to question is how you're feeling about the transfer of the marketing of the Alberta royalty crude share through the private sector, how this is working. Are you tracking the information to show where we stand in terms of, say, price received since the transfer to the private sector versus the price received prior? This would be, I think, a good piece of information that the public would like to have a look at so they can see how effective our new process has been in terms of generating revenue. Probably the best comparison here would be per unit price received by the government for their royalty share as opposed to the per unit price received by private industry prior to privatization. We're assuming that our public price now falls much more in line with the private-sector price, as they're marketing it as, you know, part of their share. It's all a barrel of oil or a cubic foot of gas all falling under the same pipeline, so it would be more kind of indistinguishable in terms of trying to separate it from the one price. So if it did bring us more in line, and how much that effect came out.

In program 4 you're dealing with research and research expenditures. You touched a little bit about, you know, some of the benefits that we're now getting out of the underground test facility that is in place. I was just wondering in terms of: are you doing any kind of tracking to see the success rates, the return on investment that we as the public are getting from these research dollars? What kinds of successes have we had? What kinds of programs have kind of gone on the shelf, and what might the potential be to have some of them retrieved again as prices make them attractive or as new technologies come along to support them? This is kind of an issue of that when we deal with research, not all of it ends up being totally productive in an immediate environment, but maybe down the line somewhere new technologies or new issues come forth and we end up with old research suddenly becoming very productive.

In connection with that, there's a lot of reference in your material to some of the joint ventures that have been undertaken in terms of research. I guess it would be in the public interest to know the successes that have come out of some of those joint ventures, how the share of the benefits has been distributed in terms of the public royalty or licence fee or whatever has come out of them as opposed to what's gone to the private sector. So this I think is a good set of information that the public would be very interested in having.

I guess just in kind of closing – I think my time is just about used up for the 20 minutes. In your last program, 4, of the budget, you're dealing with external relations. I notice there's about a 55, 56 percent increase in expenditures in that line item 4.0.3 this time. It seemed to be a very big shift in expenditures within your department when everything else has been falling, pretty stable, or else, you know, going down. Is external relations a few more trips abroad? What constitutes external relations here? Is that supporting the industry to get its product on the market? You know, at some point in time it would be interesting to find out why that significant increase. I know it's not a lot of dollars; still, it's a 50 percent increase in terms of expenditure for the public issue.

Madam Chairman, I think my 20 minutes must be pretty close to up, and I'll pass to someone else at this time. I'll probably have a couple more later. If you'll excuse me, I'm also on the other committee. I would like to participate in that for a minute; then I'll be back to finalize here. All right?

THE CHAIRMAN: Thank you, hon. member.

MR. BOUTILIER: Madam Chairman, a question to the hon.

minister. On page 163 under the basis point summary, reference is made to the ministry having over 40 separate strategies in accomplishing the broad goals of the department. I'm wondering if the minister could just comment in terms of any significant changes in relevance to sustainable development in terms such as value added when we try to put a tangible number on that of what value add is going to be a result of department initiatives for this upcoming fiscal year.

8:49

DR. West: Generally what happens . . .

Madam Chairman? Could you . . .

THE CHAIRMAN: Yes. The minister has indicated that at some point he will answer all of the questions, and for the ones he doesn't get answered, he'll make sure that there's something in writing to those who have asked the questions. So he's not just going to have a dialogue back and forth with individuals. That is up to the minister.

That was your wish and desire?

DR. WEST: Yes, and that's of course – if the individual is still here, I don't have to answer. There are 10 already.

THE CHAIRMAN: The hon. Member for Edmonton-Castle Downs.

MRS. PAUL: Thank you, Madam Chairman. Yes, Mr. Minister, I'm going to be quite quick actually. Under research and external relations, I'm going to just ask about program support. I notice that there was a small increase actually; not really substantial, but 24.8 percent. I was wondering if you could explain the increase and also break down the expenditures by object re salaries and wages, contract employees, travel, communications, and hosting.

Also under that program, research and external relations, my colleague from Lethbridge-East asked a question about the 56.8 percent increase as well. I'd like a breakdown of the numbers of employees in that area. Also, if you could provide some information on the role, the functions, objectives, and accomplishments of this section in such areas as co-ordination of other departments, promotion activities, energy trade missions, and the visitors' programs.

Those are all the questions I was going to ask right now, Madam Chairman.

THE CHAIRMAN: The hon. Member for Calgary-Fort. Maybe you'd like to move over to the microphone. Thanks.

MR. CAO: I would like to ask two questions. One is on the APMC. In the budget paper suddenly there's no money in there on the revenue side. I'd like to know what it is all about.

Also, for the projection of production and all that, do we have anything in the plan to do with reserves, exploration, finding new things?

THE CHAIRMAN: Hon. Member for Calgary-Fort, the minister isn't going to answer individual questions. He will interject at some point and answer some of the questions, so just carry on. Thanks.

MR. CAO: That's it.

THE CHAIRMAN: The hon. Member for Edmonton-Ellerslie.

MS CARLSON: Thank you, Madam Chairman. My first question is about the comments you made about the steam assisted gravity development. I understand that's still under the R and D umbrella even though it's been an ongoing process for a number of years. I'm wondering what your department does in terms of monitoring that, particularly in terms of monitoring the strength of any of the piping that goes down into the ground. It is a pressure system, so there are some problems, I believe, over the long term with those pipes not functioning properly and developing leaks and cracking and things like that. I haven't seen in anything that I've looked at in this department where there's some sort of process for your department to look at that and monitor it. If it's not there, then if you could tell me if I should be directing those particular questions to the minister of the environment, I would appreciate that. I think that long-term safety, not just for the workers but for the environment that this process is being used in is of some consideration for all of us.

Then I'd like to go to the integrated resource management framework. I'm wondering if you can provide an update for us on the implementation of this, particularly how it addresses the policy development for the forest conservation strategy, commercial recreation policy, and Special Places 2000. What's happening here with the integrated resource planning, the project reviews and approvals, and field operations as it relates to the land use decision-making and integrated resource management processes? If you can provide that at some point in time, I would appreciate that.

Are you going to be releasing a copy of the framework that has been established by the interdepartmental task force on integrated resource management? Will that include performance measures that have been developed as it relates to the implementation of that framework? If not, could you provide that as additional information?

Can you give us an update on the business plans that are being developed by Energy and Environmental Protection as it relates to CASA? You made some opening comments there, but I'd like a little bit more detail. The strategic approach to the energy-related atmospheric issues such as the Clean Air Strategic Alliance with the national air issues co-ordinating committee is of particular interest to us. Have you got performance measures and benchmarks in this area? How long have they been established? How far are we getting in terms of achieving those?

What recommendations were made by the CASA project team to the board particularly as it relates to the issue of sulphur dioxide emissions in Alberta? What's the time line in terms of those being implemented? Further steps that are being recommended by your department pertaining to the rationalization and simplification of the process of the environmental assessment of oil- and gas-related developments.

Can you talk about the voluntary challenge program a little bit? How successful has it been in the development and implementation of action plans for the voluntary reduction of greenhouse gas emissions as set out in the '95 Canada national action program on climate change? How close do you work with the minister of the environment on that? Are we going to be able to meet our objective of cutting the 4 million tonnes of greenhouse gas emissions in order to meet the goal of stabilizing emissions at the 1990 levels by the year 2000? Can you give that feedback to us in terms of very possible to achieve or reasonably possible or not likely?

Can you provide an update on the work of the interdepartmental team chaired by Energy that has been established to facilitate and co-ordinate the implementation of the Alberta voluntary challenge program? Any information you can provide on that program would be very beneficial.

Are you considering changes in the horizontal well program similar to the Saskatchewan model?

I think for the time being I'll hold the rest of my questions.

THE CHAIRMAN: Thank you.

The hon. Member for Edmonton-Glenora.

MR. SAPERS: Thank you, Madam Chairman. First I'd like to make a couple of general comments on the minister's introductory remarks. It's clear that an efficient and profitable energy sector is a goal we can all share, Mr. Minister. Sustained growth is important to us and to our economy and to the quality of life in this province, but it's got to be responsible growth. You made a couple of comments in your introduction talking about deregulation and singing the praises of deregulation that reminded me of a musical. I don't think I've got it quite right, but something about what's good for General Bullmoose is good for the U.S.A. You know, I think you said that anything that restricts this industry impedes the Alberta advantage and we don't want to stand in the way of progress. I sure would like to hear from a couple of your colleagues at the cabinet table about that, particularly the minister of the environment.

8:59

I'm also a little concerned and I'd like you to expand, if you will, on the comments you made about the royalty structure. You made several references to the royalty structure and the impact that has on spurring on research and development. Deregulation in the industry is important, but even the representatives from the industry that I've spoken to about deregulation have not been quite as expansive as you seem to indicate. So I would just like your comments on that.

Turning to the business plan that's filed for your department, I notice that there's no information provided in the business plan on the size of the general revenue fund grant to the AEUB over the next three years. There's also no information on plans for capital investment or changes to the number of full-time equivalents within your department, Mr. Minister, or, for that matter, the board. Now, this was the case in the '95 basically through '98 business plans, and I'm wondering why that information isn't in the current business plan. I hope that you'll be able to provide us with information on the general reserve fund grant to the AEUB for the years '98-99 to '99-2000.

I'm also interested, Mr. Minister, if you can provide information on plans for capital investment by your department and of course for FTEs. I'm particularly concerned about FTEs, as your reputation precedes you when it comes to nakedizing, I believe was the word you used, bureaucracies and departments that you head.

Also, a question that flows out of the business plan has to do with the mandate of the Alberta Energy and Utilities Board. Its mandate of course, in part, is to

regulate the development and distribution of energy resources to effect conservation, safe and efficient practices, equity production, environmental protection and facilities abandonment.

I think I've quoted that correctly. I'm wondering if you can tell me what provisions you would make if an organization or an entity wanted to opt out of the electricity pool – some of the small producers are talking about whether or not it's possible to opt out of the pool – and what would have to happen and what impact that would have on your own department's strategic plans.

Mr. Minister, specifically in reference to program 2, perhaps you could tell us what progress has been made by your meetings with electricity industry stakeholders as those meetings relate to

establishing the fully competitive market that you talk about in the business plan for generation as it relates to the following points: regulations respecting ongoing investment in existing generating units, removal of existing generating units from regulated service, legislative amendments to allow for end-user price choice. I understand that your department and stakeholders including TransAlta and Edmonton Power and Alberta Power are examining a range of options to enable end users to make price arrangement choices. Does that include legislated hedges against the change?

A review of the appointment of the transmission administrator. Furthermore, I'd be curious to know what steps have been taken to deal with such issues as the process that ensures that the distribution utilities can be assured that they receive regulatory approval for their costs related to contracts they undertake for new generation and addressing the issues of market power and access to information.

On the point of access to information, I'm wondering whether or not there are any plans from your department to exempt certain parts of your legislation from the paramountcy provisions of the freedom of information and privacy Act.

Further, I'd like to know what incentives will be offered by the AEUB to utilities to keep the cost of electricity down. Are you going to be developing mechanisms under which generators will receive a rebate on the basis of offering consumers lower prices? You've talked about that for other energy producers. What process will be established to assess options that would give consumers choice in making arrangements for their share of new electricity, and what issues will this review examine?

I'd like to move to program 5, I think it is, talking about regulatory reform. As I understand it, in December of '95 your department released its regulatory review action plan, and I hope that by now you've had a chance to familiarize yourself with that. The plan involves revoking all regulatory requirements recommended for revocation and supported by stakeholders who participated in phase 2 of the process. They finalized the proposed changes for items recommended for change, and I believe they initiated the phase 3 review process. There was a need to determine an appropriate course of action on I believe it was 60 percent of the regulatory requirements that were recommended for further analysis and review. That's the majority of those, and I'm wondering if you can give us an update on the results of the phase 3 regulatory reform, the 60 percent that they recommended for further action.

I'm also wondering whether or not the minister will let us know whether the gas utilities core market regulation setting out the conditions for direct sales to core customers by utilities will be rewritten. What changes are you now contemplating in that regard?

I have a number of other specific questions related to the regulatory environment that you're so anxious to reform. I'd like to know particularly if you'll indicate what changes you're contemplating to the Coal Conservation Act and whether or not . . . [interjection]

THE CHAIRMAN: There's an interjection by the hon. minister.

MR. SAPERS: Does he wish to ask me a question during debate?

THE CHAIRMAN: Do you wish to ask the hon. member a question, hon. minister?

DR. WEST: Yes, if he would accept one.

THE CHAIRMAN: Will you answer the question?

MR. SAPERS: Absolutely. It's a pleasure to receive a question from the hon. minister.

THE CHAIRMAN: Go ahead, hon. minister.

DR. WEST: You're reading your questions in quite a bit of detail, and I'm having trouble keeping up with them as you read them. I would ask if you'd perhaps slow down a little bit so I can get the concept.

MR. SAPERS: Sure, I'd be happy to. We're trying to condense our notes because of this rather restricted estimates review process, Mr. Minister, but I would be happy to go more slowly, although my colleague has informed me that if I speak less, I'll get more co-operation.

My question specifically was about the Coal Conservation Act, Mr. Minister, and what changes you're contemplating regarding that Act.

There are also changes, I understand, coming to the Hydro and Electric Energy Act and its regulations, and I'd be interested to know if you'd let us in on that. Can the minister also indicate what changes are being considered to the Energy Resources Conservation Act, particularly with respect to review of an order, direction, or decision to give the board greater discretion in dealing with the reviews that it undertakes? Will the minister indicate what changes are being contemplated relative to the Gas Resources Preservation Act and the regulations as this Act relates to gas removal, permitting, and information requirements?

Mr. Minister, just a couple more specific questions about regulations, and I hope we'll then get a chance to go through a second round of questions that I have on performance measures. I'm interested in knowing what changes are being contemplated relative to well licensing, industrial development permit information requirements, and approval under the Oil and Gas Conservation Act. As well, I'm requesting an update on changes that are contemplated relative to the Pipeline Act.

Since you talked at length about the need for regulatory review and left us all sort of gasping with the breadth of what you suggested, I think it would be helpful to us in assessing your budget if we had a better sense of just how far and deep your review is going to go.

Thank you.

9:09

THE CHAIRMAN: Thank you.

The hon. Member for Edmonton-Mill Creek.

MR. ZWOZDESKY: Thank you, Madam Chairman, and thank you to the minister. I also want to echo the comments of my colleague from Lethbridge-East in welcoming the minister to his new area of responsibility and wish him every good success in so doing and also the outgoing minister for the assistance she's provided in shedding some general information over the last few years in this area, which has brought us all a little more up to speed.

THE CHAIRMAN: Excuse me, hon. member, if I can just interrupt you for a moment. Can everyone hear? Are you speaking directly into the mike?

MR. ZWOZDESKY: Oh, I am indeed.

THE CHAIRMAN: Thank you.

MR. ZWOZDESKY: Is that better? [interjections]

THE CHAIRMAN: Yes.

MR. ZWOZDESKY: Thank you, Madam Chairman. There's a little bit of bar talk behind me. Pay it no attention.

In any case, I note from the Treasury perspective that between 1989-90 and the projections for '97-98 the overall budget for the Department of Energy and your related agencies has in fact been reduced by something approaching 50 percent, but I notice some sharp increases along the way as well, which I think the minister has alluded to or perhaps other colleagues on both sides have touched on. I would just be interested to have the minister perhaps clarify in a little more detail the operating expenses connected with the Department of Energy and the expected increase that's projected in the 1997-98 budget wherein it shows an increase of I think it's about \$97 million overall between the '96-97 forecast and the '97-98 projection.

I am also deeply struck by the tremendous amount of activity that is going on in Alberta in relation to the energy sector in general, and I noted with great interest the minister's opening comments, particularly as they relate to sudden changes and swings in the market. A change in the price of oil per barrel obviously can make or break a budget, not only in the area of energy but for the entire province. I want to thank and congratulate the department for taking a suggestion to revise their oil budget from \$19 down to \$18.50 so that we don't experience the dramatic difficulties that we did before. When I was asked about this last week before the budget came out, I had said it would be wise to revise. According to the calculations I had done, that 50-cent reduction in projection was going to result in almost a hundred million dollars. I had the minister confirm that for us a few minutes ago, so I was happy to hear that we're on the right track there in terms of our evaluation of this.

The other thing that I was very struck with was the 1-cent change in the Canadian dollar and how we have to keep a watchful eye on that and be mindful of it through our projections as well. So with an eye on that, Mr. Minister, I think we're both kind of on the same page when it comes to being very fiscally responsible.

I wanted to just question you briefly for a breakdown of some departmental expenses on an object-by-object basis for '97-98 in relation to a few areas. First of all, could you provide us with a breakdown of your expenses that you're projecting in terms of salaries and permanent positions? I'm aware of the fact that you do comment on it here and there, but it would be helpful if it could all be brought together. Secondly, salaries and nonpermanent positions; thirdly, wages; and perhaps fourthly, contracts. You have a number of contract employees, I understand, that service the department. Also a breakdown in terms of travel expenses and telephone communications. If you have such a thing as hosting expenses, that might be of interest to taxpayers to have a look at, the blow by blow as it were, how it's accumulated and how it's expended.

I was also struck, Madam Chairman, by the minister's reference to the incredible amount of wealth that lies under the ground, particularly in the Fort McMurray area. I can't recall if he said that there was 83 percent or something in that neighbourhood of all of Canada's below-the-ground wealth in terms of oil, if that's the figure that lies beneath the surface in the Fort McMurray area. I think he did say something about production could double or the amount of output could double if we had the proper technology. So I'll look forward to seeing how it is that this proper technology is researched and developed over the next little while.

In particular I was struck with the cold water technology, which I confess to not knowing anything about. It's the first time I've actually heard of that. I've heard of the hot water, the steaming and that type of stuff, and the reliance on gravity to collect up some of the oils that are deep below the surface, but cold water technology is a new one to me. I'm sorry; I'm not familiar with that one. So I look forward to perhaps a little deeper explanation in the House, outside the House, by letter, or on the street, as long as I find out about it. I'd be interested to know. There is reference on page 141 of your Energy Update to new technology in a general sense but not the specific that I was looking for.

Also, if the minister wouldn't mind just explaining to us what is meant by "royalty simplification." I'm sorry; I don't know what the minister has in mind there. If I missed it earlier, I apologize, but if there is some clarification of what is meant by that, I'm a big fan of simplifying things even so that members in the House can understand it. It occurs to me that we have a huge reliance on royalties, and if there is something that simplifies this scheme for the stakeholders, I'm sure it would be very welcome news. Or is it something that you've initiated under the previous minister, and you're just continuing it? I'm not sure.

Moving on to specifically program 2.0.1, program support. I think my colleague from Lethbridge-East did ask this question, but I want to ask again about the reasons behind the rather significant and large increase in program support expenditures under mineral operations. I think it surfaces also on page 156 of the Energy department's statements. It's an increase, Madam Chairman, of some 25 percent, I believe, and perhaps that could just be elaborated on, briefly at least would be helpful. Similarly under tenure and royalties, which I think is program 2.0.2. It occurs to me that there must be some criteria, Madam Chairman, that the department uses to generate the revenues expected from above-average land sales. So there's sort of a twofold question here for the minister. One of them is just to kindly explain to this member what specifically is meant by above-average land sales. There are dedicated revenues, I understand, that flow together with that. Secondly, what are the criteria that those above-average land sales are hinged around? In other words, what constitutes an above-average land sale that would lead to dedicated revenue projections such as outlined? I think the figure is something in the order of \$360,000. So it's just a question from me.

Moving on but still staying under the general area of tenure and royalties, I'm curious to know something that arises out of some comments made by the Auditor General. Perhaps, Madam Chairman, we'll have an opportunity to get at some of this also in Public Accounts, but while we have the minister here and given the spirit of co-operation that exists, I'd like to ask the minister what steps he or his department has taken to deal with the concerns that were expressed by the Auditor General in relation to the implementation of the mineral revenues information systems regarding things like risks and the extent to which the royalty simplification initiatives that I alluded to earlier may be achieved.

Winding my way toward conclusion here, at the same time I would hope that the minister might comment on the steps that his department or he himself has taken to deal with the concerns that have been expressed by energy industry stakeholders regarding industrial property tax transfers and other property taxes in relation to their oil and gas wells.

9:19

I also had just a general question, Mr. Minister. I'm not sure how to phrase this to you, but I took with great interest your comments about the Alberta Energy and Utilities Board and how your report reflects both the government side and the AEUB side,

which I understand is arm's length from government. I just wondered what sort of measures you have in mind to either preserve that arm's-length relationship or to secure it even more so and ensure that there is no misconception or misperception of the AEUB's true arm's lengthedness from government, given that it's virtually in charge of issuing everything from permits to leaseholds to whatever have you. They do need that autonomy and distance from government. I'm not suggesting there hasn't been any. I'm simply asking what measures you might have in mind to ensure it or preserve it into the future.

At the same time, if I might, Madam Chairman, I would just ask the minister about a comment he made in terms of increased output or increased production, and I wonder what sorts of plans there might be. I'm not looking for an extensively long answer here, but when we talk about increased production, I also like to hear the words "increased efficiencies." I think it's a phrase that the government has used in many other areas, and I just wonder how we would juxtapose the two here and say: yes, we're pursuing increased production over here but as an end to itself. Unless we have efficiencies built in with it – and I'm sure they probably do – then it may wind up counterproductive. I'm just asking the minister to comment on increased production in relation to increased efficiencies.

I only have a couple more comments here, briefly, Madam Chairman. Another issue pertaining to the Auditor General surrounds the department's commitment to measure results and, I guess, effectiveness or efficiencies of programs and concerns raised by the Auditor General in that regard. Can the minister indicate whether there are discussions now, or perhaps those that may need to be revived, between the federal government and the provinces, specifically the province of Alberta in this case, to make some allowances or perhaps adjustments to the Alberta royalty tax credit regime with respect to the CEE and CDE and COGPE resource pools? These are items that surface on federal tax returns, as I understand it, Mr. Minister, and I'm looking for clarification here as much as I am for answers to the questions, which would allow the measurement of companies and their ability to reinvest or not a portion of the tax credit that they would receive through those programs.

Oh, sorry. I do have a couple more here that I've painstakingly prepared. I'll just fire them off quickly, Madam Chairman. I may be running out of time.

It seems to me that there is need for an update on the development of a 30,000 barrels per day oil sands project strategy that is going on up in the Fort McMurray Underground Test Facility. I read with some interest over the weekend, Madam Chairman, the tremendous projects that are going on right now in the Fort McMurray area. Is it Kearl Lake, the one that Mobil has on the go right now? They're projecting incredible numbers for economic growth in that area, so I wondered if the minister could comment on that a little further. You did touch on that, hon. minister, when you talked about employing the steam-assisted gravity drainage technology, or something to that effect, when you spoke about it. It's a technology that's being pioneered in that area at the moment. So perhaps you might give us an update on that development.

At the same time, something just a little bit from the past. Given my preoccupation at the moment with Treasury and all things financial, Madam Chairman, I'd still be very interested to know something about the background involving the Lloydminster biprovincial upgrader. I wonder if the minister could tell us what portion of the profits earned by the Lloydminster project in 1996 will accrue to Alberta under the – is it 20-year? – agreement to share in the profits from that upgrader should the upgrader attain

a cost differential of, say, as much as \$6.50 per barrel between heavy and synthetic crude. The answer, Mr. Minister, may lie somewhere in what they call the upside interest provisions, which are in some agreements but apparently are not in all government contracts and agreements. At least that's my take on it within the last three weeks of sort of studying, be it in a cursory way at least, some of the government agreements that we've been in or we've gotten out of or that perhaps we're looking to get out of.

The next question I have is on program 4.0.3, which is external relations and communications. Just bluntly put, I wonder if the minister could explain the change behind the 56 percent increase in that area. I'm sure there are good reasons for it. The Member for Lethbridge-East alluded to it, and I just wanted to re-emphasize that as well.

My last question I think, Madam Chairman. Thank you for bearing through all of this with me. We hear things that the public seldom really gets to understand any too well, but this would be an opportunity for the minister and for the government to perhaps shed some light on whether or not the establishment of a revolving fund or some form of a trust fund, perhaps, is still being considered as a financial vehicle to look at readjustments to cost sharing between your ministry and the industry that you serve. Do you think you might be paying a greater percentage of costs to the AEUB over the next decade? Perhaps not.

I'm sure my time is almost there, so I will stop there and perhaps come back another time. Thank you for your attention, and I look forward to receiving the answers.

Thank you.

DR. WEST: I might step in, if I may.

THE CHAIRMAN: Yes, go ahead, hon. minister.

DR. WEST: I don't want to get too far behind on some of these questions. As I say, I won't be able to answer them all, but I want to give you a little bit of a window to some answers. I'll start at the back because they're freshest in our minds. We'll deal with the hon. Member for Edmonton-Mill Creek and some of your questions.

The biprovincial upgrader. Of course, I give full marks to the previous minister for exiting that, because it was the right thing to do at the time and it's still the right thing to do now. It's functioning; it creates a lot of activity in the Lloydminster area, where I am. The jobs are still there. It still accrues a tremendous benefit to the development of the heavy oil in the area that I live in but accrues zero back to us at this time under the 20-year agreement. I would have to study it further, but the flip side of that is that it will take a while, if at all, for a return back on those types of agreements. The biggest point is that no matter what the marketplace does, we accrue the benefits of an upgrader. We accrue a benefit because of the activity.

I was talking to Shell, which certainly has announced a large development and is going forth with the application. They would foresee in the future an upgrader at the Scotford area, but they said that without the economies of scale of their refinery there and being able to have some crossover as far as utilization of the existing facilities, nobody, nobody in North America right now could afford to build a stand-alone upgrader at the costs today. The technology hasn't advanced as far as some of the other technologies, so therefore it's remarkable that we have the Lloydminster upgrader, albeit both the federal government and the provincial governments and Husky were involved in this. We can look back in time now and assure you that although it seems to be a loss provision, if you could measure the impact that will

have over the long run on development in the area and enhanced recovery, I think it would prove that it wasn't the worst of our investments at all. In the future those that come stand-alone will need economies of scale, and they will talk with the federal government. I'm sure Shell will. We'll be dealing with that.

You brought up the federal government and some of our tax considerations. One of those will be to include an upgrader at the end of it as a development of the mining process at the top so that you can have a write-off at the beginning of such a plant, regardless of where it's located in the province. I think that's a discussion we're going to have with federal government.

9:29

Fort McMurray developments. I think you're all aware of tremendous announcements in Fort McMurray. You asked about the production output of those and where we're going with that. Again, I could get you a list of these. We have it fully documented: the number of announcements, the timing of those announcements, and the production that's coming on. It will facilitate also the development of major pipelines coming out of Fort McMurray, both to the Edmonton area and down through areas such as Cold Lake, then down to Hardisty, and then connecting up with the Empress lines to Wyoming and to eastern Canada. I think it's an amazing, amazing projection. Again I didn't add up the numbers here, but it would probably be around the \$8 billion to \$9 billion range at least and a production output of hundreds and hundreds of thousands of barrels of oil per day. The Suncor announcement would be 220,000 barrels per day; Syncrude, 400,000 output by the year 2006. Mobil just announced another 100,000 barrels per day. Again I said it will have to facilitate pipeline expansion. As well, each one of those might have two pipelines involved with it, because you're going to have to take condensate or distillates up there to move it back down through the pipeline. There will be a tremendous amount of activity, so it's interesting.

The Underground Test Facility in Fort McMurray is a remarkable one. We have spent a lot of money on that, but today it's a combined facility with the private sector. It's putting out today about 3,000 barrels per day, and we have a percentage claim on that. Amoco Canada, Chevron, Gibson Petroleum, Japex Oil Sands, Imperial Oil, Petro-Canada, Shell Canada, and Suncor all have shares in this production facility. They are producing, as I said, around 3,000. It varies between 2,700 and 3,000 barrels per day. We have a share in that, a 25 percent share. We have that for sale at the present time. But here's an interesting thing: that facility developed, and now these companies have gone out on their own. If you move over into other areas of the province, they're doing their own development of these wells.

Somebody brought up the safety of them. I think one of the members brought up the safety of these. We're working with industry to make these things tremendously safe, economic, but that hasn't been a big issue at the present time. There are other areas I think she may have been referring to: some of the safety issues related to some of the things that the AEUB is working on and other safety and environmental problems as it relates to migration and surface venting of gas from other structures. They're working on that right now.

The efficiency of production. You said that we want to increase production but are we concerned about the efficiency? You bet. I think I alluded to that, that we want to work with industry, through the industry advisory committee, on research and also on the enhanced oil recovery program on wells. We've worked with the industry on those by sharing the up-front costs and then giving them an advantage so that we can get more oil out

of that, but we share in the royalty after. There are tremendous things being done to increase the production, not only on the new developments such as we've just commented about but also on existing wells.

I know in my area for the heavy oil they're using screw pumps that are increasing their recovery. It's a new mechanism of screw pumps that go down versus the old pumps that you're used to seeing. That'll bring another 5, 6 percent out of one of those heavy pools, which is a significant amount of money back to us over the long period of time. Of course, that amount itself just makes that company want to continue to pump those wells.

That's just one example. I don't want to go into an extensive amount. We can get you information on the new enhanced oil recovery of certain fluids and that being injected and steam floods and what have you. But production at any cost? No. Production with efficiency. It's an advantage to both the companies and the owners of the resource.

The AEUB at arm's length. You said: how do we maintain that independence? Well, it's maintained through legislation as well as the discipline of this department and the industry itself to ensure that it is funded on an independent level. At the present time you have to understand that of the 50 and some million dollars that's invested, we're putting in around \$13 million. The industry is paying the rest in fees and costs, payments to the AEUB. So it does have an independence as it relates to the industry, but we will maintain that as we have in the past. There's no intention of breaching the strong independence this board has had. So I don't know where you would get the indication that I might do that over anybody else.

The Auditor General did make some notes on the department. One that you'd brought up was the mineral resource information system. That system is coming on line. It's been no doubt a bit controversial in the timing of it and the complexity of being able to invoice for the royalties and give the natural gas royalties. We have assured the Auditor General that we are going to work on these areas. We have been doing an estimated costing of these up until March of '94. This practice will continue to '97, at which time a reconciliation of the estimated to the actual royalties will be completed. Then we'll get a cash settlement, and then subsequent invoices to the companies for their royalties will be on a receipt basis.

[Ms Haley in the Chair]

Now, that system has got a lot of people working on it. When it's finished, it will certainly be a benefit to streamlining it, but it has been a complex system, working with the software and the people involved in the main programs. Again, the Auditor General's watching it very closely. He made some other comments, and we have said that we will comply fully with the Auditor General's recommendations. We will work to do that.

You talked about salaries and contracts and that sort of thing. I don't think I can get into the details here of salaries within the department. I mean, I was looking at a book that would choke you as far as looking at all the salaries and areas. We look constantly at the amount of management versus frontline people we need, this department generating, again, \$4 billion. You have to remember the activity in this department, last year over 11,000 wells. In drilling this year, we're expecting applications on probably anywhere from 12,000 to 14,000 wells and, at the same time, the land sales that have to go on, and you have to co-ordinate all of that. We may look at efficiencies within manpower, but we need everybody we have at the present time. In some areas they're stressed pretty heavily when it comes to just

the sheer numbers that they have to work on in applications. So that's about all I can say.

We do have contracts, some 54 contracted positions that work there. As I say, I'll be looking at those to see what types of contracts there are and how they service the department, but I'm sure they're related to all areas of our mineral development.

Royalty simplification. I can only say to you that I'm asking the same question, so I think it's a fair question. Royalty simplification has been under way for 10 years. They have a vision called 2005, and it's an ongoing process. Over the years there has been a tremendous amount of, I'd say, different regimes brought in for low-producing wells, for deep wells under 2,500 metres, all types of royalty adjustments, enhanced oil recovery, depending on where the wells are driven, depending on whether it's conventional or nonconventional, deep gas, sweet gas, all those types of things. They've been adjusted because of the risk and the cost of development of certain resources in certain areas. We're working and trying to simplify that to get it in the other type. We did it in the oil sands by going to a generic system rather than one that dealt with each specific project. Now we have to go back into the thousands of wells and thousands of differences in those wells and the royalty structure and try to come up with a program that we can apply simply across the board in certain areas with certain conditions.

9:39

We're going to fast-track that. I think the minister of the day was working on that before. Again, 10 years later we question: is it simple? Are we dealing with royalties today or certain conditions? That's the thing we have to straighten out. Part of that is the low-producing wells or the companies that own wells that are producing so much we have given them certain concessions that we have to study.

Now, how am I doing for time here?

THE DEPUTY CHAIRMAN: You have five minutes left, Mr. Minister.

DR. WEST: I have five minutes. Well, isn't that wonderful. I think I'll go back. Let's have some questions again.

THE DEPUTY CHAIRMAN: The Member for Calgary-Buffalo.

MR. DICKSON: Thanks, Madam Chairman. Good evening, Mr. Minister. I'll apologize in advance in case some of the questions I ask have been asked by others. I've been down in the agriculture estimates, so I'm not sure what's already been covered.

Mr. Minister, let me start by saying that by reputation the information management system in the Department of Energy is the best we have in the province of Alberta in terms of all government departments. But I'm interested in knowing how many applications you've received for general information under the freedom of information Act. I'd like to know how many applications were deemed abandoned after a fee estimate was provided. I'd like to know how many requests there have been to your department to invoke section 31, the public interest override in the freedom of information Act.

[Mrs. Gordon in the Chair]

Statistically I'd also like to know – I assume you have this information, because I think it's already been gathered in the aggregate formerly by Public Works, Supply and Services, now of course by the Department of Labour. I'm interested in terms

of percentage of freedom of information requests that have come from business.

MRS. BLACK: Point of order, Madam Chairman.

THE CHAIRMAN: Yes, hon. minister.

MRS. BLACK: I believe that those types of questions are better on the Order Paper under motions and written questions. We're dealing tonight, I thought, Madam Chairman, with the estimates and the business plans for the Department of Energy, and I think those questions would be better suited under Motions for Returns and Written Questions.

THE CHAIRMAN: We are dealing tonight with the estimates and the business plan that is indicated before you.

MR. DICKSON: I understand that, but it's certainly not a complete answer to say there are a number of ways an MLA may access information, as I understand, in the House. Certainly one of them is through the budget process. What we're talking about is part of the business operation of the Department of Energy, arguably one of the most important departments in the province, and I think I'm entitled as an MLA to find out how the information management element in that department operates.

THE CHAIRMAN: Well, I would hope, hon. member, that you can look at the estimates and the business plan as indicated in the Department of Energy. It is 9:45, and there are a number of questions that you want to ask.

MRS. BLACK: A point of order, Madam Chairman. I'd like to know what vote the hon. member is referring to so it can be accessed by all members in the estimates of the department.

MR. DICKSON: I'm referring to the business plan, Madam Chairman. In fact, when we go through and look at the mission statement, look at the goals, look at the highlights for 1997-1998, one will see that that covers a broad range, including a series of performance measures that talk about stakeholder confidence, that talk about preservation of public safety and environment, the cost of ministry operations. Well, I want to know how difficult or indeed how easy it is for Albertans to be able to access that kind of information on an ongoing basis about such an important department.

THE CHAIRMAN: If you stick to what is indicated, as you said, under the mission statement and the highlights, then go ahead and talk in that direction, on what's indicated in the business plan summary.

MR. DICKSON: Okay. Well, I've already identified the particular questions in terms of freedom of information, Mr. Minister, so I'll be looking forward to your responses to those.

One of the other things I want to deal with is the whole business of regulatory reform. In fact, if one looks at page 163, the first bullet under highlights for 1997-98 refers to a review of regulations with stakeholders. Mr. Minister, I have a lot of constituents who are involved with oil and gas operators in the city of Calgary, and I'm always struck by the number of people I talk to who say: "We haven't been consulted. We're not involved in any review of regulation." I'm wondering whether the department, through your office, Mr. Minister, is able to provide a list of the stakeholders.

There's always an issue in terms of how broad the consultation is when you undertake a regulatory review. I'm not sure this has ever been done, but I'm wondering whether the minister is prepared to table a schedule of the stakeholders who have been consulted. I assume that you have different groups of stakeholders because of the broad scope and the broad mandate of the Department of Energy. I'd ask you to provide us with some particulars in terms of who those stakeholders are so that indeed Albertans can have some sense of confidence that you've reached broadly enough in terms of ensuring that the input is broad based and not unreasonably narrow.

The other concern I've got. Just coming from the estimates of your colleague the minister of agriculture downstairs, the issue came up of the increased costs of the Surface Rights Board. We heard some vague reference in that subcommittee to a potential review of what has been an increasing cost every year. Each successive year the cost to Alberta taxpayers increased at the Surface Rights Board. I would like some particulars from you as to a concrete plan, with deadlines and goals, in terms of how you and your colleague the minister of agriculture are going to address what appears to be a long-standing, vexing problem with ensuring fair treatment of landowners and of energy operators. This seems to be a question, an issue that so far eludes some kind of satisfactory resolution. So I'd like to know in concrete terms what's going to happen in the balance of this current fiscal year that we're addressing now in terms of trying to resolve the concerns and problems dealing with surface compensation.

9:49

The other thing I want to go to, Mr. Minister, has to do with 4.0.2, research and development. I don't know whether this has been sought before or whether indeed you've undertaken to provide it: a copy of the Suncor royalty assistance agreement. I think also there had been an agreement that the minister had signed with Gibson Petroleum in '95 to take over the role of operator of the underground test facility at Fort McMurray. If that request hasn't been made for the minister to make that accessible to us, I'd make such a request now.

In terms of 4.0.3, external relations and communications, there has been a substantial increase I notice . . .

AN HON. MEMBER: That's the fourth time that's been asked.

MR. DICKSON: Well, Madam Chairman, that's the problem we have when we have some people in the committee downstairs and then we have a committee going on at the same time.

DR. TAYLOR: Gary, as we said before, if you'd elected more members, you wouldn't have had that problem.

MR. DICKSON: That's but one solution.

In any event, obviously if it's been asked four times before, it's of interest. [interjections]

THE CHAIRMAN: Hon. members, the Member for Calgary-Buffalo did come in later on, but if the minister has answered it, it will be recorded in *Hansard*.

MR. DICKSON: I think, Madam Chairman, I had a couple of questions in terms of program 5, energy and utilities regulation. We know that there have been initiatives undertaken by the AEUB in '97-98. Part of it was to refocus regulatory processes to place more responsibility on industry, to clarify the consequences of noncompliance. I'm interested again in terms of identifying the particulars of that process.

I'd also like the minister to tell us how this fits in with the regulatory review that had been undertaken and chaired by the Member for Peace River. I'm not clear in terms of that process: if that process has been abandoned, scrapped altogether, if that's happening somehow in parallel to the very major regulatory review that's been undertaken by this minister and the Department of Energy. Just some clarification in terms of how those two processes are proceeding, Mr. Minister. I think that's important to identify.

I understand that some people in the industry feel that there hasn't been enough information with respect to the AEUB's MAGIC system, making all good ideas count, and I wonder if the minister can provide us with particulars of identified dollar savings as a consequence of that particular program and its implementation in the department. So we'll be interested in seeing that information as well.

There had been consideration at one time, Mr. Minister, to establish a revolving fund – we might even describe it as a trust fund – to adjust cost-sharing between the ministry and the industry. I think there is still a keen interest on the part of the industry in terms of whether it's anticipated they'll be paying a greater percentage of AEUB costs over the next period of time, whether it's over five years or 10 years. So I'd be interested in knowing the particulars in your response to that question.

Now, furthermore, Mr. Minister, with respect to the whole area of public safety, it's not clear what sort of benchmarks you and your department contemplate or will be using in terms of measuring compliance level, improvements of problem operators, lost well control incidents per 100,000 metres of drilling, ratio of sour gas, high-volume pressure pipeline failures per 100,000 kilometres of pipeline. So if you can provide those benchmarks, I think that would be of assistance.

In terms of regulatory reform overall, Mr. Minister, can you tell us whether the gas utilities core market regulation is going to be rewritten and what changes are contemplated? [interjection] I hear the former Minister of Energy telling me that that question's been asked before. I'll look forward to seeing a response to the first question and to the second one.

I think, Madam Chairman, even with or without the assistance of my friends in the corner opposite, I've exhausted the questions I've got at this stage. Thanks very much.

THE CHAIRMAN: Thank you.

DR. WEST: Just a couple of comments. I wouldn't want to shy away from the Member for Calgary-Buffalo ever because of his acute desire to have information. I can give you some comments on freedom of information and some of the costs that we have involved there. We have two full-times. We spend about \$106,000 with about \$12,000 in supplies for a total of \$118,000 in the department. We have three active requests in front of us at the present time. We have zero requests under review by the Information and Privacy Commissioner's office, and we'd normally receive each year 10 to 15 requests since this has been brought in.

If you're interested, one of the requests coming in deals with the dismantling of the national energy program. I think you would find that very interesting. I think it's very interesting if somebody wants to know a lot about what the Liberals did to this province a few years ago and whether they're damn well going to do it again under the free trade agreement.

MR. LUND: That's the Liberals.

DR. WEST: The Liberals.

MR. DICKSON: That was the agreement Peter Lougheed signed; wasn't it?

DR. WEST: Well, you want freedom of information. I'm giving you a little here.

THE CHAIRMAN: In the spirit of co-operation.

DR. WEST: At any rate on the Surface Rights Board issues that you brought up, I think it's interesting that we should note that these are very difficult issues. You wouldn't have brought it up in this discussion unless you knew what the catch-22 is. Industry and landowners and, of course, the people who own the resource, Albertans, somehow in the future must find a middle ground in discussions as to access issues, issues of service rights, and issues that we will have to deal with related to the enhanced recovery of this resource. I don't say it's easy.

You say: am I going to get together? We are going to work with the stakeholders. I as Minister of Energy have to deal with CAPP and other organizations and associations that, yes, are very concerned on their side of it on how much they pay for access and surface rights and what rules and regulations they have to work under to do that. At the other end of the spectrum is the agricultural component or the landowners' rights as they revolve around what's a fair and equitable payment for that sort of access and all the other issues that surround that.

So, yes, the answer to your question is that we'll be working co-operatively, but I certainly will also be working with industry to ensure that their interest is honoured in these discussions, because, again, you can't underestimate the level of input they have from jobs, standards, and our budget in this province. So it has to be balanced.

I guess the hour is getting late. There are a lot of things here that came up. I want to touch on the final one because everybody is interested here in one thing tonight, and that's to do with external relations. We're all sitting here with pointed ears. What is this? Of course, what this means is that every year we have to have a program that supports the many visitors to Alberta and missions that the minister brings in around this industry.

One of the great things about this industry is not only the resource itself and its return but the amount of expertise that we have here that we export to other countries. We are known throughout the world for our expertise, whether it's pumps in the North Sea or in Russia or in China. Our companies consult in the Middle East, all over the world. We have people who come here from China, South America, Russia. That program supports bringing these people in and talking to them, facilitating information, seminars, and what have you. Generally, it's in the best interests of Albertans to do it.

9:59

Also, the minister of the day took some heat for that previously, because she was trying to travel around to some of these trade missions in the best interests of the industry and the people of Alberta and was criticized when the external relations should have been out of the Department of Energy to reflect the ongoing work that the Department of Energy does with foreign countries in this area.

Again, I think that putting this in a specific area, outside communications and that sort of thing, and having it targeted towards the missions coming up or visitors that are coming here, for the sum of money that's involved here, is in the best interest

of Alberta. Because of where we've put this, it shows a 56 percent increase. Somebody said here tonight that it's not a lot of dollars, but it's very important that we don't sell Alberta short when it comes to selling the Alberta advantage and working with their industry. One thing that foreign countries want is to see government interest with companies that are doing business with their countries. They want to know that government's around and supports them, and I don't think anybody here would deny that.

So I'm going to stop there. There are questions here that I can't answer tonight. I won't deny that at all. I hope that as we go forward, the department will get back on a timely basis, and we'll give you those answers.

THE CHAIRMAN: Thank you.

Hon. Deputy House Leader.

MRS. BLACK: Yes, Madam Chairman. I move that the committee now rise and report.

THE CHAIRMAN: It has been moved by the Deputy House Leader that this subcommittee rise and report progress to the Committee of Supply when we reconvene in the Assembly.

MR. SAPERS: Point of order. I thought we had until about eight minutes after the hour, because we started about eight minutes after. I had checked with the Chair to confirm . . .

THE CHAIRMAN: Hon. member, there is a motion on the floor.

MR. SAPERS: But the motion's out of order, I believe, because I thought we had two hours.

THE CHAIRMAN: If the subcommittee agrees with the motion, then . . .

MR. SAPERS: You could have adjourned right at the top. I mean, we have an agreement to how this was going to happen or we don't. I have some questions.

AN HON. MEMBER: Five minutes.

MR. SAPERS: Eight minutes actually.

THE CHAIRMAN: We do have a motion on the floor. The Deputy House Leader has moved that this subcommittee rise and report progress to the Committee of Supply when we reconvene in the Assembly.

SOME HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed?

MR. SAPERS: Absolutely.

THE CHAIRMAN: It's carried.

MR. SAPERS: I want a standing vote.

MR. SMITH: Well, stand up then.

THE CHAIRMAN: Do you wish the vote recorded? [interjection]

MR. SAPERS: That's not the point. I thought we had an agreement that this was going to be two hours. It's not two hours.

THE CHAIRMAN: About three minutes short of two hours.

MR. SAPERS: Well, then, not two hours. I guess it's just like the budget; right? Twenty-nine million dollars. That's close enough.

AN HON. MEMBER: Aw, come on, Howard.

MR. SAPERS: We either do this, because we have an agreement, or we don't. Okay?

THE CHAIRMAN: Do you wish a recorded vote?

AN HON. MEMBER: We do.

THE CHAIRMAN: Could I see a show of hands, or would those stand that were for the motion, please.

[For the motion: Mr. Amery, Mrs. Black, Mr. Broda, Mr. Herard, Mr. Langevin, Mr. Lund, Mr. Magnus, Mr. Pham, Mr. Smith, Dr. Taylor, Dr. West]

THE CHAIRMAN: Those opposed, please raise their hand.

[Against the motion: Ms Carlson, Dr. Nicol, Mrs. Paul, Mr. Sapers]

[The committee adjourned at 10:04 p.m.]