

Legislative Assembly of Alberta

Title: **Wednesday, April 20, 2005** 1:30 p.m.
Date: 05/04/20
[The Speaker in the chair]

head: **Prayers**

The Speaker: Good afternoon.

Let us pray. In our mind's eye let us see the awesome grandeur of the Rockies, the denseness of our forests, the fertility of our farmland, the splendour of our rivers, the richness of our resources, the energy of our people. Then let us rededicate ourselves as wise stewards of such bounty on behalf of all Albertans. Amen.

Please be seated.

head: **Introduction of Visitors**

The Speaker: The hon. Minister of Energy.

Mr. Melchin: Thank you, Mr. Speaker. I'm pleased to introduce to you and through you to members of the Assembly today His Excellency Ernesto Darias. He's the ambassador of the Republic of Cuba. His Excellency is accompanied by Ms Mary Carmen Arencibia. She's a commercial counsellor. He's accompanied also by Mr. Antonio Castañón, economic counsellor. It was our pleasure to host them for a luncheon, their ambassador's first visit to Alberta.

Mr. Speaker, Alberta has close to \$51 million annually in exports to Cuba, primarily sulphur, wheat, peas, and machinery. Alberta companies are active in Cuba, including Sherritt International, which is now the largest foreign oil producer in Cuba. Alberta's postsecondary institutions, like NAIT, are equally active in numerous partnerships and projects in Cuba.

I'd ask our honoured guests, if they are there, if we'd give them our warm traditional welcome.

head: **Introduction of Guests**

The Speaker: The hon. the Premier.

Mr. Klein: Thank you, Mr. Speaker. It seems that lunch with the Premier has become somewhat of a popular auction item. That's proof, no doubt, of the quality of the lunches, sandwiches, and not necessarily of my conversational skills. Today I had the pleasure of dining and visiting with the successful bidders of this item at the Denim and Diamonds dinner and auction event. This incredible event raised more than \$121,000 for juvenile diabetes.

Mr. Speaker, I'd like to introduce to you and through you to all members of the Legislature my guests today: Len Kerekanich, president of Rotating Right Inc. – Rotating Right – Tyrel Kerekanich; Donna Micklos; and Barbara Armstrong, senior manager of resource and program development for juvenile diabetes in Edmonton. I ask that they rise and receive the warm welcome of the Assembly.

The Speaker: The hon. Deputy Premier.

Mrs. McClellan: Thank you, Mr. Speaker. As you know, it's always a pleasure for MLAs to introduce school groups to the Legislature. The group I introduce today is a school group from Veteran school in my constituency. Veteran is a beautiful little community in east-central Alberta and has a wonderful school. Today these students are accompanied by their teacher, Mrs. Letniak, by parent helpers Dawn Resch, Chris Eamer, Karen Nelson, and Darrel Durksen. I would ask that all members give this group a very, very warm welcome to our Legislature.

The Speaker: The hon. Minister of Education.

Mr. Zwozdesky: Thank you very much, Mr. Speaker. It's a pleasure for me as well to rise and introduce to you and through you to all members here 63 of the absolutely most bright and beautiful young students that Edmonton-Mill Creek has to offer. They are here visiting us from Blessed Kateri school. They are joined by some parents and teachers; namely, Robert Burghardt, Cathy Kahanyshyn, Eva Perri, who's a teacher assistant, Miss Diane Nguyen, who's a student teacher, and Francine Verbonac, Elaine More, and Melinda Giebelhaus. I would ask all of them to please rise and accept the very, very best wishes from all members here.

The Speaker: The hon. Minister of Advanced Education.

Mr. Hancock: Thank you, Mr. Speaker. It's my pleasure to introduce to you and through you to members of this Assembly Elaine Ho, provincial director for the Alberta College and Technical Institute Students' Executive Council, ACTISEC, and Brett Bergie, outgoing provincial director of ACTISEC, and Duncan Wojtaszek, the executive director of the Council of Alberta University Students.

Alberta College and Technical Institute Students' Executive Council represents 100,000 college and technical institute students, and the Council of Alberta University Students represents 80,000 university students across Alberta. They're seated in the public gallery. They're here, no doubt, to hear more about the wonderful things that are happening in postsecondary education in our province. I'd ask them to rise and receive the traditional warm welcome of the House.

The Speaker: The hon. Minister of Government Services.

Mr. Lund: Thank you, Mr. Speaker. It gives me a great deal of pleasure to introduce to you and to members of the Assembly a constituent of mine, Jim Quinn. Now, Jim Quinn is president of Quinn Construction, and today he's hosting a delegation from Cuba, the CUPET organization, who have come to our great province to explore opportunities in the oil and gas industry. Their visit to Alberta is focused on preventative maintenance training, turnaround management, foreign worker exchanges, specialized and advanced training, technical training at postsecondary institutions, quality control, and technology upgrading. The delegation is seated in the members' gallery, and I would ask them each to rise as I call out their names: Jim Quinn, president, Quinn Construction, Paulette Hanson, Mike Pitre, Steve Boomer, Ernie Groom, Ralph Farrell. The members of the Cuban delegation are Abilio Gutierrez, Janvier Dieguez, Sochi Cabarcos, Jorge Aristides, Mirian Acosta, and Antonio Machado. I would now ask the Assembly to give them the traditional warm welcome.

The Speaker: The hon. Minister of International and Intergovernmental Relations.

Mr. Stelmach: Well, thank you, Mr. Speaker. I wish to introduce to you and through you to members of this Assembly eight very special guests from the Dr. Turner lodge in Fort Saskatchewan. They're accompanied today by group leader Darlene Thorne. They are seated in the members' gallery, and I would ask them all to rise and receive the traditional warm welcome of this Assembly.

The Speaker: The hon. Member for Wetaskiwin-Camrose.

Mr. Johnson: Thank you, Mr. Speaker. It's my pleasure to introduce to you and through you to the members of this Assembly

32 bright, energetic students from the Centennial school in Wetaskiwin. These student visitors are accompanied by five adult leaders, including principal David Luck, teacher William Black, counsellor Eva Rasmussen, student teacher Rhonda Harbert, and parent Mrs. Cathy Robinson. They're seated in the members' gallery, and I'd ask them to rise and receive the warm welcome of the Assembly.

The Speaker: The hon. Member for Edmonton-Centre.

Ms Blakeman: Thank you very much, Mr. Speaker. I'm pleased to introduce to you and through you to all members of the Assembly another arts company from Edmonton travelling to Ottawa soon to showcase us at Alberta Scene. Concrete Theatre is working in the community using theatre to promote cultural diversity and explore social issues. They're taking a production of *The Incredible Adventures of Mary Jane Mosquito* to showcase us. This is written by Tomson Highway and targeted to children in preschool to grade 6. I've seen it. It's a very charming little musical cabaret in English with French and Cree. I'd like to introduce the company, please, and if you would stand as I call your name: Julie Golosky is the performer and a wonderful opera singer; Ryan Sigurdson is her accompanist for this performance; Mieko Ouchi, a very well-known filmmaker and director of this production; Gina Puntill, a famous stage manager; and Marian Brant, an old friend and general manager of Concrete Theatre. Please join me in sending them off to Ottawa. Thank you.

1:40

The Speaker: The hon. Member for Edmonton-Rutherford.

Mr. R. Miller: Thank you, Mr. Speaker. I'm so pleased to have the opportunity today to introduce to you and through you to all members of the Assembly a special guest who is seated in your gallery. Her name is Sandra Sayer, and she is here not only to watch the proceedings this afternoon but to pay particular attention to her son Mikkell, who is a page in the Assembly. I know she is very proud of him. Mikkell is a grade 11 student at Concordia high school, and I'm sure he won't disappoint her this afternoon. So I would ask Sandra to please rise and receive the traditional warm welcome of the Assembly.

The Speaker: The hon. Member for Edmonton-Highlands-Norwood.

Mr. Mason: Thank you very much, Mr. Speaker. It gives me great pleasure to introduce to you and through you to the Assembly Mr. Steve Bradshaw. Steve is currently the financial secretary and assistant business agent for the Amalgamated Transit Union Local 569, which is my old local, representing workers at Edmonton Transit. He's also an executive member of the Edmonton-Mill Woods NDP constituency. I would ask that Steve rise and receive the traditional warm welcome of this Assembly.

The Speaker: The hon. Member for Edmonton-Calder.

Mr. Eggen: Thank you, Mr. Speaker. I have two introductions to make today. It gives me great pleasure to introduce to you and through you to this Assembly Frances Organ. Even at the age of 85 Frances continues to take classes in a variety of areas, epitomizing the idea of lifelong learning. Her long history of volunteerism in our community is remarkable and is greatly appreciated by all of those who she assists.

It also gives me great pleasure to introduce to you and through you to this Assembly Sheila MacKay. Sheila is very involved in the society of Capital Care Norwood auxiliary and volunteers two or three days a week helping to make patients feel more comfortable. Sheila has served two terms as secretary of the Alberta Health Care Auxiliaries Association, among other endeavours that she pursues. I would ask Sheila and Frances both to now rise and receive the very warm traditional welcome of this Assembly.

The Speaker: The hon. Member for Edmonton-Strathcona.

Dr. Pannu: Thank you very much, Mr. Speaker. It gives me great pleasure to introduce to you and through you to all hon. members of this Assembly Jeffrey Laventure-Johnston. Jeffrey is young, 25-years-old, and works as a buyer at Home Depot. He currently is also a caregiver for his brother who is an AISH recipient in Alberta. He is here today, I think accompanied by his brother, and they're both in the public gallery. I'll ask Jeffrey to please rise and receive the warm welcome of this Assembly.

head:

Oral Question Period

The Speaker: First Official Opposition main question. The hon. Leader of the Official Opposition.

Securities Commission

Dr. Taft: Thank you, Mr. Speaker. After weeks of pressure from stakeholders and investors and the Liberal opposition the Minister of Finance has handed off the Alberta Securities Commission file to the Auditor General. My questions are to the Minister of Finance: given that the Minister of Finance has told this Assembly that the report she received from part-time ASC commissioners indicated that there were no enforcement breaches at the commission, has the minister received new information that has caused her to change her mind?

Mrs. McClellan: Mr. Speaker, I would be pleased at the appropriate time to table the letter to the Auditor General in its entirety, but I would like to make sure that the Assembly understands that the Auditor General, as a normal course of his function, had proposed an audit on the Securities Commission. That was talked about in January.

Mr. Speaker, I have said this in the letter, and I think it's self-explanatory.

There have been questions raised regarding the Alberta Securities Commission's enforcement processes. The independent members of the Alberta Securities Commission have provided their assurance that enforcement policies administered [under] the Alberta Securities Commission have been, are, and continue to be applied consistently, fairly, and within an even hand. Nevertheless, given the critical role Alberta Securities Commission plays in capital markets, it is my hope that your review will be complete and timely. I hope that this report can be completed as quickly as possible, with a separate report by you made available to the Legislature and through the Legislature to all Albertans.

The Speaker: The hon. leader.

Dr. Taft: Thank you, Mr. Speaker. Given consistent allegations of enforcement breaches at the Securities Commission, will the Auditor General have the authority to investigate any unenforced complaints he discovers?

Mrs. McClellan: Mr. Speaker, one thing I neglected to say was that this letter was dated April 13, a week ago today.

Mr. Speaker, the Auditor General has all of the authority that he requires to do a complete investigation, and if the hon. member was listening, he would have heard me say, "It is my hope that your review will be complete and timely."

The Speaker: The hon. leader.

Dr. Taft: Thanks, Mr. Speaker. Again to the same minister: will the Auditor General's investigation allow for any and all current and former employees of the Alberta Securities Commission who want to come forward to come forward with a guarantee of legal protection so they don't feel gagged by threats from their employer?

Mrs. McClellan: Well, Mr. Speaker, I'm not sure that it's appropriate that I be questioned as to the abilities of the Auditor General. That question is more properly put to him. What I have said and I will reiterate one more time is that I have asked him to ensure that his report is complete and timely, so obviously there will be absolutely no restrictions suggested, which would be entirely inappropriate to do anyway, by this minister.

The Speaker: Second Official Opposition main question. The hon. Leader of the Official Opposition.

Electricity Marketing

Dr. Taft: Thank you, Mr. Speaker. Alberta's electricity consumers deserve straight answers from this government when it comes to electricity deregulation. They were forced to pay sky-high prices, but this government's explanations have left them in the dark. On Monday the Minister of Energy was decidedly evasive in response to my question, so I will try again. To the Minister of Energy: will this minister categorically deny that TransAlta electricity traders were involved in any manipulation of Alberta's electricity market?

Mr. Melchin: Mr. Speaker, we continue to be very clear that the market surveillance administrator is very active in protecting Alberta's interest to ensure that the system does work. At this stage there has been no evidence. Clearly, there's some old information that continues to come forward. It's old information. Much of it has been investigated in the past. The things with respect to TransAlta were actually not part of what happened in Alberta. It was part of what happened in Washington state.

Dr. Taft: The same pattern continues.

Again to the same minister, a repeat of a question from two days ago: will the minister tell this Assembly if the Alberta electric system operator investigation into potential market manipulation reported in September 2003, which the minister knows about, was referring to TransAlta?

Mr. Melchin: Mr. Speaker, since the hon. member is aware of when the question was previously asked, he'll also be aware of when the answer was previously given.

Dr. Taft: Again to the same minister: is it this government's position that there was no price manipulation of Alberta's electricity market?

Mr. Melchin: Mr. Speaker, at this stage of all investigations there has been no evidence to suggest manipulation in that context.

The Speaker: Third Official Opposition main question. The hon. Member for Edmonton-Gold Bar.

1:50 Enron Activities in Alberta

Mr. MacDonald: Thank you, Mr. Speaker. On July 19, 2001, Bill Williams III, one of the managers of Enron's trading operation, sent an e-mail stating, "We will be taking over the Dispatch of Enron Canada Corp.'s Sundance 3 and 4 Units for the evenings of July 19 - July 22." My first question is also to the Minister of Energy. How often did Enron's greedy American traders take control over electricity generation here in Alberta?

Mr. Melchin: Mr. Speaker, information with respect to Enron back in 1999 in particular has been investigated. There is some more information that has come forward at the insistence of the market surveillance administrator. That information has been forwarded to the federal Competition Bureau as to future dates.

No one takes lightly the fact that people might be acting improperly with respect to our electricity system. In that respect, evidence has still not been found at this stage to prove that there has been any wrongdoing.

The Speaker: The hon. member.

Mr. MacDonald: Thank you, Mr. Speaker. Again to the same minister: why did this weak and ineffective government allow Enron's west desk, trading desk, in Portland, Oregon, to take over the dispatch of over 700 megawatts of electricity from Sundance power plants here in Alberta and sell it somewhere else?

Mr. Melchin: Mr. Speaker, I'm not specifically aware of the time that he references. We'd be happy to look into the details. I don't have the specifics in front of me, so it's kind of hard to answer that detailed a question relating to some two to three years ago.

Mr. MacDonald: Again to the same minister: given that this greedy takeover of Alberta generation by Enron occurred outside the time frame currently being investigated by the Competition Bureau, will the minister finally do the right thing and launch a full, independent public inquiry and find out once and for all how often and for how much the public in Alberta has been ripped off by this electricity generation scheme?

Mr. Melchin: Mr. Speaker, it's convenient to continue to bring forward suppositions, allegations, and so forth and try and put in preambles that undermine the integrity and confidence in the system, but I'm here to say that the market surveillance administrator is a very effective watchdog, with the professional competence to actually watch and monitor, and does an excellent job on behalf of Albertans.

The Speaker: The hon. Member for Edmonton-Highlands-Norwood, followed by the hon. Member for Cardston-Taber-Warner.

Automobile Insurance Rates

Mr. Mason: Thank you very much, Mr. Speaker. Before the last election the Premier promised Albertans auto insurance rates equal to those in other western provinces. He has yet to deliver, and yesterday's announcement of a 6 per cent cut fails to address the 12.7 per cent overcharging identified in an insurance board study two months ago. My question is to the Premier. Why has the Premier broken his promise to Albertans that he would reduce rates

to the level paid in other western provinces which have public auto insurance systems?

Mr. Klein: Mr. Speaker, I understand the views of the hon. leader of the ND Party, who wants us to socialize everything, including the insurance industry. With respect to his preamble it's simply not true what he says. The intentions of this government were then and still are very good. They are intentions that I think that the hon. leader of the ND opposition would agree with, and that is that good young drivers should not be punished simply because they are young, good older drivers ought not to be punished simply because they are old, and good drivers generally in the age brackets in between ought not to be punished because they are good drivers. The insurance regulations clearly achieve that.

Mr. Speaker, notwithstanding the chat, the chitter, the unwanted chit-chat from across the way, I can tell you that relative to my own insurance it is comparable, very comparable to that paid in other jurisdictions.

Mr. Mason: Mr. Speaker, not all Albertans have chauffeurs.

Will the Premier tell this House why, when the insurance rate board said in February that Albertans are being overcharged by 12.7 per cent, the government is only rolling back rates by 6 per cent?

Mr. Klein: First of all, Mr. Speaker, every Premier that I know has a driver, not a chauffeur, who acts also as security, but not every Premier drives a '77 Volkswagen. Right? Or a – I forget. It's one of those . . .

Mrs. McClellan: PT Cruiser.

Mr. Klein: PT Cruiser. Right.

So, Mr. Speaker, those are the cars that I drive, you know, as opposed to what he drives.

Mr. Mason: Oh, Mr. Speaker, he got me there. Oh, yes.

Now, if we can get back to the subject at hand, Mr. Speaker, why does the Premier think that being gouged only half as much as people were previously being gouged is good enough?

Mr. Klein: Mr. Speaker, relative to the crux and the core of the hon. member's question, I'll have the Minister of Finance respond.

Mrs. McClellan: Well, Mr. Speaker, clearly, the hon. member has not followed the discussion that the Automobile Insurance Rate Board has had, nor does he fully understand the impact of the reforms in this province to date. First of all, there was a freezing, if you wish, a reduction of rates. Secondly, on the direct question on why, when the Automobile Insurance Rate Board stated that it was 12 per cent and they were only recommending 6, this is an interim reduction.

Yesterday, Mr. Speaker, I did clearly outline that there will be a review. That was anticipated and planned. That will begin shortly. We will hear all of the terms of that review. This fall the final number will be made apparent. It may be 12, it may be 13, or it may be 10, but that will be determined. So, really, the drivers in this province are getting a reduction six months earlier than was anticipated in the reform, and the ones I talked to are very, very pleased.

The Speaker: The hon. Member for Cardston-Taber-Warner, followed by the hon. Member for Grande Prairie-Smoky.

Infrastructure Spending

Mr. Hinman: Thank you, Mr. Speaker. The Minister of Finance described this current budget as one of investment for the future, and the minister of infrastructure has announced that additional money will go to schools. On behalf of the president of the Warner hockey school, Sandra Nelson – and, I might add, a long-time Conservative – will the ministers of Education, Gaming, infrastructure, Community Development, and perhaps even rural development meet with her and help her to make a centennial legacy for this province by providing the additional infrastructure funding needed to complete the Warner hockey school for girls? Perhaps Sandra's buddy MLA, the minister of infrastructure, could respond.

The Speaker: The hon. minister.

Dr. Oberg: Thank you very much, Mr. Speaker. I'd be more than happy to respond to that. I have met with the person that he mentioned on two occasions. I had the opportunity to drive in a car from Raymond, Alberta, where we made a wonderful announcement about a new school in Raymond. I had the opportunity to drive from Raymond to Taber with this individual, and she put forward an excellent case about the Warner hockey school, about what they were doing with kids in Warner. Indeed, my next-door neighbour actually goes to the Warner hockey school. So to say that we know nothing about it I think would be very much an exaggeration. We know a lot about it. We're working very closely with the people of Warner.

Mr. Hinman: I certainly didn't say that you didn't know anything about it.

To the Minister of Finance: on behalf of the mayor of Milk River, Terry Michaelis, will the minister help the town to reduce its debt and interest rate with the Alberta Capital Finance Authority from the current 11.6 per cent to a lower rate?

Mrs. McClellan: Well, Mr. Speaker, certainly the borrowing from Alberta Capital Finance Authority is done under a set of terms and rules and conditions that all who borrow under it understand. It's a well-known fact that there is an advantage to borrowing under that financing arrangement. It's consistent, not subject to change. But I think that if the particular organization in question has some concerns in that area, they should most properly address them directly to Alberta Capital Finance Authority.

2:00

Mr. Hinman: They've tried. That's why they're asking for help.

To the Minister of Children's Services: will the minister commit to recognizing and providing core funding for the Taber Safe Haven women's shelter?

Mrs. Forsyth: Well, we have, Mr. Speaker. I know the hon. member had a lengthy conversation with one of the members of my staff, and she explained to him about the funding that they're currently receiving. If my memory serves me well, they also received another \$10,000 under this budget.

The Speaker: The hon. Member for Grande Prairie-Smoky, followed by the hon. Member for Edmonton-Meadowlark.

Access to the Future Fund

Mr. Knight: Thank you, Mr. Speaker. Alberta is in an enviable position with respect to our economic activity, capital investment,

and subsequent revenue accruing to the province. A 20-year strategic plan has been developed, one of the pillars of which is leading in learning. My question to the Minister of Finance: with postsecondary education being a cornerstone of this province's future, how will the program be funded if the heritage fund for advanced education is to receive only \$250 million in the three years '05-06 through '07-08?

Mrs. McClellan: Well, first, Mr. Speaker, I want to remind all hon. members that advanced education received a 13.4 per cent increase, or \$196 million, in addition to the first instalment of the access to the future fund. I want to make it very clear that there is a clear commitment of this government to a \$3 billion access fund for advanced education. A clear commitment. We have made it very clear that the \$250 million identified in this budget was an initial investment and that future surpluses could be allocated to a number of things, one of them being the endowment funds. It will be built when we have the dollars.

The Speaker: The hon. member.

Mr. Knight: Well, thank you, Mr. Speaker. To the same minister. In the same time frame, '05-06 through to the end of '07-08, reallocations from the sustainability fund do not indicate any additional transfers to the scholarship fund or the science and engineering research fund. What plan is in place to address shortfalls in these areas?

Mrs. McClellan: Well, Mr. Speaker, as was indicated in our budget speech of last week, we anticipate a \$1.5 billion surplus this year. There is an anticipation of somewhat of a surplus in year 2 and year 3 of this three-year business plan. It is very clear that those dollars will be allocated to the capital account to deal with infrastructure pressures that are beyond the \$9.2 billion capital plan that we have in place, that we will continue to fund the heritage fund to inflation-proof it, and that we have invested \$500 million to the Heritage Foundation for Medical Research endowment. With the \$250 million for the access fund in this year, it is very possible that there can be a significant contribution to that in this three-year business plan.

The Speaker: The hon. member?

The hon. Member for Edmonton-Meadowlark, followed by the hon. Member for Edmonton-Castle Downs.

Horse-racing Industry

Mr. Tougas: Thank you, Mr. Speaker. Yesterday in this Legislature the Minister of Gaming went to great lengths to describe how the for-profit horse-racing industry, quote, earns, unquote, \$45 million in lottery revenue. A plumber earns his money. A carpenter earns his money. An opposition MLA earns his money. My questions are for the Minister of Gaming. Given that the gambling machines at Alberta's racetracks are owned and operated by the province of Alberta, what exactly does the horse-racing industry do to "earn" its \$45 million?

Mr. Graydon: Well, the Minister of Gaming is going to earn his money this afternoon.

I guess that a short answer would be that the machines are located at racetracks. The racing industry provides the entertainment, as far as racing is concerned, which invites people to those racetracks, and when they're there, hopefully they also spend a little bit of time

being entertained on the slot machines, a portion of which revenue goes to the racing association. Part of that revenue, obviously, goes to the Alberta lottery fund. They bring the guests in, and we entertain them.

Mr. Tougas: Well, if the government takes 33 and a third per cent of the money from gambling machines at racetracks, as the minister said last week, where does the other 66.6 per cent go?

Mr. Graydon: Well, obviously, part of that is what goes to Horse Racing Alberta. Another part of that goes to the facility operator, which is either Northlands, Stampede Park, Evergreen Park in Grande Prairie, and Whoop-Up Downs, I believe it's called, in Lethbridge. That's where the other portion of the money goes.

Mr. Tougas: Well, why does horse racing, which is a private, for-profit industry, get a 66.6 per cent cut of the profits from gambling machines at racetracks while charities at Alberta casinos get just 15 per cent?

Mr. Graydon: Well, we have to look at who builds the facility, Mr. Speaker. In the case of the racetracks the facilities are owned by Northlands or Stampede Park, as two examples. The other casinos in the province where charities get a lesser percentage, those facilities which cost multimillion dollars to provide and build, the nice new ones that we have, are owned by companies and not by the racetracks, or they're privately owned.

The Speaker: The hon. Member for Edmonton-Castle Downs, followed by the hon. Member for Edmonton-Decore.

Project Kare

Mr. Lukaszuk: Thank you, Mr. Speaker. The body of another woman was recently discovered in a remote area near Camrose, Alberta. Police have identified her as having led a high-risk lifestyle. This victim is added to a list of a dozen other women who died violently in our province over the last several years. The killer or killers are still out there. The latest discovery has created even more fear and concern among families and friends of women who also find themselves in similar dangerous lifestyles. To the Solicitor General: what are the police doing to identify and capture the person or persons responsible for these reprehensible crimes?

The Speaker: The hon. Solicitor General.

Mr. Cenaiko: Well, thank you very much, Mr. Speaker. This, of course, is a very tragic situation that has occurred, the abduction and senseless murder of another young Albertan. The RCMP have assembled a team of skilled investigators and analysts, 43, that are working on the case every day and have been for the last few years. Through the government of Alberta we are employing four Edmonton Police Service investigators that are also assisting on this case.

Mr. Speaker, last year the province and the Solicitor General's office provided \$2.9 million to provide funding to Project Kare, and in this budget last week that amount has increased to \$3.7 million, an additional \$800,000, to provide the financial support for these investigations.

The Speaker: The hon. member.

Mr. Lukaszuk: Thank you, Mr. Speaker. My first and last supplemental: what is the province doing to assist the police as they are conducting their investigations?

Mr. Cenaiko: Well, Mr. Speaker, the person or persons responsible obviously have been preying on the most vulnerable in our society, and this is one of the issues, again, that we have to be looking at. The government, as I mentioned, is providing full support to the RCMP, full support to the Edmonton Police Service, as we do look at 41 homicides throughout this province, not just in the capital region but homicides going back to the 1930s. Obviously, the Project Kare team was developed in the last few years with regard to those serious murders in the capital region. We continue to monitor as well as assist the RCMP in whatever way we can, but we're also asking the public's support regarding any information they know and asking them to call Crime Stoppers at 222-TIPS.

The Speaker: The hon. Member for Edmonton-Decore, followed by the hon. Member for Calgary-Hays.

2:10 Oil Well Drilling on Crown Land

Mr. Bonko: Thank you, Mr. Speaker. Current oil field development on disputed Crown lands in northern Alberta illustrates the lack of direct input Albertans have in ensuring long-term sustainability in the province's natural areas and economic potential. My question to the Minister of Sustainable Resource Development: before a surface disposition licence was issued to companies involved in oil and gas development at Sawn Lake, did the minister think it necessary to initiate an environmental impact assessment or bother consulting with affected communities?

Mr. Coutts: Mr. Speaker, I'm not familiar with the exact incident that the hon. member has brought forward, but I'll certainly look into it. It sounds to me that it might be something the EUB might be having approval of, and maybe the hon. Minister of Energy might be able to supplement.

Mr. Bonko: Mr. Speaker, what, if any, public consultations are completed before a licence is given to clear an area the size of half a township?

Mr. Coutts: Again, Mr. Speaker, I believe that when it comes to clearing sites, that's part of the application process to the EUB.

Mr. Bonko: To the same minister: does the minister consider the shoot first and ask questions later approach to be a responsible, sustainable practice in developing long-term integrated land management policy?

Mr. Coutts: Mr. Speaker, there are processes in this province that have proven themselves for almost 60 years on how approvals are given for development in oil and gas and certainly in forestry, and those processes are followed. I will certainly take this question under advisement and get the details.

Thank you.

The Speaker: The hon. Member for Calgary-Hays, followed by the hon. Member for Edmonton-Calder.

Courthouse Security

Mr. Johnston: Thank you, Mr. Speaker. Judges in Alberta have expressed concerns about the safety and security in courtrooms and buildings that they are employed in. In light of the fact that in 2004 there was an attempt to take a weapon from a guard in a courtroom and other incidents around Alberta, I have a question for the Solicitor General. That question is: what is the government doing to

ensure safety in Alberta courtrooms, not just for judges but for prosecutors and members of the public?

The Speaker: The hon. minister.

Mr. Cenaiko: Thank you very much, Mr. Speaker. We take the matter of courthouse security very, very seriously. We're well aware that judges, Crown prosecutors, defence counsel, provincial witnesses as well as the members of the public have to be protected within our public court systems. In this last budget we allocated \$6 million to provide security to the perimeter of our courts, but as well we're looking at in the future video conferencing throughout the province from our corrections facilities, working in conjunction with the Attorney General regarding video conferencing from a remand centre to the courthouse. So that's another project that we're working on this year.

Mr. Johnston: My only supplementary question is: can the minister tell the House if this increased security plan means checking individuals entering courtrooms or buying special equipment?

Mr. Cenaiko: Well, Mr. Speaker, this year we're providing additional funding to our provincial protection officers that do work in the courts. We're going to be hiring an additional 45 officers this year to redeploy 30 RCMP officers out of the courts and back to front-line duties. As well, this may create the fact that, yes, individuals going into the courts may be checked and security screened through a scanner and/or a metal detection device just to ensure the safety of the courts and ensure the safety of the public, the judges, the Crown prosecutors, and defence counsel within those courts. Each case that is held in court can vary from the degree of a high-risk case to those of normal proceedings, but again some of those high-risk cases do need that additional security.

The Speaker: The hon. Member for Edmonton-Calder, followed by the hon. Member for Edmonton-Centre.

Oil Well Drilling on Crown Land

(continued)

Mr. Eggen: Thank you, Mr. Speaker. The future of a major heavy oil development near land reserved for the Lubicon Lake First Nation is very much up in the air, with the former partner in the consortium trying to block the project from going forward. The Minister of Energy has acknowledged in this House that the project has not received the necessary regulatory approvals. None of this, though, has stopped this oil company from moving in and inflicting major environmental damage on the site. My question is to the Minister of Environment. Why does the government allow Alberta's natural environment to be destroyed by energy companies like Deep Well Oil & Gas when their projects haven't even reached the first base in the regulatory approval process?

The Speaker: The hon. minister.

Mr. Boutilier: Thank you, Mr. Speaker. I think that for the benefit of all members of the House – this question has been asked before and addressed by not only myself but the Minister of Energy – I would like to say that the mineral rights, in fact, were applied for to the Ministry of Energy and through the EUB. In fact, they went through that process to receive their permission pertaining to mineral rights. So this House was not aware of that fact in previous questions, and I want to share that with the House and with the hon. member today.

The Speaker: The hon. member.

Mr. Eggen: Thank you. To the same minister: why does the minister, who's otherwise meant to be protecting Alberta's environment, refuse to change the rules so that oil and gas companies can no longer clear trees, impact water bodies, and alter ecosystems until after their projects have been secured through all the necessary regulatory approvals.

The Speaker: The hon. minister.

Mr. Boutilier: Thank you very much, Mr. Speaker. I want to say also that I would add that in terms of surface rights they also actually go through the Ministry of Sustainable Resource Development, which I understand has also been taking place, that the members of this Assembly would not be aware of. But I can assure this House and all Albertans that the regulations regarding the protection of our environment will continue.

I also want to share that today, of course, 700 Albertans from across all corners of our province are here at the first environmental conference of its kind in Alberta, right here in Edmonton, and I'm very pleased to say that, you know, in the final analysis our most basic common link is that we all inhabit this small planet and this Earth that we live on. We all breathe the same air, drink the same water, and as we go forth, I believe without any political stripe that the environment is something that crosses over all of the boundaries of the politics that are here in this House.

Mr. Eggen: Mr. Speaker, why doesn't the minister step out of his message box once in a while and instead endeavour to change the rules so that oil and gas companies are required to have all necessary approvals before they can clear the trees, build roads, and permanently alter ecosystems?

Mr. Boutilier: Mr. Speaker, I can assure the hon. member and all members of this Assembly and Albertans that are watching that before any work is done, the rules of environmental protection are followed, will be followed. If there is any breach of that, I'd encourage the hon. member to bring it forward, and we will take quick and swift action pertaining to anything that is going on that is not following Alberta regulation.

The Speaker: The hon. Member for Edmonton-Centre, followed by the hon. Member for Stony Plain.

Mental Health Strategy

Ms Blakeman: Thank you, Mr. Speaker. Currently the Mental Health Act includes provisions for mandatory treatment only after a person is proven to be a danger to themselves or others; in other words, a danger model. B.C., Ontario, Saskatchewan, and Manitoba have legislated a treatment model that provides people with serious mental disorders community-based treatment and supervision. Studies have shown that these programs reduce hospitalization, increase compliance, decrease victimization of the mentally ill, and decrease violence against members of the public. My questions are to the Minister of Health and Wellness. Will the government update the Mental Health Act to move from a danger model to a treatment model for the treatment of mentally ill Albertans?

Ms Evans: Mr. Speaker, in the last couple of years there's been significant work done on the integration of mental health services at the regional level. Now, the question the hon. member asks is

worthy of consideration, and in the course of some of the innovative funding responses we get this year to things that we plan to do, we will be very inclined to working further with that. Perhaps during the Committee of Supply I can provide more detail on exactly how we see ourselves funding things. On the legislative requirement we'll take that under consideration.

Ms Blakeman: Again to the same minister: I'm wondering what the holdup is, what the delay is, considering that other provinces have already given us the model to work from.

Ms Evans: Well, Mr. Speaker, I'm going to reflect today on the remarks of a certain Senator, Senator Kirby, who spoke to me about, generally, the state of the nation and mental health. There's a lot of work to be done in Canada to improve mental health. There's been a stigma attached to it, and different provinces have described different solutions.

My feeling is that we're embarking on something entirely new with this integration service. We are adding to the supports for mental health. We are working with the professionals and with the training institutions relative to the capacity that we bring in the system. Legislation, although it is one tool, is not always the answer. Frequently the better tools are to work with the providers of service.

Mr. Speaker, one of the emphases that I know was part of the budget speech was on the work that we're going to do with children's mental health, integrating between ministries and also with the providers and the various authorities, and I hope we'll be able to get more answers. The hon. member is right: we're on the threshold of things that I think we can and will do better in future.

2:20

The Speaker: The hon. member.

Ms Blakeman: Thank you. Again to the same minister: given that the government has never allocated enough funding to support deinstitutionalization, will the minister under this new third way commit to the resources that we've all been waiting for for 25 years?

Ms Evans: Mr. Speaker, I think the track record of Alberta's funding for mental health has been appropriate in terms of institutionalization. I have worked in such an institution. It is not always the answer. Frequently institutionalization withdraws the member from the community and makes it much more difficult for them to integrate with the community later. So I think the most important thing is to individually tailor our response to the patient with the provider and take a look at what the most appropriate circumstance is.

Mr. Speaker, some of the supports that have been provided in individual family homes and other circumstances where trained professionals work directly with individuals have had much more success than the so-called traditional model of institutionalization. So I look forward to working on that and to expanding on this further when we talk through the Committee of Supply.

The Speaker: The hon. Member for Stony Plain, followed by the hon. Member for Edmonton-Rutherford.

Electricity Transmission

Mr. Lindsay: Thank you, Mr. Speaker. As Alberta grows, so does the demand for electrical system services. The Alberta Energy and Utilities Board has issued a decision to approve the independent system operator's application to reinforce the Edmonton to Calgary

transmission corridor. My first question is to the Minister of Energy. In terms of these upgrades that are needed in Alberta's electrical transmission system, what significance does this particular project have?

The Speaker: The hon. minister.

Mr. Melchin: Thank you, Mr. Speaker. This approval by the Energy and Utilities Board recently to build a 500 kv line between Edmonton and Calgary is very significant in the overall context of the reliability of the transmission system so that we can ensure that power can be delivered where it's needed when it's needed. We've had tremendous growth in that sector of population industry, and it's put quite a bit of strain on the existing. With the new transmission lines being built, that will add to efficiency. You will actually by greater efficiency see less line loss lead to a savings, which will actually pay for the new additions.

The Speaker: The hon. member.

Mr. Lindsay: Thank you, Mr. Speaker. My only supplemental is to the same minister. When is this project expected to be completed, and are there other upgrades being considered at this time?

Mr. Melchin: Mr. Speaker, this project has two different phases to it. The first one just involves upgrading existing lines and facilities. That first phase is to be completed in the year 2007. The second phase includes a 330 kilometre line, which is to be completed in approximately 2009. They have the approvals at this stage to do that planning. There still has to be access questions for the specific routing of that line to be approved, and the contemplation is within 2009.

The Speaker: The hon. Member for Edmonton-Rutherford, followed by the hon. Member for Whitecourt-St. Anne.

Commercial Vehicle Insurance Rates

Mr. R. Miller: Thank you, Mr. Speaker. Yesterday the Minister of Finance ignored the concerns of small business owners in this province by refusing to provide them with relief on their auto insurance premiums. My question is for the Minister of Finance. Why did this minister once again ignore Joe's pool hall and other small businesses by excluding commercial vehicles from the mandatory, better-late-than-never premium reductions?

Mrs. McClellan: Mr. Speaker, the automobile insurance reforms that were introduced in this province in October of 2004 were clearly to cover private vehicles and the compulsory portion of insurance. There was, I believe, at that time a commitment that we would review whether there should be any further inclusion in that and that we would after some experience with the initial auto reforms look at that, and I would expect that that is what would happen.

If the reference is to either the question in the House or to the release from us on the reduction, I'd like a clarification on that because I'm not sure if the hon. member is just referring to the release of the 6 per cent mandatory reduction or to the question on insurance on property, et cetera.

Mr. R. Miller: The question was about auto insurance.

I'm wondering now: will the minister expand the scope of the upcoming AIRB public hearings to include commercial vehicles?

Mrs. McClellan: Well, Mr. Speaker, the Automobile Insurance Rate Board will very, very soon, perhaps today or tomorrow, be releasing the terms of reference for the review.

Mr. R. Miller: They announced it.

Mrs. McClellan: He tells me that they've announced it, so it was today.

Mr. Speaker, I don't think there's anything that would prohibit anyone from bringing forward information to that review. However, the review was very specific to deal with the reforms that we put in place in October of last year. Again, I repeat: for all of the criticism that we have heard from across the way on those reforms, they must really think they're working because they want more included in them, and I thank you for that vote of confidence.

The Speaker: The hon. member.

Mr. R. Miller: Well, thank you, Mr. Speaker. My third supplemental is to the Minister of Finance. I'm just wondering: would she please enlighten this House as to whether or not she reads her press releases before she sends them out?

Mrs. McClellan: I can answer that, Mr. Speaker. Absolutely. I read everything that goes out of my office. Absolutely everything. Sometimes, though, it has a little XXXX at the top on the date, that it will either be today or tomorrow, and when I read the release, it didn't have those Xs filled in. There is nothing that goes out of my office that I do not read if I have approved it or signed it.

Electrical Permits

Mr. VanderBurg: Mr. Speaker, I'm a licensed tradesman, as are the members for Calgary-Foothills and Grande Prairie-Smoky, and I've had calls regarding the proposed changes to the permitting system that would allow journeyman electricians to apply for permits necessary to do electrical installation. Currently only master electricians can apply for these permits. My callers are suggesting that this change would impair the safety of Albertans as a journeyman electrician could have less experience than a master electrician. My first question is to the Minister of Municipal Affairs. Can the minister assure these callers that this proposed change to the master electrician program will not compromise the safety of Albertans?

The Speaker: The hon. minister.

Mr. Renner: Well, thank you, Mr. Speaker. I'm pleased to respond to that question. First of all, let me assure the hon. member that nothing within our public safety division is of more paramountcy than the safety of Albertans within their homes, their workplaces, or their places of employment.

I also want to advise the member that there is, in fact, an ongoing review that has been under way since 2001 by the permit advisory group. One of the recommendations that they are considering is that journeyman electricians be allowed to take out permits for low-voltage installations only, such as single-family homes.

Mr. VanderBurg: Well, Mr. Speaker, my constituents that have contacted me do not want this change.

To the same minister: why are you going down this route?

Mr. Renner: Well, Mr. Speaker, let me emphasize that this is not a decision that has been reached yet. It is one that is under consider-

ation. There is, as I mentioned, an ongoing review of the Safety Codes Act and the permitting regulations. The process is designed to ensure that there is uniformity between the trades and between the policies with respect to the issuance of permits. So this particular consideration is in the context of many others, and the decision as to whether we accept those recommendations or not is yet to be made.

2:30

Mr. VanderBurg: Mr. Speaker, again to the same minister: given that these proposed changes are being considered by your ministry, will there be an opportunity for further feedback not only from my constituents but other electricians around the province?

Mr. Renner: Well, Mr. Speaker, it's interesting that concurrent with the review that's taking place, there was also an initiative by the Electrical Contractors Association of Alberta to review the master electrician program. In fact, they have a number of town hall meetings scheduled across the province to do just that. I would encourage the hon. member and his constituents and any Albertans, as a matter of fact, to find out when one of those town hall meetings is taking place within their community, attend that meeting, and voice their opinion and their concerns with respect to this particular issue and anything else to do with the master electrician program.

The Speaker: The hon. Member for Calgary-Varsity, followed by the hon. Member for Lac La Biche-St. Paul.

Private/Public Partnerships

Mr. Chase: Thank you, Mr. Speaker. Because this government prefers to conduct Albertans' public business behind its closed caucus doors under the cloak of FOIP, the restriction of information act, this people's parliament has the shortest sittings in the country. During question period opposition questions are often ignored and frequently ridiculed. Yesterday I received information that the Ministry of Infrastructure and Transportation had selected a single contractor for a \$300 million P3 project to build 25 schools. My questions are to the Minister of Infrastructure and Transportation. Will the minister for the record either confirm or deny this latest P3 information?

The Speaker: The hon. minister.

Dr. Oberg: Thank you, Mr. Speaker. I completely deny it.

The Speaker: The hon. member.

Mr. Chase: Thank you. To the same minister: given this government's P3 record, which includes the downsizing of the Calgary courthouse plan although the original \$300 million cost remained the same, why will this government not abandon its flawed P3 projects?

Dr. Oberg: Mr. Speaker, first of all, in the member's preamble there were a lot of things that were, quite frankly, nonsense. For each and every P3 that we will do – and we will be doing more; there will be more P3s in Alberta – we'll take a specific look at the individual one. We'll be taking a look at the business case. It will be reviewed by a committee of private individuals.

Mr. Speaker, the P3s that we're going to do in Alberta are exceptional, bar none. There are no other ones that are out there at this particular time. Could there be some? Absolutely. But each and every one is going to be looked upon on its own merits and its own business case.

The Speaker: The hon. member.

Mr. Chase: Thank you, Mr. Speaker. Given this government's past flip-flops, will the minister commit to building Calgary's southeast replacement hospital in a transparent, publicly accountable, open-bid, non-P3 manner?

Dr. Oberg: Well, Mr. Speaker, I think the hon. member has been reading the newspapers again. The bottom line is absolutely. That's what we're doing.

The Speaker: The hon. Member for Lac La Biche-St. Paul.

Railway Container Terminals

Mr. Danyluk: Thank you very much, Mr. Speaker. On April 15 the federal government, the province of British Columbia, and the industry confirmed their support for developing a container handling facility in Prince Rupert. My question is to the Minister of Infrastructure and Transportation. What are the implications of this new project on Alberta?

Dr. Oberg: Mr. Speaker, the news that came out of British Columbia, with the federal government and the British Columbia government and CN Rail working together to get the port of Rupert back in the shape that it should be, is absolutely tremendous news for Alberta. What we have now is another port where we can transport our goods.

Mr. Speaker, just for your information, as of today 38 per cent of the goods that go through the port of Vancouver are from Alberta. If there is anything – if there is anything – that shuts down the port of Vancouver, from labour unrest to any technical issues to anything at all, we're going to see that 38 per cent of our goods being an issue. By opening up the port of Prince Rupert, it enables us to have another, quicker, shorter route to our Asian markets. It's approximately 30 to 40 hours shorter from Prince Rupert to the Asian markets than it is from Vancouver.

The Speaker: The hon. member.

Mr. Danyluk: Thank you very much, Mr. Speaker. My first supplemental to the same minister: what are his department's plans to assist Alberta to take advantage of this new infrastructure?

The Speaker: The hon. minister.

Dr. Oberg: Well, thank you, Mr. Speaker. Certainly, we're working on the rail links that we have in Alberta through our short-line railroads to link onto the rail to Prince Rupert, and that's probably the biggest thing that we can do. I will say, though, that I think the future is unlimited. If we can expand a pipeline along that same route into Prince Rupert, I think the opportunity is huge for us to export oil through that particular port.

Mr. Speaker, again, this is wonderful, wonderful news for the citizens of Alberta, and it opens us up, quite literally, to a whole new world.

The Speaker: The hon. member.

Mr. Danyluk: Thank you, Mr. Speaker. My final supplemental, again to the Minister of Infrastructure and Transportation: what assistance might the minister be able to offer in developing a proposed container handling facility in the Grande Prairie region?

Dr. Oberg: Mr. Speaker, I was in Grande Prairie probably about four to six weeks ago, and I actually saw the site that they were looking at for this particular container facility. I like the idea. I think there's certainly a case to be made for the intermodalities of transport, and I think that we can certainly look at it. There has not been a specific business case that has been presented to us. There has not been a specific proposal that has been sent to us. However, I do believe that there is certainly opportunity there. Again, this is a wonderful site in order to group the product to ship it off to Prince Rupert and subsequently across to world markets.

The Speaker: Hon. members, in a few seconds from now I'll call upon the first of six members to participate, but in the interim might we revert briefly to Introduction of Guests?

[Unanimous consent granted]

head: **Introduction of Guests**
(*reversion*)

The Speaker: The hon. Member for Red Deer-North.

Mrs. Jablonski: Thank you, Mr. Speaker. I'm pleased to introduce to you and through you to members of this Assembly a very special group of students from River Glen school in Red Deer-North. River Glen school is an anomaly because while it is located in the heart of the city of Red Deer, the majority of its students are from rural Alberta. These are well-rounded students who make us very proud. They're always enthusiastic and cheerful whenever I'm fortunate enough to visit their school. There are 44 very bright and energetic students seated in the members' gallery. They are accompanied by their teachers, Mr. Bob Irwin, Miss Tracy Dreher, and Mr. James Stork, along with two parents, Mrs. Christine Richardson and Mrs. Leora Clutton. I would ask them to stand and receive the warm welcome of the House.

The Speaker: The hon. Member for Airdrie-Chestermere.

Ms Haley: Thank you very much, Mr. Speaker. It's a real pleasure for me to be able to introduce to you and through you to members of the Assembly 26 guests from my constituency. They are 20 students from the Meadowbrook school, five parents, and their teacher. I wanted to tell you that they're here for the School at the Legislature. They won the right to be here through an Access TV competition, and I'm very proud of them. I had the opportunity to visit with them last fall in their classroom. They asked brilliant questions, kept me on the hot seat for over an hour. I'd like to introduce them now, please. The parents are Kim Clark, Gary Wilde, Robert Wellspring, Debbie LeVesconte, and Leanne Simon, and the teacher is Mr. Robert Hodgins. I'd ask all of them and the 20 brilliant students to please rise and receive the warm welcome of the Assembly.

The Speaker: Hon. members, on that point just raised by the hon. Member for Airdrie-Chestermere, I really encourage you, when you're out talking to schools, to encourage them to look at the School at the Legislature program. Although it's located in Edmonton and it's very difficult for schools outside of Edmonton to do it, it is possible. That's the one message in terms of that, and I appreciate that because it's a tremendous learning experience for citizens throughout the whole province of Alberta.

head: 2:40 **Members' Statements**

The Speaker: The hon. Member for Lac La Biche-St. Paul.

National Soil Conservation Week

Mr. Danyluk: Thank you very much, Mr. Speaker. I would like to rise today in recognition of National Soil Conservation Week, which is April 17 to 23.

With the federal government's directionless Kyoto implementation plan being recently introduced to the public and few details available, it looks like the feds will let the eastern industries develop their own standards and force unrealistic standards upon the industries which are primarily located in the west.

Here in the prairies conservation, particularly soil conservation, is something that is practised not because it's what Ottawa wants but because it's the right thing to do. Farmers and ranchers are the original stewards of the land, and they pass on their knowledge and respect for the land to the next generation of farmers and ranchers, which is primarily their children. Alberta producers have been leaders in soil conservation and are continually improving their practices by developing the science and technology needed to ensure that our soils are able to continue producing the highest quality crops across the entire globe.

Through the environmentally sustainable agriculture soil quality benchmark program Alberta Agriculture staff work with producers to monitor and assess the quality of Alberta's soil to keep a strong commitment to one of Alberta's most precious natural resources. Producers benefit by using direct seeding and other management practices to improve water infiltration, increase seedbed moisture, enhance organic matter, and reduce the risk of soil erosion.

I would like to thank all the producers past and present for their work in sustaining and enhancing Alberta's soil. Let us leave the land in better shape than when we started.

Thank you very much, Mr. Speaker.

National Volunteer Week

Mr. Strang: Mr. Speaker, many of Alberta's great successes have been achieved thanks to the dedication and generosity of volunteers. From coaching soccer to building schools overseas, Albertans have always helped others.

This week we pay tribute to the voluntary sector through Volunteer Week. This is a nationally proclaimed week held to celebrate the valuable and momentous contribution that volunteers make to our lives. All across this great province many events and achievements are going to take place to recognize and thank the volunteers who play such critical roles in our communities. The Wild Rose Foundation provides a provincial focus to Volunteer Week activities. This year a record number of 153 Alberta communities representing more than 2 million Albertans are participating in this week-long series of events.

It is estimated that the volunteer sector is worth over \$1 billion to Alberta's economy and over \$14 billion to the national economy. The commitment of dollars from Alberta lotteries is continuing to strengthen the efforts of those citizens who are known for their generous spirits, willingness to give, and unfaltering commitment to improving the quality of life for all of us. Alberta leads the way in the voluntary sector, and we can all take pride in the great accomplishments.

I encourage this Assembly to continue its support and encouragement of volunteerism in this province. Throughout Alberta our volunteer spirit is contributing directly to the health and well-being of our citizens and communities.

Thank you very much, Mr. Speaker.

The Speaker: The hon. Member for Drayton Valley-Calmar.

Centennial Canoe Trip

Rev. Abbott: Thank you, Mr. Speaker. In 1670 King Charles II granted an exclusive charter to Prince Rupert, governor of the Company of Adventurers of England Trading into Hudson's Bay, for the trading of furs and other commodities on all the lands and streams draining into Hudson Bay. That company became known as the Hudson's Bay Company, and the land under Prince Rupert's control, known as Rupert's Land, eventually became most of what is now the dominion of Canada. Prince Rupert's royal charter required the Hudson's Bay Company to pay as rent two black beavers and two elk annually to King Charles or his successors whenever they should be in Rupert's Land.

Mr. Speaker, now that Queen Elizabeth II will once again be returning to Rupert's Land for Alberta's centennial, it's time to pay the rent. Young voyagers from Saint John's School of Alberta, located at Genesee in my constituency, will be joining the 1967 centennial race voyagers on a three-day canoe trip along the North Saskatchewan River from Rocky Mountain House national park to the Alberta Legislature Grounds. Once they arrive on May 22, they will be presenting the Hudson's Bay Company's rent to a prearranged recipient in the form of two elk leather signed scrolls and two tartan-backed beaver blankets.

Saint John's school is a residential school founded in 1968. It is known for its focus on academics and outdoor programming for students from grades 7 to 12.

I would like to commend the young voyagers from Saint John's school as well as the entire delegation who will be making the trek from Rocky Mountain House national park. These adventurers embody what it means to be Albertan and certainly show that the centennial spirit is alive and well.

And, Mr. Speaker, we all know what happens if we don't pay the rent.

Finola Hackett

Mr. Lougheed: Mr. Speaker, I rise today to recognize a young Albertan who has once again proven that Albertans rise to the top no matter what the occasion. This past Sunday in Ottawa Finola Hackett, a 13-year-old student from Tofield, Alberta, was crowned the first ever CanWest CanSpell National Spelling Bee champion. During the event 22 competitors, including four from Alberta, competed in Ottawa for the CanWest CanSpell Cup, a \$10,000 scholarship, and the opportunity to be flown to Washington, DC, this May to compete in the prestigious Scripps National Spelling Bee. In the end it was Finola and Edwin Ho, from Toronto, battling word for word for 11 rounds before Finola correctly spelled otiosity to take the title. Ironically, otiosity, o-t-i-o-s-i-t-y, means producing no useful result.

Mr. Speaker, on behalf of all hon. members I congratulate Finola on her impressive victory, and I also congratulate all of our Alberta competitors: Mohamed El Mais, Matthew Fergel, and Mengya Zhou for their accomplishments. Making it to the national finals was no easy feat, and I commend them for all their hard work and dedication. These young Albertans are an incredible example of the talent that lies within every school in Alberta, and I know that they will all be doing great things in the future.

Thank you, Mr. Speaker.

The Speaker: The hon. Member for Edmonton-Meadowlark.

CKUA Radio

Mr. Tougas: Thank you, Mr. Speaker. The CKUA Radio Network

is a true Alberta treasure. Founded in 1927 by a forward-thinking government, CKUA was Canada's first educational broadcaster and its first public broadcaster, predating the CBC by many years. Now in its 78th year CKUA Radio has evolved from a tiny, low-wattage station staffed by dedicated amateurs devoted to the still-newfangled gizmo called radio to a one-of-a-kind radio station carried by a network of 17 transmitters across Alberta.

The CKUA Radio library is one of the most impressive collections of recorded music anywhere in the world, with a quarter million LPs and CDs containing more than 1 and a half million pieces of music. However, this vast collection was briefly silenced when in 1997 a government-appointed board ran CKUA into the ground and forced its closure. Happily, thousands of Albertans rallied around the silent station and brought it back to life run by a volunteer board of directors and dependent for its survival on public support and thousands of hours of volunteer help.

This approach had never before been tried in Alberta, but it was and remains today a great Alberta success story. CKUA today gets most of its budget from its loyal supporters across Alberta, from Athabasca to Whitecourt, and from around the globe. In a world of rigid music formats and cookie cutter corporate control of the radio dial CKUA is truly an oasis for the ears. From folk to jazz, Alberta musicians to stars of world music, classical, blues, Celtic, and contemporary, CKUA has something for every discerning listener.

I urge all members of this Assembly to give it a listen. If you like what you hear – and you will – please join me in making a donation to CKUA during its current spring fundraising drive. There is no other radio station on the planet quite like CKUA, and it is something that all Albertans can be proud of, and it deserves our continued support.

Thank you.

The Speaker: The hon. Member for Calgary-Varsity.

Volunteer Achievements

Mr. Chase: Thank you, Mr. Speaker. The theme of today's recognition is the importance of volunteers. The voluntary efforts of a number of dedicated parents and coaches encouraged the Calgary NASA Rockettes to not only win this spring's Calgary pee wee girls minor hockey tournament but to go on and win the provincial championship. One of the youngest contributors to the team's success was right wing number 8, Moriah Chaisson. Moriah's grandmother, a good friend of mine, not only runs a full-time, highly successful business, Gerry's Hair Design, out of her home, helps with the raising of her grandchildren, but also finds spare time as a volunteer to help adults overcome their addictions.

Last Saturday more than a thousand climbers and their supporters ranging in age from two to 90 participated in the Alberta Wilderness Association's 14th annual Calgary Tower climb. The members for Calgary-Mountain View, Calgary-Lougheed, and I were there to acknowledge the participants' efforts. It was my honour to present iron woman, 90-year-young Phyllis Hart with an award for climbing the 916 stairs not once but twice.

Among the generous corporate sponsors who participated were EnCana Resources and Shell Canada. Shell is one of four environmentally conscious companies, including BP, Petro-Canada, and Suncor, that have already voluntarily reduced their emissions below the Kyoto requirement. Hopefully, Shell will show the same type of environmental ingenuity in finding an alternative method to dredging in a sensitive Canadian Arctic beluga whale habitat in order to access and transport gas deposits.

Thank you.

2:50 Vignettes from Alberta's History

The Speaker: Hon. members, by way of an historical vignette for today, on April 20, 1999 – that's not very long ago – one of the really momentous agreements was signed in this country. It was actually signed here in the province of Alberta. It was not the first time, but it was renewed on April 20, 1999, and it was an agreement between the government of the province of Alberta and the Métis Nation of Alberta, which made it very unique in all of Canada.

This agreement was for seven years, and it basically said that it would focus on projects with positive and measurable outcomes for the Métis people in the province of Alberta. The agreement terminates March 31, 2006, but it's also a very good time to just recognize that we have at least four members of this Assembly who are of Métis heritage. To the hon. Minister of Aboriginal Affairs and Northern Development, the hon. Minister of Seniors and Community Supports, the hon. Minister of Restructuring and Government Efficiency, and the hon. Member for Bonnyville-Cold Lake, who all have Métis blood in their veins, congratulations.

head: Tabling Returns and Reports

The Speaker: The hon. Member for Edmonton-Strathcona.

Dr. Pannu: Thank you, Mr. Speaker. I'd like to table five copies of an op-ed piece in the *New York Times* of April 15, 2005, by Professor Krugman, a respected professor of economics at Princeton University. In this document Professor Krugman describes why the most privatized health care system in the advanced world – that is, the U.S. system – is “also the most bloated and bureaucratic.”

Thank you, Mr. Speaker.

The Speaker: The hon. Member for Edmonton-Calder.

Mr. Eggen: Thank you, Mr. Speaker. I would like to table five copies of a letter dated April 13, 2005. The letter is from Kerry Barrett, the president of the Alberta Federation of Labour. Ms Barrett is expressing her concern about the lack of consultation with labour in preparing Bill 15 and the serious impact that it has on “important principles regarding worker rights.”

Thank you.

The Speaker: The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you very much, Mr. Speaker. I have a tabling this afternoon, and it is the document that I quoted in question period this afternoon. It is from the Federal Energy Regulatory Commission library in Washington, DC, and it asks the question, “Did Enron undertake generating projects in Canada?”

Thank you.

The Speaker: The hon. Member for Edmonton-Manning.

Mr. Backs: Thank you, Mr. Speaker. I'd like to table a further five copies of another letter from Kerry Barrett, the president of the Alberta Federation of Labour, asking for a delay in Bill 15 until there is proper consultation with all stakeholders that could be affected by this bill.

Thank you.

Mrs. McClellan: Mr. Speaker, as I indicated earlier in question period, I would table a letter that was written to our Auditor General, Mr. Fred Dunn, regarding his audit of the Alberta Securities Commission.

head: Orders of the Day

head: Committee of Supply

[Mr. Marz in the chair]

The Chair: I'll call the Committee of Supply to order.

head: Main Estimates 2005-06

Energy

The Chair: The hon. Minister of Energy.

Mr. Melchin: Thank you, Mr. Chairman. I'm pleased to take the opportunity this afternoon to review with members of the Assembly the business plan and budget for the estimates for the Ministry of Energy as outlined over the next three years and, as certain members have certainly echoed here, the source of much of the money for this province and this government.

I'd like to introduce, if I could, a few of the members of the executive of the Department of Energy. We are very fortunate to have some very talented, excellent professionals, with great backgrounds, a tremendous source of expertise that is provided by officials in the government and this department in particular to the Department of Energy. I have Ken Smith as Deputy Minister of Energy. He's up in the members' gallery. We also have John Giesbrecht with the Energy and Utilities Board. We have David Breakwell, assistant deputy minister, and Kellan Fluckiger, who's head of the electricity division of our department. Others are I know participating, and we welcome them here and thank them for their excellent work on behalf of the people of Alberta.

Some opening comments. It's an interesting time for the business of energy in this province, very exciting times. A tremendous amount of activity happening across the province: from one end to the other end all across this province the energy sector has reached record levels of activity in 2004 and is expected to increase in the foreseeable future.

Ensuring that Alberta's energy resources are competitive, attractive to investors, nurture Alberta's growth, and create employment well into the future are the Ministry of Energy's most important responsibilities.

Albertans recognize the hard work that it's taken for our province to become deficit and debt free. This prosperity depends in large part on the sustainable development of the province's abundant energy resources.

We are entering an exciting time in this innovative and knowledge-intensive sector as around the world energy demand continues to rise steadily. In fact, sometimes very highly underrated is the level of technology that's involved in this industry, a very high high-tech industry itself, and it spawns a lot of other offshoots in the high-tech industry in the province as a result of the expertise that is demanded and needed to extract and manage these resources.

In today's world the energy sector is certainly worth a lot given the price and demand of that commodity. That is why Alberta has to continue to build the capacity and capability needed to support an innovative and globally competitive energy sector. Alberta's oil sands, conventional oil reserves, and natural gas are all tied directly into the continent's best energy infrastructure.

As the energy industry strives to meet demand, the ministry will continue to ensure that Albertans receive their fair share of resource revenues through royalties, taxes, bonuses, and rentals. Independent royalty regime assessments, including one by van Meurs and Associates of Calgary, suggest that Alberta has some of the toughest royalty terms in the world, and industry sources would concur and

support that assessment. It is important that we work towards receiving our fair share, and I believe we have achieved that right balance in Alberta.

We still must remain attractive to investors. Conventional oil and gas and oil sands investment in Alberta alone in 2005 is forecast to be over \$20 billion this next year, considerably up from previous years.

Albertans can expect ongoing benefits thanks to the bounty beneath our feet.

In the Department of Energy's business plan the province targets Alberta's fair share between 20 and 25 per cent of industry's annual net operating revenue through the royalty system. In our forecast for this past year, '04-05, the province received over 8 and a half billion dollars in nonrenewable resource royalty revenues.

In 2005-06 in the estimates before us resource revenues are forecast to make up almost 30 per cent of government revenues, about \$7.68 billion. These revenues pay for critical services, and of course Albertans reap the rewards of lower taxes, higher employment, and greater business opportunities as a direct and indirect result of the oil and gas industry.

3:00

On the utility situation we continue to monitor and are currently reviewing the restructured electricity market. Ensuring that markets are operating in the best interests of Albertans and bringing on new generation to serve our needs are key priorities. That means periodically reviewing and considering options that may be important in fine-tuning the system.

Natural gas consumers also have the protection of the monthly natural gas rebate program, which has just ended the second year of a three-year program. Rebates were activated when consumer rates exceeded \$5.50 per gigajoule during the high-demand season, November through March.

With respect to our energy price forecasts our current commodity prices remain very high in historical terms and have fluctuated significantly over this past year. This is due to a number of factors, including robust global economic growth, particularly in China, concerns regarding supply disruptions in Iraq, Nigeria, and Russia, and the high price of oil supporting above average prices for natural gas.

The Department of Energy benchmarks its oil forecasts with those of a number of private-sector analysts. Over the past few years the budget estimates were low compared to the nonrenewable resource revenues that were realized. For our 2005-06 forecast our Budget 2005 is based on an oil price of \$42 U.S. per barrel west Texas intermediate, which is between the low and average private-sector analysts' forecasts. Budget 2005 assumes that the natural gas price will average about \$5.60 Canadian per gigajoule in this fiscal year. As with oil, the natural gas forecast is benchmarked with those of a number of private-sector analysts.

Another consideration is the general economic outlook provided by Alberta Finance, which projects increased demand for natural gas. But Albertans' share of resource development is more than just royalties calculated on volatile market prices. Bonuses and sales of Crown leases and licences are forecast to generate \$886 million in the forecast year coming up.

I would certainly recommend that we continue in our estimates of forecasting. No one can project the future. It's impossible to know for certain. We have seen the cycles in the past. Just when you expect that everything is going to do nothing but increase, markets can decline, and other factors enter into the equation that would see a slackening of demand and price. In that light, I think it's imperative that we do continue an approach of estimating conservatively

that price forecast, that we not put at risk the ability to finance programs such as health and education, very vital, infrastructure-related questions of this province, based upon taking an aggressive or high forecast on oil and gas to support that.

Alberta Energy's business plan contains a new vision for energy development in Alberta; that is, Alberta is a global energy leader using its world-class knowledge, expertise, and leadership to develop the vast energy resources of the province and to market these resources and abilities to the world. Alberta will build upon its strength in resources, knowledge, and innovation to become a world-class energy leader, delivering value-added products to North America and offshore countries. Our knowledge, our expertise, our skills and proficiency, our leading-edge approach to energy research, and the vast resources themselves are all of the things that set us apart and set us up as a world leader.

This will require an increased investment in infrastructure, research and technologies, co-ordinated planning, and new approaches to ensure that we can develop these resources to their maximum value in an environmentally responsible manner for the benefit of all Albertans first and foremost, of course, and then to others around the world.

In the coming three years our ministry will focus and prioritize a few areas that I'd like to just touch on, that being Alberta's energy advantage as providing us with being the global energy leaders. I think it's imperative that we develop an integrated energy strategy that looks at not just the production of our natural resources but how it is that we can achieve a greater value-added and the maximum potential for that resource, beyond just being hewers of wood. We have tremendous expertise.

Much of this is starting to occur, but when we see various projects that could come in the oil sands taking a very heavy, heavy oil, we should look at: how can we take those in the producing, those in the pipeline industry, those in the refining industry, the petrochemical industry, and work co-operatively to realize the potential that could be had in taking that raw bitumen to synthetic crude oils or refining that to even refined gasoline products or potentially using bitumen as a feedstock for the petrochemical industry? We could use the expertise and the advantage of the Alberta hub to build upon those strengths and ensure that we can provide that product to not just ourselves in Alberta but to Canadians and, clearly, to the markets in the world.

We have the knowledge and the technology available for integration of that whole approach of focusing our research, focusing the curriculum and the work that's done in our universities and technical institutions to ensure that we have a highly trained and skilled labour workforce that's required now and for the future generations along with the research that we do targeted towards those areas of highest potential and value, given that the technology is at the source, really, of the opportunity, all parts of a further integrated energy strategy.

Secondly, we will continue to focus on and highlight even to a greater extent the oil sands in particular and the heavy oils. We hear about the vast resource likelihood and the 1.6 trillion barrels in place. Proven today are 176 billion barrels of oil, probable in the range of 311 billion barrels. Our resource in proven terms is second only to Saudi Arabia, not much lower than theirs, but in size of resource potentially much greater than any other around the world. It's this world-class resource.

We see and hear about much of the development that is starting to occur, the billions of dollars that are being invested annually, the variety of stakeholders that are being involved in that development. We will need to more aggressively, I would say, focus our energies toward ensuring that we realize the opportunity that's before us. How is it that we can see that the infrastructure is in place as

needed? That could be everything from the roads to schools, hospitals, housing, land available. How do we ensure that we have the right regulatory environment in place that can manage this resource for the benefit of all Albertans?

Thirdly, I'd just like to touch on the other huge challenge today. That would be the continued access to the resources, that are vast. I mentioned the oil sands. Natural gas is far too much considered as having been a declining industry. We really are only beginning to realize some of the potential in that area as well. With just improved measures of technology in conventional sources, we leave about 73 per cent of the oil in the ground and 40 per cent of the gas. Just a marginal improvement in technology and we'll realize a whole new Alberta right below us just in our conventional sources.

Then we add to it the nonconventional sources of natural gas in coal. Potentially, 500 tcf of natural gas is available in the coal seams that are there. Just a huge, huge opportunity. We've got this next year likely 3,000 wells that will be drilled just in natural gas in coal. We are just beginning to understand the scope and the size of that resource, and the investment is coming. In many cases this is going to have a large footprint on vast areas of this province.

So when you overlay the oil sands, our conventional sources that span this province, the natural gas in coal, then we can overlay the coal itself, hundreds of years of supply in coal, 800 years in particular, and with the continued improvement of the management of the resources, these will last even longer, I suspect.

Our challenge in Alberta is that we have the world-class size of resources. We have the opportunity to be the world leaders in the extraction of those, both for the development of it but also to show how you sustainably work through a life cycle. How do you ensure that Albertans continue to support that we gain access to the lands to do the work that would benefit all Albertans? So the access will become a third and very important part, that we continue to work with Albertans on to gain their acceptance of temporary disturbances on the surface, to then reclaim and put back to those original conditions, through a life cycle approach, for all the benefits of those vast resources that lie beneath the ground.

3:10

With respect to the Alberta Energy and Utilities Board, they will continue to act on recommendations of the Provincial Advisory Committee on Public Safety and Sour Gas. Significant progress has already been made on the 87 recommendations of that study that was conducted a few years ago. Often we might be asked: why would we develop sour gas around this province? Clearly, it's a lethal substance. You wouldn't ever undertake such an activity unless you could safely manage that product. We have had over 50 years of a very good track record in this industry. It's not without some serious accidents in the past, but no one of the public itself has ever been seriously injured as a result of sour gas. There has been a tremendous improvement in technology, in engineering, with respect to even our own regulation and control and management of the procedures so that safety is paramount.

Last year in particular we had around \$2 billion in royalty revenues off the sour gas. A third of our gas in this province is sour. That funds a substantial portion of the benefits that Albertans receive. It provides a clean fuel for the heating of their homes. I don't know about you, but in the middle of the winter it's nice to go to that thermostat and turn it up and have some warmth in the home, and that sour gas adds to the great value of being able to have a reliable, good, safe commodity in our homes. You take a substance that's dangerous and turn it into one that is very manageable and controllable and very worth while, in addition to the substantial economic benefits of jobs, employment, opportunity, and royalties that we derive.

With respect to the ministry's budget this year we'll collect, we're estimating, \$7.68 billion in revenues for the upcoming year, over \$6 billion in the following year, '06-07, and just under \$6 billion in '07 and '08. I would like to point out that the Department of Energy's budget has basically been flatlined for a number of years, yet some of the expenditures propose a net increase in funding of about \$13 million, or about 6.4 per cent, for the Department of Energy and the Alberta Energy and Utilities Board. It is vital that we make these investments in order to continue to do our business effectively, and the increased costs in the EUB will also translate to manage the increased activity in the energy industry overall and reflect the need of additional resources within.

With respect to a breakdown of those increases, the document shows a request of an additional \$7.634 million. That's a little under a 5 and a half million dollar grant to the EUB: \$1.2 million of that is for salary increases, a million due to increased activity in the oil sands, a million for information technology, and a decrease of just over a million dollars due to amortization. Of the \$5.466 million grant to the EUB, \$2 million will be used for public safety, a million and a half for market salary adjustments, \$500,000 to oil sands, another \$466,000 to monitor Turtle Mountain, and a million for information technology.

Those are some of the details of the specific increases in the ministry's budget over last year. As you can appreciate, it takes resources to collect the billions that we receive annually in revenues, resources of people, systems, and infrastructure, and it's vital that we make these investments in order to continue to do our business effectively.

I thank you for the opportunity to introduce the estimates of the Ministry of Energy and look forward to entertaining the questions of the members.

The Chair: The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you very much, Mr. Chairman. It's a pleasure to get an opportunity to participate in the Energy estimates debate or discussion this afternoon. Certainly, I would agree with the hon. minister that the golden goose has to be maintained. The golden goose is aging. Our conventional crude oil production is declining. I would like to hear later on what incentives, if any, we're going to implement to ensure that we recover maximum amounts of oil and gas from our maturing fields.

I'm watching what the Americans are doing in the lower 48 states. I'm certainly not happy with their initiatives. I'm not happy with some of these royalty reduction programs that we have here now, but we'll get to that later. The Auditor General certainly has some concerns about that, some of which were discussed the other day in Public Accounts.

I'm pleased to see the difference in opinion from this minister to the previous minister in regard to thermostats and sweaters. I'm glad to hear that the hon. minister doesn't think that Alberta should have their own provincial sweater. I don't know what it would be, Mr. Chairman, whether it would be a cardigan or a pullover. If it was the former Minister of Energy and we were to name it after him, well, I think we'd have to have a pullover because he was trying to pull over electricity deregulation on Albertans all the time he was minister. So perhaps we could have the pullover sweater in honour of the previous Minister of Energy.

In that we have limited time and I do not want to waste any of it, there's one question that I would like to ask before I forget in regard to tar sands development. I understand that the oil sands royalty regulation, this OSR 97, is the reason for the significant development in the Fort McMurray area for heavy oil development or

synthetic crude production development. Now – and this has been discussed in the Assembly here in the past – if we were to transfer some of that development over into other areas of the province, like the Peace country, where there is not nearly the amount of tar sands and it's at different elevations, if there was to be a development there of synthetic crude production, would that royalty regime or holiday be applicable, or is it just applicable in the Fort McMurray region?

Certainly, as the roads and everything get congested in Fort McMurray, perhaps it's time to have a look at having investment in another area of the province where some of the same resource may be available, and it may be available under the proper economic schedule.

Now, I appreciate the hon. minister's opening comments, but certainly whenever we look at the fiscal plan and we look at what used to be in this book and what's not in it now, we always have a chapter on low operating costs for businesses and households. In the past we would always have a chart on electricity prices, and we'd have convenient comparisons. But this year again it has been omitted. We have business cost index. We have annual labour costs. Edmonton has the lowest labour costs whenever you compare us to places like Houston, Texas, Chicago, Toronto, Vancouver. Even Winnipeg is slightly higher. We have all these charts talking about low operating costs, gasoline prices, natural gas rates, but no electricity rates like we used to have in this report. That to me is a real indicator that this government is ashamed of their electricity deregulation policies because they know that they haven't worked. They know that if they do that cost comparison, it's going to be really, really high.

3:20

Now, the Department of Energy also has you know received fairly stable funding over a long period of time. We are requesting this afternoon a total supply of \$121.5 million for operating expense and equipment/inventory purchases. The ministry will be spending a little over \$200 million, and that's just a wee increase of 3 per cent, as has been previously stated, from last year's forecast.

There are no major spending initiatives or cuts in this year's energy budget. However, I do see where there is an increase in the number of full-time equivalents, or civil servants. There will be an increase of 67 civil servants, and I would like to know where they will be working and what they will be doing. Are these sort of contractors that are employed, or advisors that have contracts, with the department considered in this number, or are they in a separate category? Hopefully, a person will have a chance, Mr. Chairman, to talk about one of those contractors in particular a little later.

I see all kinds of line items in this budget, but what I don't see is what I would like to talk about first, and that's certainly Enron's Project Stanley. I don't see any money or resources allocated for a full, independent public inquiry into the Enron scandal or the Enron behaviour in this province. Why has this government never, ever considered launching a full, independent public inquiry into the Enron scandal in Alberta?

Some of the documents I've had the opportunity to acquire from the Federal Energy Regulatory Commission library in Washington, D.C. I wonder if the former Minister of Energy is actually going to maybe grab a sandwich some day and trot from his office to this office of the Federal Energy Regulatory Commission and ask where the library is and have a cruise through their electronic version. There are some people there that are really helpful and will guide him if he needs assistance. We could get him researching Enron's involvement, Mr. Chairman, into their activities in Alberta.

Now, again to the Minister of Energy: has the executive director

of Alberta Energy's electricity division ever looked into the evidence showing that Enron manipulated Alberta's electricity market to drive up prices or price gouge Alberta consumers? This is an ongoing topic of discussion. Given that the federal Competition Bureau is only investigating Enron's activities for a period in 1999, for just this little window in 1999, but new evidence indicates that Enron was gaining Alberta's electricity market also in 2000 and again in 2001 before the outfit went bust, will the hon. minister launch an investigation, a public inquiry, to investigate these years? It's fine and dandy to say that the Competition Bureau is going to reopen this investigation from 1999, but what about the other years when these rascals were operating in this province?

I'm not confident in the limited mandate that the Competition Bureau has. I don't know what sort of authority they're going to have as a result of the manipulation that was going on with our tie-line to B.C. and the accusations and the allegations that are made there. I don't know exactly how the Competition Bureau is going to be able to do this.

Also, consumers are starting to phone our constituency office, Mr. Chairman, and ask: is the provincial government going to try to get some of this money back on behalf of consumers? Montana – it's hardly a year ago that the Attorney General there made an effort to get some money back for consumers. And the state of California, they're looking at it there, and other jurisdictions are also looking at this as well.

How will Albertans know how much money they're owed by the companies who unethically manipulated the loopholes in the market? How will this money ever be returned to them? We're at the will of the department here to get a refund – not a rebate, a refund, a refund on electricity deregulation. I bet there would be a lot of money involved in this because if we had stuck to that other system, the regulated retail system that we had, we wouldn't be having this discussion today.

Now, also, I realize that I have a FOIP application in, but we could save a lot of time and a lot of trouble here by someone on that side of the House explaining to not only members on this side of the House but to consumers of this province how often, where, and when Alberta government officials met with Enron in the setting up of all this deregulation. There are people that phone, again, and they tell me about the Enron jet and its frequent arrival and departure from the Calgary airport. There are the e-mails that are in existence that indicate that there was communication. Certainly, the last FOIP request that I put in some years ago indicates that there are at least 5,500 documents that were relevant between Enron and the provincial government here.

We know that when the power purchase arrangement press release was put out in the fall of 2002, the top ten list there, Mr. Chairman, one of the people was a gentleman by the name of Eric Thode. The phone number doesn't work, but it's in Houston, Texas. I looked that up. He was an Enron public relations individual, and he's featured on our own Alberta government press release. Yet people are saying, "Oh, no. We had no contact with these people." I would be in trouble if I put someone's name on one of our press releases without permission. Someone had to be talking to Enron. Now, I know the hon. minister was occupied with other things at that time, but someone has to accept responsibility for these rascals and their involvement in our unfortunate experiment with electricity deregulation.

Now, Mr. Chairman, the business plan on page 209, the energy resource portfolio diversification. There's a chart here, and it shows Alberta's electricity generating capacity. A recent report, and it's a 10-year study – the government, I believe, is obligated to do this by regulation – on the Alberta electric systems operator, and there is an

indication that demand for electricity in Alberta will outstrip supply in 2006. We're hearing all these speeches from government members that "Oh, everything is so great. We had this 3,000 megawatt boost in generation capacity and everything is fine." Yet we have this report indicating that we could have demand exceeding supply as soon as next year.

3:30

I think we need to have a good look at this. We need to know what we're keeping in reserve. What's it going to be? Are we going to have to reduce reserves in order to have the system operate? Right now it can be anywhere between 18 and 15 per cent in reserve depending upon whom you talk to. We have to be very, very careful about this. This is not the success story that everyone is talking about. We need to know what this government is planning to address this alarming situation. What solutions do they have? Does the government have plans to compensate companies or provide some kind of financial incentives to companies in order to encourage new generation capacity in Alberta?

Now, while I'm talking about that, I also have another question, and that is: is this government, as a result of the regulation that was passed last year, putting a tax on coal-fired generation in the area out around Lake Wabamun? The reason I ask this is that in the regulation I thought I saw – and I could be wrong – where there was going to be, I believe it was, a \$400,000 per megawatt tax on a generating facility if it was located in an area that had surplus generation capacity already in existence.

I took one look at that, and I thought: is this regulation trying to incent coal-fired generation, say, in the Brooks area or somewhere, maybe, on the edge of the growth load in Calgary? If this is not a tax, I would appreciate an explanation from the hon. minister in regard to that because certainly there is lots of generation around that area of the province, Lake Wabamun.

We talked earlier in question period about the transmission system, and we'll get there, time permitting, to talk about the transmission system. What plans, also, does the hon. minister have for a capacity market?

Also, on page 209 – I'm going back here to the business plans – the department is committed to establishing a competitive market framework for electricity and natural gas. Considering that energy deregulation has been an \$8 billion failure, an \$8 billion boondoggle, why is this government still clinging to such a huge public policy mistake, that this can actually work? Consumers aren't convinced. The silent consumer advocate knows what he's doing, what that office is doing. Consumers don't have confidence in this policy.

Now, considering the pressure the minister is getting to keep the regulated rate option going indefinitely, will the hon. minister commit to keeping the RRO as a permanent option for consumers? Consumers that are contacting our office do not want this flow-through pricing for electricity. Again, if they want to gamble, they're going to go to a casino. They don't want to gamble with their utility costs.

Now, in the estimates on page 126 the budget of energy and utilities regulation has increased to \$46.5 million this year from \$37.7 million in fiscal year 2003-04. This is a 23 per cent increase. In a department that stresses deregulation, why has the cost of the energy and utilities regulation increased by 23 per cent since 2003-2004?

Now, Grid West. This is another . . . [Mr. MacDonald's speaking time expired] I'll get to that later.

Thank you.

The Chair: The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. I'll attempt to answer a number of those questions now. If we miss some of it, then we'll respond in writing to the balance.

You started off with any incentives to recover the most we can from our resources. Our royalty structures are actually built upon a production rate that would be subject to volume of production and price. In that sense, you try and make sure that you're recovering in the appropriate economic rent, that smaller volume producing wells would have a lower royalty rate to encourage that they could also retain some of the profits.

We've also, as you're probably aware, put in a \$200 million royalty technology credit program to encourage specifically things like enhanced oil recovery. Fifteen million dollars has been put into carbon dioxide sequestration to both deal with climate change and look at how we turn that into an opportunity. Using carbon dioxide is already a proven technology, so how can we see that the economics work for that project? So there continue to be various projects that are looking at technological improvements in addition to the research that we'll help correlate, since this industry is very heavily dependent upon it, on more technology and improvements to technologies to recover a greater quantity of the resources under the ground.

You mentioned the oil sands royalty regulation, OSR 97, with respect to the Peace area in particular. That regulation, the generic royalty regime, does extend to all heavy oil, so it does extend into the Peace area itself. There are actually a few projects already ongoing in that area. Clearly, there's a good, sizable deposit. We talk about the Fort McMurray area, but clearly there are substantial deposits even further west of that, toward the Peace River area. What is happening first is that some of the most easily accessible surface minable areas have started sooner, and some of the in situ kinds of opportunities, the deeper resource, are starting to occur later. But that does also apply to the Peace area.

You mentioned no chart on electricity prices. I can't speak so much for the past, but I can say that it would be actually a great idea for us to continue to inform Albertans that today they receive the least expensive non-hydroelectricity rates of anywhere in Canada. A number of surveys have been done by various other provinces recently. I don't have those at my fingertips, but they continue to put Edmonton, as one of the cities that was surveyed out of about 21 cities around North America, in the top five. The only ones above it were jurisdictions that had a substantially higher percentage of theirs hydro based versus other forms of electricity fired such as coal and cogeneration and natural gas as a primary portion of our electricity generation in Alberta.

So we are very fortunate. Consumers today are reaping substantial benefits even in a marketplace where they're getting the commodity at below replacement cost of those industries. Quite contrary to this being a substantial problem to residential small consumers, they are reaping huge benefits today. They are truly seeing the opportunity of lower prices that have come in relation to new generation.

Many of the regulated models, you have to remember, came with a whole host of other high-cost structures because of guaranteed returns, no forces to actually drive the efficiency. As an example, when Genesee 1 first came on back in the early '80s, it was about trying to time the markets. It's an imperfect forecast, really. No one can know for certain, but a plant was built under a regulated model and had to actually be held off the grid until such time as the growth of the economy caught up to it. There was a recession that hit Alberta at that stage. Consumers paid in those dollars at that time \$650 million in interest costs spread over a long time, but it was under those models that we the consumer paid substantial costs for the risks associated.

3:40

Today what you've seen is that unlike all the other regulated jurisdictions around us, some of whom have had no growth – Saskatchewan and Manitoba. Well, it's pretty easy to manage no growth. You don't have to contemplate your ever running out if you don't grow. In a fast, high-growing area like ours, this marketplace has responded faster and better than any jurisdiction in North America. Thirty-three hundred megawatts of new supply coming in in a relatively short time is unparalleled in North America. That's from a variety of innovative sources. This isn't just from the few monopoly providers who provide something in the traditional format, maybe a coal-fired plant. It has been able to come from coal, Genesee 3, the very latest of technology that has come in. Some of these come in with higher costs because of the higher standards of environment: carbon dioxide emission, cleaner burning.

Those other provinces. Take B.C.: starting to run short of power. Ontario substantially has huge issues of generation of power. Quebec, even with all the hydro, is actually reaching some issues of supply. Those markets, without the substantial growth that Albertans have faced, still are now about to realize more on their consumer bills the cost of having to produce and generate new electricity under the rules and regulations of today.

When you look into things like Enron, you know, there was a period of time – and these aren't in our estimates, so I'm not going to go forward too much on this. This is in the past. Our estimates are to be looking forward in our budget. In that period of time we had a tight supply, and clearly that drives price. It has been a volatile market. It was early in its design. Substantial improvements to regulations, to the market surveillance administrator's authorities, new regulation and legislation brought in in 2003: a whole host of things done to continuously improve the rules around transparency and the like that will help ensure that the rules provide for greater behaviours and better protection of the public.

Any market produces some volatility. You wouldn't say that in oil and gas prices. We see all the time the volatility of it. We see that in interest rates, your mortgages on your homes. We've seen tremendous volatility. So we are looking at designs. If people want stability and predictability, how do you provide options for them to have stability and predictability?

There are ways to do that in a deregulated model as well. There's a variety of products that are being offered, and it's under a review that we are actually engaged in at the present time, looking at the wholesale and retail rules. Those would be under consideration when you ask things about: would we consider the regulated rate option being continued perpetually? Those are all questions that are being examined at this stage and are part of the business plan, the ongoing part of the Department of Energy, to ensure that we continue to mature and develop a very good market for a reliable supply of electricity: affordable and delivered when you need it and where it's needed.

I will say that when you look to some of the issues of the past, there were protections put in place. While there's no need to conduct a major investigation into the past, there were many legislated hedges put in place that would prevent the volatility of the marketplace being passed on to any one person before the power purchase arrangements were sold. After that, there was quite a tightening of some of the rules around how power would be brought in and out. But in particular, no, we're not going to conduct an inquiry into a company that is bankrupt and that has certainly been proven guilty of some things that were wrong in their behaviours. We don't condone, and we'll be very vigilant in always enforcing the rules that are here.

You mention an increase in a number of the full-time equivalents

in the budget. I think it was page 136 of the estimates. Those are both for the Energy and Utilities Board and for the department in particular. With the department there is an increase from 557 to 597. There's a conversion of about 20 contractors to full-time equivalents, and there is also an increase of another 20 personnel full-time equivalents for the department with respect to industry activities. The growth in the oil sands is one of the areas where we have added more staff. There's a tremendous increase in volume of activity in the oil sands.

We've seen record years in the sale of Crown leases. Over \$1.1 billion was the forecasted amount that came in last year off our bonus payments. That's just one indication of the tremendous increase in activity. You do need the resources both in the department and in the Energy and Utilities Board to ensure that you can be out and you can do the proper enforcement, that you have the ability to provide the right systems and technology in place. It's a response, really, as a result of the magnitude increase in the industry; therefore, an increase in both the Energy and Utilities Board and the department staff to accommodate that.

You talked about the electricity-generating capacity on page 209, the demand exceeding supply by 2006. I mean, there's a variety of forecasts out there. I'm not certain which one you may be referring to. We have in place about 12,100 megawatts of supply that's available. The peak this past year was – I can't remember the exact number – somewhere in the 9,500 megawatts range. Just even a normal growth will allow you to go well past 2006. You might get to 2007-08 under the worst-case scenario.

We know of numerous options and projects that are being planned. I can't say which ones may all come forward at which time, but what has happened is quite a creativity of people bringing on not just the large projects themselves, the large plants, but everything from the small cogeneration that might bring on a few megawatts of power has continued to add on the ability for the marketplace to bring on the supply as needed.

With respect to capacity markets and the like, those are things that are being looked at with respect to the wholesale market review at the present time. Likewise with the regulated rate option. All of those things in market design are on the discussion. We'll be bringing those back for policy decisions in fairly short order.

I'm not aware, in particular – and we'll have to get back in response to one question – about a regulation that said \$400,000 tax per megawatt in the Wabamun area, trying to encourage generation somewhere other than the Wabamun area. We'll have to respond to that one in writing.

The last question was on page 126 I think he said, and I can't remember in particular what the question was, so we'll respond to that one in due course as well.

The Chair: The hon. Member for Edmonton-Calder.

Mr. Eggen: Thank you, Mr. Chairman. I rise with some interest to ask a number of questions to do with the Department of Energy budget for this year. First of all, I would like to just make some general comments. I would like to, you know, offer some praise to the minister for putting together a very concise and straightforward budget. It's refreshing to be able to see with some degree of transparency where the money is going in this particular department. Of course, we have to remember that, in fact, the Energy ministry is more like the engine that generates the funds for many other departments and, indeed, royalties and benefits for all Albertans.

3:50

With that in mind, I guess I'm going to approach my comments and questions around a number of different themes. So I will lump the questions together similarly, as a group, and then the hon.

minister can make his comments as he sees fit, either verbally or in writing. I was just looking that the Ministry of Energy first of all is forecasting \$8 billion in revenue for this next fiscal year, which is a substantial amount of money. But given that the energy prices are hovering at near-record levels within some small deviation here, and it's expected that these levels will be maintained over the long term – most estimates from different experts from around the world suggest that we are in a new era of high energy prices – I would like to perhaps ask the minister when the government will start to have its forecasting more accurately reflect this new reality, this new platform of revenue that we seem to have found ourselves on, generally to the benefit of most Albertans, although it is a problematic situation because, of course, we do consume energy here as well. So we are paying these high prices along with reaping the benefits of these high royalty rates. But, again, to perhaps have the Department of Energy revisit the royalty structures to more accurately reflect the windfall profits that the energy sector is enjoying at this juncture in our history.

In fact, without addressing this, not just here in Alberta but right across the country and around the world we're seeing a major shift or a sort of migration of capital throughout the world to energy companies because of these massive profits, and it creates an imbalance. You know, part of the best practices of economics, regardless of what ideology you might subscribe to, is to look for certainty and to some degree of regulation in the movement of goods and services.

The second point that I would like to address is in regard to coal-bed methane. According to the Orphan Well website, industry pays for all of the costs incurred with this program. I quote from the website.

Industry funds all of the costs incurred by the OWA, mostly through an Orphan Fund levy. This levy is based on the abandonment and reclamation liabilities held by each company and it is collected annually by the EUB and then remitted to the OWA.

My question is then: will the government be hiking the orphan well fees as it moves towards the fuller realization of coal-bed methane production, which I think the minister knows requires a much higher density of drilling than more conventional forms of extraction?

Indeed, we are seeing the licence for thousands of new coal-bed methane wells, which are all sort of lumped, somewhat curiously, under an experimental sort of grouping, I think. We're seeing thousands of these together. It signals a new reality, I think, in energy extraction in our province. With each move forward we have to keep apace with this in terms of regulations, so I would like to have some new information about this well structure.

Again in regard to the coal-bed methane extraction it's important to look at how other jurisdictions might have addressed this new energy extraction process as it's affected their areas. I know, looking to the states of Montana and Idaho to the immediate south of us, that they have committed themselves or are in the midst of a full environmental review of coal-bed methane extraction, and I would like to ask if our government would be willing to commit to a similar full-scale study on the environmental effects of coal-bed methane extraction in our own province here.

Again in regard to coal-bed methane extraction, of course, water use is also a concern. This industry's appetite for water is well known, and there are potentially serious environmental concerns associated with the use of water not only with coal-bed methane extraction but also, of course, the oil and gas industry. So I would like to ask the minister: what sort of integrated study and focus is the Department of Energy looking at in regard to water use in the energy industry in general and the coal-bed methane extraction specifically? We had the opportunity to discuss this in a short sort of way in Public Accounts, and I'm curious and interested to hear more.

I believe the hon. Member for Edmonton-Gold Bar did touch more

elaborately on electricity and specifically the early years of deregulation in our industry, so I will speak less to that. But our caucus is also very interested in a public or judicial inquiry into Enron's activities in Alberta through the late '90s and the early 2000s. I think it's important. I know that we want to be forward looking in our budget development, but, you know, deregulation as an experiment is still in its early stages, and we've seen a lot of bumpy spots along the way, especially from the beginning. Although certainly my own caucus and I think the majority of Albertans do oppose deregulation, if we are going to continue down this path, the very least that we can do is look back and have an honest view of what has happened thus far and perhaps develop some honest answers for where we can go with this market.

You know, we have had a tremendous amount of growth in our economy in regard to electricity needs, and I think that the major players in this province have stepped up to the plate to meet those needs. But, you know, the volatility that has been created as a result of deregulation and the need for more generation in this province has ultimately created higher prices than what we should be paying, I think, in this province and, number two, has really cried out for a revisiting of the need to regulate this market and have it rise in a reasonable and equitable way. The casualties along the way for deregulation have been many. While we like to look, as human beings, toward the future, we have to gain our wisdom from the past. So looking into those early years of deregulation I think is vital for us to create a stable electric market in this province.

Recently Martin Merritt, the market surveillance administrator, voiced concerns over the deliberate attempt of some producers to depress the electricity prices in order to elicit what he termed as a price shock in the future. Now, while this strategy may seem reasonable considering the higher prices that we have today, they in fact do hit you in the pocketbook later down the road, of course, when you have a depression and then you have a corresponding swing upwards. This is what we, in fact, did experience in previous years.

4:00

Depressed prices, as we all know, tend to scare off producers. So now, interestingly enough, we do have a potential situation where the Alberta government may be forced to encourage producers to come to the province by offering incentives in order to meet our future generating needs. If not, producers may be scared off by the artificially low prices and forgo building new generating capacity here in the province.

When supply is tightened and prices rise, as we know, a few unethical producers may realize the lion's share of profits from the pockets of Alberta's families and our industries, particularly small businesses and small and medium manufacturing operations in this province. So I would have to ask the minister again to explain to Albertans how the government is working to protect all of us, really, from unstable price fluctuations as well as unscrupulous producers and electricity dealers here in the future. I mean, deregulation doesn't just mean wide open, a total lack of regulation, rather we do need to have certain basic standards to hang our hats on, so to speak.

Moving to my next group of questions, I guess. There's obviously a lot at stake to do with oil and gas development. One of the critical issues of this development is transportation of petroleum and petrochemical products. I'd like to ask the minister what the government is doing to ensure that pipeline development is being done not only in an equitable and safe fashion but so that Albertans receive their fair share of the petrochemical products that are being moved about the province and sold outside of the province as well.

We have a number of very large pipeline initiatives moving through the province from north to south and east to west. I know that a lot of industries that have staked a claim, let's say, for value-added production in and around Alberta here are now concerned that perhaps the products, the natural gas and oil, are being shipped without some of the compounds being extracted here in the province so that we can have value-added industry to diversify our economy.

We have to look no further than the string of plants that we have along the North Saskatchewan River east and north of our own city here to see the tremendous stability and profit that we have derived over the last 40-some years from value-added production at such installations as Celanese and Sherritt and Dow. You know, we want to ensure that we are creating those value-added installations here for the future, for good quality jobs, and for production for Albertans.

My last group of questions, I guess, has to do with sour gas and the increasing need, I suppose, for companies to pursue increasingly more volatile, let's say, sour gas wells throughout the province. As our conventional supplies of sweet natural gas dwindle, many energy companies are revisiting wells that, perhaps, were deemed to be too unstable or dangerous to be produced in the past. With that in mind, I think it's incumbent upon this Legislature and the Energy department in particular to make sure that sour gas extraction and production is safe for all Albertans.

I realize, of course, that our natural gas industry is very important to not only our export industry, value-added industries but just simply being able to heat our homes as well, and we do exploit natural gas and have done sour natural gas for a long time. As the oil and gas companies look to wells that are, perhaps, close to urban areas – as we see with the Compton sour gas wells close to Calgary, there and other high-pressure, high-percentage-H₂S fields that we have out in the province – we just want to ensure that safety is the first concern on the minds of oil and gas companies as well as the government.

For example, there are 61 sour gas wells in the Drayton Valley area that have been reclassified as critical, and many people do not know the dangers posed by sour gas. You know, one of my deepest concerns is to educate people about the realistic dangers associated with sour gas exploitation in their immediate area if they are living adjacent to these things, and I think it's important for us to be as realistic as possible. Disinformation is more dangerous than no information at all.

For example, I was taking a peek at the EUB website that's called Kidzone, and while it seemed quite interesting, I suppose – the Kidzone, for those who don't know or have a laptop open right now, you can take a look at it. It's an education website targeting children and trying to educate young people about the oil and gas industry. I think that when I look at something like that and the perspective that's taken in that EUB Kidzone website, I'm somewhat dismayed at the unbalanced nature of that education focus, not really acknowledging certain dangers that are there, the realities that are there and practically trying to inform children about those things, but rather just trying to sell lock, stock, and barrel, say, the sour gas industry as being this fine, fine thing. I mean, kids see through that, and adults see through it as well. As I say, sometimes disinformation or skewed information is more dangerous and damaging than nothing at all.

Then, finally, before I finish, just a couple of things from the Auditor General's report. We spoke about this in Public Accounts just briefly, but the Auditor General was talking about verification for oil sands royalties. I think we discussed this briefly previously. We're looking to see how the Department of Energy is improving its

verification process to see if we are in fact receiving the royalties that are due to us under the current royalty structures. Then the second thing that I wanted, and this is my last comment: when will the ministry release a draft of the royalty program objectives and performances that we would so like to see? [Mr. Eggen's speaking time expired] There you go. I just nailed it right on the head.

Thank you.

The Chair: The hon. minister.

4:10

Mr. Melchin: Thank you, Mr. Chairman. In response to the questions from the Member for Edmonton-Calder, I'll start first on energy prices, record levels, clearly referenced. Some would say that we're in a new era of high energy prices, and you suggested that we should move more to accurately reflect the new reality.

I guess the challenge with that one is that I'm not certain who in here would be willing to sell all that they have and put that on today's energy price as being the new reality. It could be. I don't know how to forecast that future. But I wouldn't guarantee that we'd provide health and education and some of the services upon gambling on a high price.

I do think budgeting – it wouldn't matter whether it's a high price of a commodity. I think that when you put budgets out, you ought to be fairly conservative in your revenue forecasts if you've got to use those to sustain the services you need to provide. So I think it wouldn't be prudent for us to get too aggressive.

You know, we came through a period in the late '70s, early '80s when there was a new reality then too. I don't know that we'll go back to that. I'm not trying to say that. I'm just saying that high prices spur a lot of other things. They spur a lot of other potential sources. They spur a lot more reinvestment into new supplies. They signal that there's a tightness of supply and demand, and therefore they spike prices, but it then creates a lot of activity to go out and find more supply. It's entirely possible that they could find sufficient supply to dampen price. It might also allow for sufficient price to create other energy sources. We ought to be at the forefront not just of the hydrocarbons but, clearly, energy development in its entirety, whether that came from renewable or nonrenewable sources. But the one thing about high prices is they do spawn a lot of work to bring in other options for energy sources.

But in budgeting, in particular, I don't know. We could be at a new reality. I just think it's far too early to suggest that we're there, and there is downside risk. We know that high prices, as we mentioned, do cause less disposable income for consumers, you and I. We pay for it everywhere. Corporations have less disposable. It will cause some demand constraint kinds of questions. We know of the increase in the need for energy, and energy is very foundational to actually providing for a higher standard of living. Clearly, for the foreseeable future hydrocarbons will play a very significant part of that. But for budgeting, we'll continue to remain on the conservative side of forecasting or picking, really, a price. It's just impossible to foresee that.

You mentioned about revisiting royalty structures to address the windfall profits of industry. I guess, you know, so has the province had windfall revenues. In that light, our royalty revenues do reflect that we get a percentage, and we participate on the upside. You know, we normally only receive, average for the last 20 years, about \$4 billion per year. We had last year about \$10 billion in oil and gas revenues, forecasting another very strong year next year.

You know, for perspective, part of our royalty structures are more than just the price you see at west Texas intermediate, light grades

of oil. Much of our oil is actually heavy oil. Bitumen, in particular, has a huge differential. In the month of December, for an example, those in the oil sands that were selling bitumen actually were losing money because the differential was so great. The market was more flooded with heavy oils, not just from ours, but as the world has to find more oils, even in Saudi and some of those other countries they're having to go with some of their heavier oils, and there becomes an imbalance at times of too much heavy oil and not enough light grades of oils. So there are huge issues that still have to be resolved for us in getting our heavy oils to an upgraded state so that we can realize the higher opportunity.

Even in the oil sands when it's in the mid-50s, west Texas intermediate, there's a lot of work to be done to see that the capacity for upgrading and refining can handle that bitumen for us to realize a higher value for the bitumen. That's the one source – I'll comment a little bit later on one of your other questions – that still impacts substantially even in our forecast going forward. The differential is quite high at this stage for bitumen, and as such we won't quite realize in the near term because the profits aren't quite there on the bitumen side. Most of our royalties are coming from natural gas, and we participate very substantially on the upside of that question.

You talk about the high prices, and it's true of natural gas. They've been high historically. The finding costs – we have smaller pools that are available to find. Supply is what's needed. Some of the larger pools: I don't know that they're all found. There was a recent one by Shell in the Tay River area, a new find, a fairly significant find – they're yet trying to explore the extent of that find – but that's the largest find that we've had in some number of years. In our conventional sources we have quite a challenge, really, of finding costs and exploration costs to find that more marginal play to continue to address supply. Likewise, I'd say that we are trying to see that we get the right balance given that we participate also in the rate, in the profits, on the upside.

You mentioned about orphaned wells. Orphaned wells are tied, actually, to the number of wells that are abandoned, so there is actually a working as to the need for that fund reflected in the quantity and risk of the wells.

In particular, you're referencing the natural gas and coal because of the higher density of wells that could be. Even with that technology, it's not yet for certain whether the density is going to be substantially higher. I mean, they have looked at two to eight wells per section as a potential density that could be in those. We've talked to a few companies that are looking at a variety of horizontal drilling techniques, fewer well locations, a smaller imprint. So we're not really finished to come to a conclusion yet that there really is a substantially higher density of wells. Though initially it looks like there could be, there are many factors that could come into play to reduce that footprint.

That said, many of these areas are far more accessible. Many of these areas are where we are going to need to gain, I think, more co-operation. This does impact a lot of agricultural lands, many in southern Alberta. Really, most of southern Alberta up through to around Edmonton has a substantial play of natural gas and coal, and therefore in minimizing that footprint, they have a little bit more flexibility as to where they locate the wells. When you put two to eight wells per section, it isn't so much that they get it in only one spot but that they look at a broader field and how to drain that field. So there is some flexibility as to location.

Abandonment questions are fully paid for by the industry, and they fully support and we will continue to support that reclamation is the responsibility of industry. It ought to be and will continue to be, and we'll continue to work with industry to ensure that that is the

case. That ought not to be something that's left for a future generation as far as risk.

But when you talk about water, I still want to put one thing in context. The industry itself has an allocation of about 5, 6 per cent of the water allocation in total. It's only using about 2 per cent in actual use. Though very important – and I don't want to minimize this because water is a very scarce commodity, too, and very important that we manage it appropriately. We will work and have a commitment to work with Environment to make sure we have the right water strategies and continue to use the best practices. So that will be the foundation of how we manage water.

When you think about some of the areas, I think there is a little bit of a misconception on natural gas in coal. One of the zones, in particular, is the Horseshoe Canyon: very, very little water. A lot of this gas comes out cleaner, with less impurities than what goes into your home today. It comes out under lower pressure, so it's not the volatility and danger of some of the wells. So it's a more stable and benign source and a very good source and a very significant portion of that. Other zones, Mannville in particular, are deeper, and there is water associated.

But we have good rules, no different than in any other drilling in conventional gas. These rules apply to this as well. This is still gas. It's no different in management of water, still the same issues that have to be dealt with. Therefore, we have very good regulation around that issue already. So that'll continue to be the requirement. The modern water management practices are there so that we continue to reuse as much water as we can throughout the industry, not just in natural gas but whether it be in the oil sands, so that we minimize the need for the water usage. We'll work very closely with Environment on their Water for Life strategy and ensure that water is preserved and clean for now and for the future generations.

4:20

I also thought I'd mention that there is, actually, a fairly broad stakeholder group that's been working on natural gas in coal to deal with all the access questions, the density questions, environmental issues, public awareness. That initial discussion will probably be coming back at the end of May some time. We are trying to involve a broader stakeholder group with respect to natural gas in coal. Being given an education component and awareness and support for this is going to be very key to realizing the potential in this very, very large resource of natural gas.

You mentioned about Enron again and public inquiries. You know, if it weren't for the fact that many parties have already monitored and looked at and watched day in and day out to see what's happening, specifically looked at a variety with Enron, not just the 1999 instance in particular – I'm not here to support Enron. Enron has done some things wrong and been appropriately judged and should have been. That's what happens to companies that operate unethically, and enforcement ought to be there to ensure that we don't promote or condone anything. But with respect to their activities here, in the first years, actually, legislated hedges prevented any material upside.

Before the power purchase arrangements were sold, we actually had in place mechanisms where the rates of the power for the generators that were here in Alberta were capped at how much would be paid for by the consumer. So if the retail market was behaving as in a transition period and getting used to new rules, a very small capacity came from these tie-lines from B.C. It was a very small amount of power that could have influenced the overall market. Therefore, a cap was placed on it, and Enron would not have been able to participate with any significant upside. They

might have been able to do trade in a tight supply and have done some things to help, as anybody trading in the marketplaces might do some things that would lead to some volatility in that market.

But there's been quite a bit of examination already. The reason why the federal Competition Bureau was involved initially is we only had the jurisdiction in Alberta. Part of this deals with the tie-line into B.C., and we don't have jurisdiction there to really do any of the work on that. That's why it's a file of the federal Competition Bureau. Some of the recent inquiries or statements and allegations – and they are just that – in Washington state brought out some more information, and we thought: yes, the market surveillance administrator did make the right call. We want to make sure that we understand what's gone on and be clear about it and verify if the public safety has been protected in this case.

Many of the rules have been improved and are continually monitored to ensure that aberrations in the market or things that wouldn't make sense are corrected. So there's more transparency in the rules, a very complicated, really, market design if you get into the technical aspects of it.

I would tell you that when you look at those that have been involved, they know through tight supply that the market and the price curve is very much of a spike. When you get to the point where you have little supply, then the incremental power is priced very expensively because there's nothing left. Yet we demand and want the power when we want it. Therefore, it will be priced on those spikes.

Some volatility did happen through that period of time. I can't say otherwise. But I do want to make clear that the market surveillance administrator, AESO, and their oversight – certainly, in all of the reviews of this there's no new information to really bring forward.

Furthermore, you know, Enron is a bankrupt company. The Washington utility owes them a lot of money. Therefore, they're creating all of the innuendo and everything to get away from paying the bankruptcy credit trustees the monies that they actually owe. They're in a very different situation. We don't actually have monies that we owe to any party in particular, be it to Enron or otherwise. It's a bankrupt entity, no longer viable to collect and/or pursue.

I want to assure again that the market surveillance administrator, I'm going to continue to emphasize, has done a very excellent job in looking at and reviewing and has come to those conclusions and does not merit for reasons of trying to undermine the integrity of confidence – clearly, you might have an agenda that you don't want the deregulation to occur. So if you want to continue to put things to distill or destroy confidence in the market, I guess that you can continue to ask about the past and change everything. But the fact is that those that were aware have responded and can assure the public that at this stage, if evidence were ever forthcoming, they have acted on it and will continue to do just that. We have to look at facts, not just innuendo, but clearly they'll base their work on just that.

I want to state that it continues to be labelled improperly. We talk about maybe some of the concerns, but huge successes – I mean enormous successes – have happened in this marketplace with all of the generation that's come on in a short time and from a variety of sources, very much environmental kinds of sources, too, renewable sources. More wind power has been brought on in here than in any other jurisdiction in Canada. We have biomass as another alternative. We have numerous cogeneration kinds of choices. We have a greater diversity, probably more reliability in supply, than in any recent past, even with all of the huge growth that we've had.

We have a reliable supply of power in a growing economy that isn't equalled anywhere else in this country. We must remind

ourselves that the consumer today is reaping huge benefits. There are great success stories. We could go on at great length to outline how much lower the prices are here in Alberta for nonhydro – and they are – than anywhere in Canada. We don't have the advantages of having all the water and the hydro here in Alberta, so truly we don't have that part of the advantage, but we do have a very good, reliable supply of power, and it is very well serving the public today.

You talked about transportation with respect to the pipelines. Getting the value added, clearly, is our policy and going to be actively worked on. I talked about an integrated energy policy that we are putting as a high priority of the work that we're doing in the ministry. That means that for some of the components, it includes very much that value-added question so that we're not just shipping raw bitumen out of the country, that we're not just shipping the raw resources, that we are looking to do all of the upgrading that we possibly can, that we look to using bitumen as a feedstock. In fact, we have a Hydrocarbon Upgrading Task Force, that is looking at how to use bitumen as a feedstock for the petrochemical industry. How do you put more use on other energy sources than use of just natural gas?

I guess we'll answer the rest of the questions in due course and supply them to you.

The Chair: The hon. Member for Edmonton-McClung.

Mr. Elsalhy: Thank you, Mr. Chairman. I appreciate this chance to participate in this budget debate on the Department of Energy, and I will try to be brief.

My first question is with regard to the royalty tax credit program. In the minister's response to the Auditor General's recommendations the hon. minister accepted using measures to assess whether the program is meeting its objectives, which is recommendation 11 for 2003, and actually went ahead and drafted an objective and a list of performance measures. But in the response they indicated that they would have to work with Alberta Finance to get formal approval. So maybe this is an area where I need some clarification because, you know, you accept the recommendation, and then you go ahead and implement it. I'm not sure where the Ministry of Finance fits into this picture.

4:30

Many people are concerned, naturally, that the taxpayers of this province may not be getting their fair share. Royalties are in place to benefit every Albertan, and reducing them seems to be geared at maybe pleasing the industry. I really think that the difference between 1 per cent and 25 per cent is a huge and vast difference. My question naively will be: will these companies fold, will they go out of business, if they pay the 25 per cent? Are they not making handsome profits already?

This leads me to my second question, which is really with regard to the criteria for what constitutes an expansion and what is classified as a new project. Again, I would like some clarification from the hon. minister because it seems like, you know, you look at this, and it might be a way to get around paying the 25 per cent. Instead, they pay just 1 per cent, and they're happy.

Secondly, when I visited the Public Accounts Committee as a visitor last week I asked the hon. minister about his statement about how highly the industry thinks or approves of his department. I actually asked whether a similar survey was or is going to be conducted to ask the public what they think and how much they approve of the ministry or the government in general after deregulation. The minister indicated that because it's a policy question, it

could not be answered efficiently or properly in the deliberations of the Public Accounts Committee. So I think today I would like to re-ask the hon. minister and revisit this question because it is a fair question, and it is a reasonable question to ask.

If we look at the industry as one client of this ministry, I would argue that the public is a bigger and more important client. So you asked the one client if they're happy with their government and with this ministry, and they said yes. I can't remember the exact figure, but I think it was in excess of an 80 per cent satisfaction rating. I would be very interested if we asked the general public a simple question on a survey: are you pleased with the Ministry of Energy? Are you happy with deregulation? How satisfied are you? Then we can actually solicit feedback and some responses from the general public.

My third question to the hon. minister, Mr. Chairman, is with regard to hopefully keeping the regulated rate option indefinitely. It's about offering choice to the consumers. I, for one, as a taxpayer and as a consumer resisted the one- or three- or five-year deregulated services contracts which I was bombarded with. I was receiving door knocks every second day, almost, from somebody who was trying to sell me a contract and trying to get me to sign on. I am, really, certainly happy to have resisted and rejected and declined those offers. I am currently on the regulated rate option, and I think many people are doing the same. Many of my constituents in Edmonton-McClung have approached me, and they said that they're worried that once this option expires and if it is not extended, they will be forced to surrender, succumb to paying higher prices, and we will all be at the mercy of utility companies with nowhere to go and no one to turn to.

I would urge the minister to consider keeping or extending the regulated rate option indefinitely for the benefit of all Albertans. Again, my approach is one of choice, offering choice to the consumers. It's a question that I get asked a lot, and I think today would be a suitable opportunity for me to present it to the minister. I would hope that he would offer a definitive answer there, please.

With that, I will take my seat, look forward to the answers from the minister, and invite further discussion. Thank you.

The Chair: The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. I think I may have missed some of this. If so, we'll look at *Hansard* and respond later.

Your first one I think was a question about the ARTC program, particularly with Finance and Energy jointly administering. The policy for the Alberta royalty tax credit lies in the Department of Energy as to its structure, program, and the like. The administration, because it's actually administered through the corporate income tax or through the Income Tax Act itself, is therefore actually audited and verified for compliance and all of that through Finance in the administration of the taxation. That's why Finance will look to the administration of the program, but in light of the program relating to energy the policy itself lies with the Department of Energy.

You talked about a fair share. As I caught the drift of the question, I think it was about the oil sands. Why not go to the 25 per cent now versus the 1 per cent of gross until payout and then go to 25 per cent of net after payout? The assumption is that profits are already there. I have to re-emphasize again that just in one month in particular the royalty rate is still on bitumen. It's calculated. The bitumen rate is not the west Texas intermediate rate you see posted. In fact, it's a substantial discount based on market prices. The real discount at least is going to reflect the cost of upgrading that to the light oil grades that is the west Texas intermediate grade.

So we've got to take a product that's bitumen. Those are very costly upgraders that they have to put in place. It is our wish and expressed policy to work with the industry to see that we do all the upgrading we can of that bitumen here. But while that's happening, simultaneously the demand for heavy oils at any one time has quite a differential based upon the supply of heavy oils versus light oils. Refineries can only handle so much capacity of heavy oils, so you can get a glut in the marketplace of heavy oils, which is what happened last December, for example. They were actually losing money through that month of December, not making any money, despite that you would have seen fairly high prices for light oils.

In that light, I would say that the risk is still very large for these industries to get payout when you're thinking – many of these projects, when you add the upgraders, \$5 billion to \$10 billion some of them recently announced, up front have a huge risk. These are going to take a long time to get back. It was designed about how you see, given that high risk, that we participate in the life cycle of the project with them also. It isn't a matter of always having to get it all up front, but you look at the economic rent available through the life of the project. That's how the regime was chosen: a deferral of some of it up front and participation after some of the large risk capital has been recovered.

I would still say that it has proven very successful in a high risk when these are 30- to 40-year projects, and the volatility of commodity prices can be anything over a fairly short time period. Yes, they're high today. The good news about that is that'll pay their projects out faster too, so we will participate even sooner with less bitumen being extracted. We will then have a larger resource we'll be participating in at the higher royalty rates. We are benefiting. All it's done is moving up sooner the time at which we're going to get there. So this is a huge win for Albertans, maybe not in direct cash today but coming to them very soon as a result.

When you think about these projects and when they're looking to attract capital, they have to compete with capital around the world for various competing projects even in the energy industry. These projects aren't actually raising capital upon a rate of return expectation higher than the normal conventional plays. In fact, they're actually still sold at a basis that's somewhat lower because you know the security of the supply, and therefore they're not really realizing this real windfall in the oil sands that some might believe that they are yet.

4:40

If in the future those things continue to hold out, I guess we can always review that down the road if the economics really change. We aren't there yet, and Albertans are benefiting by the fact of the huge amount of investment in jobs and in opportunity that's happening and being created in Alberta for a long time. You build those upgraders: good, highly paid, skilled jobs. Those are the things that build a lot of capacity for how we benefit not just in royalty structures but by employment, by personal tax, by corporate tax. We get that back in a lot of ways by having encouraged investment to continue to flood in. In fact, the more we can do to attract investment to this province, the more opportunity that we will have truly to be able to sustain all of the things that we value even in all of our other programs.

One of the questions I didn't get a chance to answer in the previous relates to the upgrading. Everybody mentions, yes, there's support of the upgrading to happen here. I just want to raise a concern that I still have with respect to the implementation by the federal government of this Kyoto plan. If we want to do upgrading, if we want the petrochemical industry here, if we want the refining

here, those are industries that produce carbon dioxide in fairly substantial amounts. So if we want to go back to targets pre-1990 but have an industry in growth and population that is magnitudes larger than ever it was in Alberta itself, we put it at peril and risk because that will happen, that upgrading and refining is going to happen somewhere. The choice is: should we locate it here in Alberta?

I really worry about the application of the protocol, not so much that we shouldn't look at climate change and best practices in technology and carbon dioxide sequestration. It's not about that. I just think the methodology of the protocol itself is flawed, and the application of that by the federal government is very deficient and puts potentially at huge risk those kinds of questions. So I'm hoping, when we come back, that since there's such overwhelming support that we do that upgrading and the refining and the petrochemical industry, there's support for those kinds of questions when it comes to those challenges that we face, too, so that we're not just hitting the one side of the coin. It comes with both.

You mentioned the expansion versus new project, and that's very important. We do have quite a series of rules and regulations that outline what's a new versus an expansion program in the oil sands. It's not just a matter of them arbitrarily choosing. They are therefore also going to have to come back and prove that it really meets all the tests, that it's an expansion versus a new.

The net present value of that project is not to be impacted to Albertans, so there are even financial criteria in that that see that we're not harmed as one might be by clever arrangements, I guess, to try and call everything an expansion versus a new project. We are going to have to make sure we're very clear with industry that they can understand and have a predetermined awareness of what will be expansion versus new projects. That's why in the recent one with Firebag and Suncor the department ruled, given all of the criteria, that that's a new project, not an expansion.

You mention an awareness, a survey, the department looking to the public versus just asking the stakeholders. In this case I'm not certain if those are the questions or not. I do think I would concur that it's very important for us to have a greater awareness with the public. We have talked a lot internally about how we gain support from the public to continue to realize the opportunity that lies with this resource. It's probably only going to happen if we can continue to have the support of the public to do so.

When it comes to having to get access to the surface of the land, you want to take vast tracts of land in the oil sands area, and there's a life cycle kind of a question. You want to disturb that land for a number of years yet support standards to reclaim it, or you want to get access to the farmer's field for that natural gas and coal, or you want to think about sour gas, which is around the population everywhere – those wells are everywhere. Being able to do that is going to be very conditional upon the approval of the public. Therefore, our need to get out and talk and engage the public, I'd agree, is a very important aspect of what we must do in a greater measure. As to how that's framed and structured, whether it becomes questionnaires or other ways, I support the objectives to which you speak.

Therefore, we are working towards a higher awareness campaign, and it's not just to put messages out, but it's to engage people. It's to understand the issues. It's all about making sure that we have the confidence of the public to develop the resources that are theirs and to provide greater predictability, really, to everybody: Albertans, industry, investors, and clearly regulators.

With respect to the RRO being kept indefinitely and offering choice to consumers, I mentioned earlier that we were in the middle

of some review of the wholesale market and retail market designs. We will continually be monitoring. I think these things are continuous. It's not a matter of events. You're always making sure that you have the best structures in place in any regulatory environment. In this case those are discussions that are on the table. I don't know the answers yet to what that'll mean in design. We plan to bring that back in the very near future for discussion.

As you know, the regulated rate option is scheduled to end on July 1, 2006. So in anticipation of that, we're reviewing those kinds of questions and will be happy to report back after we've finished some more due diligence on that topic.

Thank you.

The Chair: The hon. Member for Edmonton-Beverly-Clareview.

Mr. Martin: Thank you, Mr. Chairman. Just a few more general comments and maybe a couple of specific questions at the end. I was interested when the minister was talking about budgeting. I remember the budgeting that he talked about in the '80s. As I recollect, it was a Conservative government then, too, and I remember us saying at the time: they're putting on rose-coloured glasses. The times were different then, and I think that they often overestimated the revenues, and then we'd end up with a deficit each year. It wasn't good budgeting. I agree.

[Ms Haley in the chair]

At the same time I think we've had a tendency here in the last number of years to deliberately underestimate the budget, so we get these huge surpluses that say: "Aren't we brilliant? We've got all this money rolling in." I agree with the minister. I think the minister used the term that we can err on the side of being conservative in terms of our estimates, and we should do that. We should do that in our own household budgeting, of course. You don't say: "Well, this is the best-case scenario. We're going to budget there." But at the same time you try to be as realistic as you can.

Now, I recognize that trying to figure out the price of oil and gas over a year is not easy. It's probably harder in this province than others because of that nonrenewable resource, but I think we can do better. I don't think it gives us a lot of confidence when all of a sudden we have billions of dollars in surplus after. Then we can begin to budget into the trust fund and other things that we should be doing, building that up.

So I'm not saying, you know, take the best-case scenario. It could be \$50 or \$60, or whatever it is. Surely the department is sitting down over a period of time and they have not the best-case scenario and not the worst-case scenario but what they think is going to happen. I think that's what we should be shooting for. I think that they've deliberately been too conservative, if I could put it that way, in terms of those estimates, and I don't think that's good budgeting either.

I'm not going to say a lot about deregulation. I'm always amused by watching government ministers come and go and talk about what a great success story deregulation is. The public just doesn't buy it. I think most people see it as a triumph of ideology over common sense or, maybe, Steve West's revenge on the government and the rest of us here. No matter how you spin it – and the minister is pretty good at spinning, you know – it just doesn't ring true with people.

4:50

Most people know that deregulation has not worked. It hasn't worked in California and most places because it's not the type of commodity where there is that – I mean, the private sector works well in the economic area where there is legitimate competition.

When you're dealing in a situation like this, it doesn't make a lot of sense, and the minister can say that with all the supplies coming on and all the rest of it, spin it however he wants, but the public knows. The public is well aware. You talk to anybody on the street, and they all say that it's been a disaster. That's spin from them and spin from us, and we can debate that for a long time.

I want to talk, though, very quickly about the tar sands. I see the government's strategy. Admittedly, the tar sands are very important to this province, but I see us sort of bent on moving as quickly as we can, no matter what happens, at getting the tar sands out. I believe now that's why Mr. Smith has gone to Washington. It's to get into that market as quickly as possible. So we wipe away any impediment to big oil to get there.

We've had this discussion about division 8 in the tar sands with the Horizon project coming up. I think that's going to be a major mistake down the way because the qualified people are the building trades people that are there, that are from the unions. They have the skill, not the other ones, no matter how much you bring in, and to have labour unrest at this time that the government wants to move ahead, I don't think it's very smart economics. I see this as all part of: let's get in there quickly, let's dig it out, and let's get moving as fast as we can into the American market. I think we have to temper it with fairness, and we have to temper it with some common sense if this is going to happen.

[Mr. Marz in the chair]

I want to tie that into the royalty rates. I was almost going to bring out my handkerchief and cry when the minister was talking about the poor companies losing money in December with their bitumen. You know, I thought: boy, maybe we should have a handout here so that we can give them some money because things are so tough. I admit that in royalty rates you have to find sort of that middle ground that's fair to the people of Alberta. It's their resource, and we should get a rent on that, the royalty rates, and enough incentive so that the companies will drill. I know that's not an easy situation, but I would suggest that any studies that I've seen – and the minister says: well, the money will go elsewhere. The figures that I've seen in Norway, where they have the equivalent, and Alaska, because there aren't a lot of places in the world that have similar heavy oil or bitumen to what we have – their royalty rates are much heavier than they are here, much more expensive than they are here, the rent is much more to those governments than it is here.

So I think that's what we have to look at, what our competitors are doing, and we should be at least competitive with them. I suggest to you that I don't think we are, and that hurts in the long run. Sure we've got money coming in right now. We've got a lot of money going through this province because of oil and gas and the tar sands. I will come to the length of time that we're talking about because I think it's alluded to in the budget statement in your department on page 203 where you talk about the future. It seems to me that one of the most important things that we have – and it was Mr. Lougheed that brought it in – for the future is a trust fund.

We have to grow that because there may be a point sooner than this government thinks – and I'll talk about that in a minute – when the oil and gas revenues start to dwindle and times change and technologies change and the rest of it. We have that trust fund there, and I think we should be growing it faster. That could be, if you like, what it was set up to be: our hedge for the future. We haven't grown it, as the minister well knows, for a long period of time. So it's been stagnant.

You know, the minister talks. I think in here it says: "Alberta's

energy sector is not declining. It is on the verge of a transformation that will see Alberta emerge as a world energy capital." Later on they say that the "production of marketable oil sands is expected to reach two million barrels . . . to three million barrels per day by 2020. They talk about the next 20 or 30 years, that this will be there for us for sure – maybe – but I don't think anybody can say that with any certainty for some reasons. Whether we like Kyoto or not, that's a reality, and a lot of companies around the world are going to be changing their technologies. So I don't think we can be absolutely sure that this will be the case. Maybe so. Maybe it won't come on fast enough.

Alternate energy. We are doing something in alternate energy. I think we should be doing more to maintain our role as the energy capital of Alberta. Mind you, I said that 20 years ago when we were sitting in here, and I think we should be doing more, but I don't think we should have all our eggs in one basket. That's why I'm talking about growing the tar sands, and that means getting the best royalty rate that we can and still be competitive to go ahead with some of these projects. But let's not be so complacent to think that this is a truth just because we write it down here. I think we have to be cautious about that, Mr. Minister, because of what may be happening in the world with technology very quickly in alternate energy and the rest of it.

So maybe the minister's statements here or his department's statements might be right 30 years from now, but he or I might not be around 30 years from now to find out if it was right or not. If it's wrong, and we've thrown all our eggs in one basket, so to speak, it would be an absolute disaster for this province. So I'm saying: let's temper that, let's build a trust fund, let's get the royalty rates that we can, let's develop as much alternate energy as we can to maintain being the energy capital. That does not rule out moving on the tar sands, as we should, in a more moderate way.

The other point that I would like to make to the minister – and he correctly talks about things that we can also do in the tar sands: "The need to extract more oil from existing fields may be met by using CO₂ . . . while oil sands upgrading may provide new feedstocks for Alberta's refining and petrochemical industries." Fair enough. Good. But what are we doing now with the gas? One of Premier Lougheed's dreams at the time, as you recall, was that we weren't just going to ship the raw materials, sell it with the gas. So we set up a petrochemical industry.

Now, we're doing that with the pipeline, I believe. We're doing the opposite of what the minister is saying we should do in the tar sands. I think companies like Celanese, for example, that's one of the reasons that they're giving, that they no longer have to take the value-added products and do it here when we're going to be shipping this gasoline. That was our advantage. So I would really suggest that it's reasonable to talk about upgrading in the tar sands, but I think we've forgotten what we are doing in the petrochemical industry here in the province. I believe that that's costing us jobs. It certainly is one of the reasons, at least with the Celanese plant, that they're talking about.

The other point I would want to make – and we get into natural gas in coal. I don't know about this. There's a lot of argument. I'm sure that the minister will say that we can do this, that there's such a thing as clean coal, you know, in protecting the environment. There are many people, I'm sure the minister is aware, that argue that there is no such thing in terms of the environment. It can be better than what we've done in the past, but it's still going to be harmful for the environment. Again, the point I would make: if around the world people are worried about the environment and they're into the Kyoto protocol, and people are using coal here, there may be a problem in terms of marketing our product. I don't know.

I don't pretend to know whether there's such a thing as clean coal, if we can get it to that level or not. But, as I say, many experts that I've read about, I'm sure the minister is aware, would argue that point, that there is no such thing. So I just caution there.

5:00

Mr. Chairman, those are general comments, but a specific question, because it ties into what I was talking about, has to do with the last Auditor General's report and the government's response. I'm looking at number 10, oil sands approvals, where the Auditor General recommends that the Department of Energy "set expected ranges for analyzing the costs and forecasted resource prices submitted on oil sands project applications" and "incorporate risk into its present value test used to assess project applications." It says in the government's response that it's been accepted and that this will be developed in 2004-2005. I wonder if the minister had some general comments ahead to indicate to us how they're going to follow there.

Number 11, evaluation of industry reporting, says, "We recommend that the Department of Energy improve its documentation of its verification procedures for oil sands royalty information and its audit results." "Accepted. Several improvements have already been implemented." This would be more written material, I expect, rather than if he has some general comments, but I'd be interested to know what's happened there.

Finally, number 12, which we were talking about. The Auditor General says, "We again recommend that the Department of Energy document and communicate the objectives of the Alberta Royalty Tax Credit program and use measures to assess whether the program is meeting its objectives." Now, I stress that he says, "We again recommend." The government's response says, "Accepted. As noted in the audit findings . . . the department has developed a draft objective and performance measures." Well, obviously, I guess that the Auditor General didn't accept that. And it says that "the Ministry will work with Alberta Finance to obtain formal approval of the objective."

Mr. Chairman, I would like just to find out what is happening there. Again, if it's too long an answer, written answers later would be fine. Those are, I think, very important Auditor General recommendations.

Thank you, Mr. Chairman.

The Chair: The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. As you mentioned, you had a number of statements throughout. Maybe I'll start with the Auditor General since I have those in front of me just right now. We will be happy to supply maybe a more detailed response in writing, I think, as an appropriate response.

Number 10. The information I have is that these ranges are still under development at this stage, but we'll be happy to expand upon progress and status on that one.

Number 11. He's taken some of the following actions, and he says: reviewed and updated file documentation standards to ensure that the project risk analysis and audit procedures are adequately documented; prepared a sample working paper file to be utilized as a reference for audit standards for oil sands audits – this will be used to assist in the training of new auditors – and created permanent files for each oil sands project to record the project's audit history as part of that.

Number 12. Likewise, we'll see that we get some written response to the Auditor General's comments.

With respect to the budgeting, you know, you pick a number, and I'm not certain whose you get, what satisfaction. I guess we could go into what's reasonable, what's realistic, what's too conservative. I don't think, actually, that Albertans are harmed in any way if you still continue to be fairly conservative on forecasting commodity prices given that they are so volatile. We've seen price swings of \$5 in the last week, up and down. I just don't know how to pick a number. Therefore, I don't know how we'll ever come up with a number that will get everybody to say that they think it's too conservative or not. But I appreciate the comment. I think it is important that we give our best estimate given the nature, that in a budget you're trying to not overdeliver or overpromise on a forecast that could have severe impact.

On deregulation, that the public doesn't buy it. You know, it is clearly about: how do you provide adequacies of supply, which then delivers the price that people want? In today's market, really, what the public is getting is a very good, reliable product at a very affordable price. Therefore, those are things that they want and ask. I don't think the public ever wants to know how to do any of these things – I don't care to figure out how my suit was made – and what all the intricacies are.

An Hon. Member: Tell them the price of it.

Mr. Melchin: Of what? Our suits?

Clearly, I don't think it's the domain of the consumer to have to figure out the intricacies of how it's delivered, but they do want to see that they can have a variety, a selection, of products that can deliver the things they like. Some might be prepared to accept volatility, and markets do come with volatility. I think that's one of the things that should be clear about the design. All commodity prices bring some volatility, and therefore you need to provide products that, if people don't want to live on the spot markets, they have opportunities to have something that's more stable, more predictable, or longer term products to protect on volatility. Those usually in any format come with a premium of a hedge of some fashion. Regulated or nonregulated markets do similar things.

The oil sands. You know, you want to create a structure and a climate that allows activity to occur. I don't know how as a government you get in the way of causing it to occur or preventing it from happening. I'd be worried that we would get in the way, trying to prevent activity when the market conditions and the investment climate are there to do it now. That still means that we have to do some things in order. I don't think that means otherwise. I do think that means you have to see how we can accommodate the regulatory issues, the infrastructure-related questions around that.

It's going to take some time – these are long-term projects – to make sure that we've got it right with the integration of the upgraders being put into place. Not all of the people that are developing the bitumen in the oil sands are large players, and all of them don't have the capacity to look at the upgrading and committing capital upgraders. So we've got a lot of work to do, I think, to help facilitate and correlate that and put that in a fashion that can realize the benefits for Albertans. So I appreciate your concern in that respect.

When we compare rates, though, to Norway and Alaska, Alaska's fields, pools that they have were magnitudes of 10 times larger if not more – I don't have the specific number with me – than our pool sizes when you look at daily production volumes. Norway's are magnitudes of about a hundred times. I'm trying to think of the multiples. They're certainly a hundred times larger in pool size, some of the fields they have, than ours. When we look at competitiveness – that is, I think, the right question – you have to look at not

just Norway and Alaska but, clearly, the Gulf coast and a lot of those areas around the world. Our royalty structures in comparison do put us in many respects on the more stringent end of the rate in the structures.

We look at the economic rent of the question, and that's what Alaska and Norway would look at too. They might be on the early side of some with some large pools. In our conventional sources we're actually on smaller pools, trying to get the most out of declining resources in the conventional plays, technology trying to improve the extraction of it. Therefore, really our largest ones are yet to be discovered in the conventional and/or the natural gas in coal, which is a large play but still has some technology in developing it appropriately. So you have to compare all of the factors of the economic rent, and they do come back that Alberta in various comparisons is not anywhere near the bottom of the list as far as most competitive. We still are on one of the studies put actually higher on the list.

5:10

As to the trust fund, you know, that's in another department's portfolio. I won't necessarily comment on it other than one comment about savings. We have actually saved substantially over this past decade. The vehicle was: do you save in the heritage fund? Do you build up assets or pay off debt? The net worth of this province has increased by \$23 billion from debt repayment. That's now meant that our savings are unencumbered in total. That's a huge amount of savings. That went into a different instrument rather than the heritage fund, but it's the same outcome of net worth, improvement in the province.

We've also added the sustainability fund, 2 and a half billion. We've added to the medical fund and the ingenuity funds. You've got to add those funds up, but that's another \$4 billion to \$5 billion in savings very recently, and therefore those questions are appropriate to address: when you have surplus like this, how do you prepare yourself for the future? I won't continue to go down that given that it's out of the policy of the ministry that I'm in.

World energy capital. You know, I guess one of the messages I did want to place – and I do think you're right on some issues. This is supposition – I don't know for certain the forecast in the future – but you could find that the greater risk to our resources isn't that we will run out of resource as it will be in discovering new energy sources that might replace them at some stage or use renewable or other alternative energy sources. Therefore, we do concur that we ought to be positioning ourselves to be at the front of energy development in whatever the technology, build off the base that we have, and be at the forefront of leading technology in other forms of energy too. We ought to be an energy capital and use and build off the hydrocarbon base that we have.

With that said, in any foreseeable future, even if new technology was to come on fairly soon, the infrastructure to replace the hydrocarbon – you know, we're a long ways out. I mean, under almost any scenario that they can forecast, you're still decades out from replacing hydrocarbons. If you're looking at hydrocarbons and the worst-case scenario for hydrocarbons, short term we clearly have, you know, decades. I would think that 20 or 30 years would be a very positive outlook on the use and development of our own hydrocarbons. But I'd like to say that there can be and should be the opportunity to develop technology that says that these can be valuable resources in the energy mix forever, you know, for a long time. Use it wiser so that they can extend longer.

Also, addressing the environmental questions, they truly are technological kinds of questions where you lead into the clean coal. It's kind of the same question. I don't know how to answer that

today either. We haven't got it to a zero emission standard today, though there are many things and projects that are looking at: how do you get to a zero emission question even on coal?

All of our energy sources today have environmental impacts and imprints in some fashion. There are various trade-offs. Even when you look at hydro, for example, as a source of electricity, it comes with huge environmental impacts of flooding vast tracks of land. So they all have various trade-offs, and I do think that with continuing to push and explore the technology, we could expand the life and opportunity of even the hydrocarbons to be part of that mix for centuries, not decades but a long life, and including technology to solve the environmental impacts and questions. We ought to. I don't think there's anyone here that would support industry or otherwise that wouldn't want to support a clean environmental approach to the development of that industry.

Oil sands. We do want to share the gas, for example. The one thing the Alliance pipeline did bring to us was that we had stranded gas in the province and were trapped at prices well below the market price that we could have, which has now realized in this past year magnitudes of \$6 billion to \$7 billion in royalties off natural gas, where without the capacity to export, we would be back in substantially smaller amounts. We have allowed for tremendous value to come to Albertans by allowing greater capacity. That said, we do want to take advantage of gas from the north and all those opportunities to build in extraction of those liquids here for the petrochemical industry. I fully concur that that ought to be our direction and is part of the integrated energy strategy that we wish to address.

With those comments, if there are some that we missed, we'll answer later. Thank you.

The Chair: I hesitate to interrupt the hon. Minister of Energy, but pursuant to Standing Order 58(5), which provides for the Committee of Supply to rise and report no later than 5:15 on Tuesday, Wednesday, or Thursday afternoons, I must now put the following question after considering the business plan and proposed estimates for the Department of Energy for the fiscal year ending March 31, 2006.

Agreed to:

Expense and Equipment/Inventory Purchases	\$121,467,000
-------------------------------------------	---------------

The Chair: Shall the vote be reported? Are you agreed?

Some Hon. Members: Agreed.

The Chair: Opposed?

An Hon. Member: No.

The Chair: Carried.

The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Chairman. I would move that the Committee of Supply rise and report and beg leave to sit again.

[Motion carried]

[The Deputy Speaker in the chair]

The Deputy Speaker: The hon. Member for Airdrie-Chestermere.

Ms Haley: Thank you, Mr. Speaker. The Committee of Supply has had under consideration certain resolutions, reports as follows, and requests leave to sit again.

Resolved that a sum not exceeding the following be granted to Her Majesty for the fiscal year ending March 31, 2006, for the following department.

Energy: expense and equipment/inventory purchases, \$121,467,000.

The Deputy Speaker: Does the Assembly concur in the report?

Hon. Members: Agreed.

The Deputy Speaker: Opposed? So ordered.

The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Speaker. I move that we adjourn until 8 this evening, at which time we return in Committee of Supply.

[Motion carried; the Assembly adjourned at 5:19 p.m.]

