

Legislative Assembly of Alberta

Title: **Tuesday, April 4, 2006** **8:00 p.m.**

Date: 06/04/04

head: **Committee of Supply**

[Mr. Shariff in the chair]

The Deputy Chair: Hon. members, we'll call the committee to order. Before we proceed with the item before us, may we briefly revert to Introduction of Guests?

[Unanimous consent granted]

head: **Introduction of Guests**

The Deputy Chair: The hon. Member for Calgary-Curry.

Mr. Taylor: Thank you, Mr. Chairman. It is my pleasure to introduce to you and through you to all members present in the House this evening a group of volunteer workers who are here for volunteer services for the Cross Cancer Institute, University of Alberta hospital, Ronald McDonald House, Canadian Blood Services, and Kids Kottage. They are here for six months: leaders Bernie and Bernice, Dennis and Jewel from Manitoba, and volunteer workers Heather Anduruh from Kansas, Jolyn Kramer from Arkansas, and six girls, Rosanna Penner from Nebraska, Mandy Koehn from Texas, Kay Wedel from Mississippi, Tina Koehn from Kansas. I may have missed a couple of names here. If I have, I apologize for that. They're seated in the public gallery, and if they would rise and receive the traditional warm welcome of the House, please.

head: **Main Estimates 2006-07**

Energy

The Deputy Chair: The hon. Minister of Energy.

Mr. Melchin: Thank you, Mr. Chairman. [some applause] We obviously need a little more energy among this group, but we'll get that going as the night gets going.

I'd like to first take the opportunity to introduce a number of officials from the Department of Energy and from the Energy and Utilities Board. This is clearly one of the most exciting departments in this government, in this province, in this opportunity of this province for the future ahead. First, I'd like to introduce Dan McFadyen, Deputy Minister of Energy. He recently joined us as of January. To the right of him is Don Keech, assistant deputy minister. We also have with us David Breakwell, assistant deputy minister; John Giesbrecht, chief financial officer for the Energy and Utilities Board; Joe Miller, our executive director of policy, planning, and external relations; and Katherine Braun, associate executive director, electricity. I'll have them stand and please accept the warm welcome of the House. There are others listening in attentively to this exciting debate that we'll have tonight, and we look forward to comments from all members.

We know of the prosperity that Alberta enjoys presently and has over the decades because of the energy industry. This industry is going to continue to play a very prominent role and should play a very prominent role in the future opportunities for Alberta. We've had record levels of energy activity this past year. Exploration, development, production, technology advances continue to be coming in a variety of methods, improved environmental technologies, and protection. The list is really getting quite vast as the ongoing improvements and efficiencies in the industry itself.

Oil sands productions are really at the infancy of production at this stage, about a million barrels a day. Probably by 2007 that might represent close to 75 per cent of the total oil production in Alberta.

We know of our conventional sources – we've been producing them for decades – and we still have vast untapped conventional sources of gas and oil. In fact, with technology improvements we'll probably find a whole new Alberta just in all of our conventional sources of oil and gas.

Yet we continue to have enormous activity and opportunity in the unconventional sources: the coal bed methane, tight sands and shales, the gas that would be available in those areas, the oil sands themselves. Then if we start adding onto all of that the coal opportunities – with the advances, really, in some of the technologies in the future coal can and should play one of the clean environmental solutions of energy as one of the more economic platforms to accomplishing that objective.

We are very much working in the department on an integrated energy strategy that looks at the integration of all of these sources of hydrocarbons together with renewable sources. We could be at the forefront of all energy development and continue to be global energy leaders. We have centuries of opportunity, and it really is only going to be the challenge of putting together and managing that opportunity that would limit us.

This past year we've had more than \$14 billion that came through energy resources, 35 per cent of the total provincial revenues, a record year in many aspects. The next year, going forward, looking at our estimates, likewise should be a very promising year for the energy industry in Alberta. They'll continue to provide a very substantial source of funding for priority programs as they have continuously done for health care, education, social programs, and the like.

We've also announced that Alberta consumers will continue to have the protection of the monthly natural gas rebate program. It was extended for three years and is now a six-month program, starting in October through the end of March. So there's a rebate that's commensurate as the price of natural gas goes up and down.

We'd also like to just mention that for us to continue to ensure that we tap into the opportunity, we're going to ensure that investments are made so that Alberta continues to build the capacity and capability needed to support the innovation that's needed to be at the forefront of a globally competitive energy sector. We are certainly monitoring and looking at Albertans receiving their fair share of the resources through royalties, taxes, bonuses, and rentals. We likewise will make sure that we're attractive to investors, both conventional and unconventional sources alike.

I know that in the estimates, in the budgets there's continuously the discussion about the government's projection of commodity prices into the future, and that will no doubt continue to be again this year. It's very volatile, and it doesn't matter what number you pick; you're likely to be wrong. You certainly might get some indications of where revenue and commodity prices might go, but they have very significant sensitivities. Just for example, in Budget 2006 a \$1 change in oil is \$104 million. A 10 cent change in natural gas is about \$123 million. If the exchange rate changes by 1 cent, that could have a \$172 million change in revenue. So minor changes, really, in these commodity prices do have substantive impacts upon the revenues of the province, both up and down.

With respect to the royalty structures one of the very significant aspects of the department is establishing royalty policies and collecting of those revenues to ensure that Albertans receive their fair share. We want to ensure that we remain competitive and attractive to investors so that it will create that growth and employment opportunity for Albertans into the future. There have been

numerous studies on our royalties regimes. Van Meurs, Wood Mackenzie, even our own associations such as CAPP in Alberta as well as other competitive sources talk about our royalty regimes as being quite tough in many respects. Yet I would say that in the work that we've done in the department, we do continue to establish and find that we are obtaining a fair-share value for Albertans.

I would like to in one discussion of royalties, though, announce that one thing that we've been working on for some time and we are going to commence starting today is that we are reviewing the Alberta royalty tax credit program. We will be talking specifically to industry about the purpose and need of that program. Clearly, the Auditor General has spoken about identifying the needs of that program, so we are now actively going to be reviewing that program. Any changes, if they were to happen, would be made by January 1, 2007. The review will focus on ensuring that this tax credit is meeting its intended purposes, simplifying it, replacing it, or eliminating it, all of the above. We will work aggressively to ensure that programs that continue to go forward are designed to meet the purposes and reflect the vibrant time of the day.

With respect to energy price forecasts Budget 2006 assumes that we are using an average \$7.50 Canadian per gigajoule for natural gas. That's lower than last year's third-quarter forecast, yet we've already seen quite a bit of softening. Natural gas prices have gone up from \$15 to the peak and back down into the \$7 range, substantive volatility just even within the one year. For oil prices we're going to be using a benchmark of \$50 U.S. west Texas intermediate crude oil price. Once again, it's almost impossible to estimate what that price might be.

8:10

But in forecasting for budget purposes, I would continue to say that it would only be prudent that you establish and let the public know what your assumptions are. We've given the price sensitivities to that. When prices go up and down, public will be able to quantify the impact of that variation from our budget. Also, we want to ensure that we don't get too aggressive on those price forecasts so that you don't want to undermine your ability to finance the programs that are in your budget. You ought to be some degree of conservative in forecasting, not out of line. So it's going to be impossible to ever say that you will ever get something like this forecasted correctly.

The highest bonus this year: our bonuses came in at \$3.4 billion land sales, a record year, about three times higher than any other previous record high. This year we're going to forecast land sales at just under \$1.5 billion, which would be the second highest year ever, though substantially down from this, more in acknowledgement to put it back in line of not knowing how to forecast the level of activity that may occur this year, though the forecast in our estimates still would end up being second highest ever.

In respect to the Auditor General's comments we have accepted all of the recommendations, and we are actively working on those. I'd be happy to answer any questions if committee members had them going forward.

I'll spend a few moments just talking about some of the changes in the budget itself, in the estimates for this year. The Energy ministry's operating spending for 2006-07 is \$218 million. That's an increase of \$16 million over the forecast of 2005-06. That's up 8 per cent over the third-quarter forecast. The capital investment budget of \$18 million is \$5 million higher than the previous year. That's up 28 per cent over the third-quarter forecast. These are both an acknowledgement of two key areas of investment, both in the department and in the Energy and Utilities Board.

There's an acknowledgement of the high level of activity that's

occurring and the need for having ensured that we are properly resourced with people and systems to keep pace with both the regulation and the monitoring and the compliance of the industry as well, not just approval of applications. This is in recognition to see that the industry and the department and the Energy and Utilities Board are both adequately financed to keep pace with competitive wages, tracking the people to hire additional staff, and see that we have the resources to update some antiquated systems that are badly in need over the next few years, that our budget accommodates to replace those old systems. They'll be adequate for the time, but given the level of activity, those upgrades are necessary.

As we've worked with the Energy and Utilities Board and with industry and our own department, this should address the needs of being able to keep pace with the level and quantity of activity that's coming at them to be able to manage on an efficient and daily basis.

I think I'll leave my comments there. We'd be happy to entertain any questions that the members have on our estimates through the evening and respond in more detail as needed.

Thank you.

The Deputy Chair: Hon. members, before I recognize the next speaker, may we briefly revert to Introduction of Guests?

[Unanimous consent granted]

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

The Deputy Chair: The hon. Member for Edmonton-Rutherford.

Mr. R. Miller: Well, thank you very much, Mr. Chairman. One of the most fascinating aspects of being an MLA is the people that you meet. This evening on the steps of the Legislature I had the great fortune of meeting a very interesting and diverse group of visitors to our city, accompanied by a recent immigrant to Edmonton. Living in Edmonton now but originally from El Salvador is Julio Orellana. Accompanying him is a visitor from Cuba, Mr. Lazaro Rosa, and three visitors from Mexico: Miguel Angel Reyes, Carlos Chulin Cordillo, and Maria Concepcion Chulin Cordillo. I would ask them all to please rise and receive the warm reception from this Assembly.

The Deputy Chair: For the benefit of those sitting in the galleries, we are at the committee stage, which is a much more informal session of the Assembly. That's why you see people moving around, removing their jackets. It's a little more relaxed. In a regular session it's much more formal.

The hon. Member for Edmonton-Gold Bar.

head: **Main Estimates 2006-07**

Energy (*continued*)

Mr. MacDonald: Thank you very much, Mr. Chairman. It's with interest that I stand to participate in the estimates debate this evening on Alberta Energy for the fiscal year for which we are currently debating the entire budget. Now, I'm looking first at the three-year business plan, and I'm also looking at the fiscal plan, and sometimes I'm referring back to the annual report from the previous year of the Department of Energy.

The hon. minister is absolutely correct: this is a very, very important ministry. It is responsible for not only collecting our royalties but ensuring that there's a regulatory framework in place so that resource companies can have confidence in this province and its regulatory approval process.

The Deputy Chair: Hon. members, the hon. Member for Edmonton-Gold Bar has the floor, and I think he deserves the courtesy of a little silence in the room.

The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you. Now, certainly the Department of Energy is requesting the total supply of \$132 million for operating expense and equipment/inventory purchases. This is an increase of roughly 10 per cent from the fiscal year '05-06 forecast. The ministry will be spending in total \$219 million, which is an increase again of 8 per cent from last year's forecast. The majority of the increase, as I understand it, is the spending that will be used by the Alberta Energy and Utilities Board to accommodate improvements to regulatory requirements and operations practices relating to the public and environmental safety and reliability and adapting regulatory activities to new energy sources, such as coal-bed methane.

Again, I can't emphasize how important this department is to not only Albertans now but for future generations because this department has the responsibility of making sure that we are receiving a fair share of the royalties that are created, the Crown revenue share from resource development. I was disappointed. I learned earlier this winter – and it was certainly reflected in the business plan – that the actual percentage of the royalties that we're collecting is going down, but I'm pleased to learn from the minister that there's going to be a review of the royalty tax credit. Certainly, that may have been necessary whenever resources were more modestly priced for natural gas on the North American market and for oil on the world market.

There are a lot of issues to discuss in this small department. Particularly, at this time I would like to focus on royalty rates, the accountability factor in all of this, and certainly on electricity. We can't forget about electricity. Mr. Chairman, in the business plan on page 144 it states that "Alberta will have a financially stable, open and accountable government." In the spirit of accountability will the hon. minister please begin sharing royalty information with the owners of the resources: Albertans?

8:20

Now, the hon. minister referred to a Wood Mackenzie study, and I sure would like a copy of that. I would like to see how that study compares our royalty structure to that of, for instance, let's say, the lower 48 states or Norway or Alaska. If that information exists, I would appreciate that. The hon. minister mentioned another study. I couldn't hear, but I believe it's the same one that the hon. minister referenced in question period about three weeks ago. If we're going to have this open and accountable government, well, let's put our money where our mouth is and provide this not only to this hon. member but through the House to the general public. We have to question: who, exactly, is Alberta Energy accountable to? If your goal is to be open and accountable, can we expect that you will be making public the details of all reports on your recent royalty review? I know that we can go back to different annual reports, and we can certainly see where there are royalty reviews all the time, but I think it is important.

Another question that I have for the minister is: how does the hon. minister plan on facilitating a more open and transparent department? A guy shouldn't have to fight for this information. It should be tabled in the Legislative Assembly maybe on the second or third day of session, at the start of session. It should be a routine matter. We shouldn't have to fight for this or ask for it. That, Mr. Chairman, is quite important because I do notice that in the fiscal plan we are changing how we track the forecasts of natural gas prices.

I'm reading directly from footnote (a) on page 101, the economic outlook. This is the same economic outlook where I can't find a comparative price of electricity, but we'll get to that later. That used to be always in here, but it's not anymore because I consider this government to be ashamed of what electricity deregulation has done to prices. They've gone nowhere but up.

- (a) The natural gas price is the US price of natural gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. Since many consultants do not forecast the Alberta Reference Price, which is used in the Alberta Budget and is the basis for Alberta natural gas royalty calculations, the table has been changed this year to the US Henry Hub price of natural gas. The Alberta Government forecast in the table above is also the US Henry Hub price.

My questions would be: if we were to use the Henry hub price, which I suspect we are, will that make a difference in how our royalties are calculated? Can the minister tell us how using the Alberta reference price in the past has impacted royalty calculations? Have we lost money that we should have been collecting? Has Alberta Energy conducted any studies to determine whether using the Alberta reference price in the past to determine royalties has resulted in lost revenues? If not, will you do so? Will the minister provide a comparison of the royalties collected using the Alberta reference price versus the Henry hub Louisiana price for the past 10 years to prove that we have not lost revenue?

Again, the hon. minister talked about the Alberta royalty tax credit, and that's good news, as far as I'm concerned, because it's a program that we don't need at this time, as far as I can see.

Getting back to the business plan, on page 147, Public Awareness and Understanding: "In order to support future energy development, Albertans need to be confident that energy resources will continue to be developed and managed in a responsible manner." How can Albertans be confident that energy resources are managed responsibly when, again, we have such difficulty in getting information from the department? Given that the Albertan slice of the pie has declined by 4 per cent since 2001, what is the department going to do to restore confidence in resource management? From page 158 what steps has the minister taken to more accurately forecast revenue numbers?

Mr. Chairman, in the business plan on page 148: core business 1, goal 1, performance measures, Crown revenue share of industry's net operating revenue. We talked about this earlier: energy companies are making record profits, yet our cut in percentage is decreasing. Again I have to ask: how much revenue are we losing at this time of opportunity that could be saved for future generations? Certainly, many people are quickly becoming aware of just exactly how much money this government is spending, and we still have that same long list of problems. We're spending more and more money, and we don't seem to be solving any of these problems. When we're spending the money, we've got to be conscious of the fact that we also have to be saving money. A lot of this resource revenue belongs to the hon. minister's children and great-grandchildren. Certainly, we have to make sure that there's something set aside for them.

Again in regard to page 148, why is the department failing to meet your core business 1 goal? Who is responsible for the failure to meet this goal? Given that you've allowed Albertans' share of resource revenue to decline by 4 per cent since 2001, how can you claim that the royalty structure is now healthy and competitive? What are you doing to ensure that you do not miss your own targets again this year?

You maintain the status quo for your targeted share of profits from resource development through to 2008-09. When will this government raise its targets to take advantage of the current economic

situation? I'm not going to call it a boom. I'm just going to call it a prosperous time.

Energy companies are exceeding their revenue goals off Alberta's resources while you cannot even meet your own modest goals. Isn't it time that we adjusted the royalty structure? We have a 25 per cent royalty on synthetic crude production after capital costs are paid, and that's net. So why can't we have 25 per cent as a target for conventional crude oil production and natural gas production?

Failing to meet the department's goals results in the loss of hundreds of millions of dollars. Can the minister please explain this evening his department's failure to collect sufficient royalties on behalf of Albertans? On the issue of royalties I also have some additional questions as to how that is calculated. When we look at the department list, we see natural gas and by-products. We see crude oil royalties. We see bonuses and sales of Crown leases, synthetic crude oil, rentals and fees, coal, and then off that, of course, is the Alberta royalty tax credit. We have all these programs for royalty reduction programs. I think that we have 10 going at the present time. I know that two years ago we had nine, but I think that we have 10 now. I could be wrong. If I am, I'd appreciate a correction from the hon. minister.

When we look at natural gas and by-products royalty, what are the by-products? What's included in the line item natural gas and by-products royalty? Does it include pentane? Does it include butane, propane? If I could have a breakdown of exactly what this by-products category consists of. Is it NGLs, or natural gas liquids? What exactly makes up that royalty, or are they separate? I know that if you look at Stats Canada production figures, all those by-products are listed separately, but which ones are included in the line item natural gas and by-products royalty?

8:30

I think it's a good idea that bitumen now has its own separate line. A lot of people in this province don't realize the difference in price between conventional crude oil production and some of those heavier oils, and I think that's a good idea. Certainly, if I could have that information, exactly what makes up that item and what is included in it, I would be very grateful.

Now, in the time permitted – there's not much time to discuss this department's budget, I'll say that – if we could spend a little bit of time on electricity. There are certainly a number of outstanding issues surrounding electricity, whether you're in southern Alberta or whether you're in Fort McMurray. In southern Alberta, of course, many people are questioning this whole idea of the Montana/Alberta tie-line and how it is necessary or why it is necessary.

Certainly, documents that have been provided to this side of the House indicate that in some cases exports of electricity will drive up the price here domestically. When we think of the domestic price, we just have to look at the wholesale electricity market last year in this province. The average wholesale market price of electricity in 2005 was \$70 a megawatt, which was up from roughly \$54 the year before. Now, that's a significant increase. We're all told – and the minister and the government are trying to sell us this bill of goods – that electricity deregulation has worked and will continue to work, but that tells a different story.

You have to look at the prices. Prices haven't gone down, and I don't think we can blame it on the cost of natural gas. That's only a small portion of that price increase. We just can't simply say: oh, the price of natural gas has gone up, so the price of electricity has gone up.

We've got transmission issues. In fact, I don't know where to start on the whole issue of transmission. Certainly, I was taken aback, to say the least. I got another phone call from an unidentified

person. It's not long ago that we had asked in question period because of the whole issue of the Department of Energy's paper on role and mandate requirements for Alberta electric industry implementing agencies, as it was called, this whole role and mandates policy paper that was produced by the electricity business unit leader, Mr. Kellan Fluckiger.

People were up in arms over this. They thought it was wrong that only certain stakeholders had been consulted. The hon. minister stood in this Assembly and said, "Oh, no; the consultation process is good," and the hon. minister indicated that he was quite satisfied with it. But more and more people are coming all the time with more and more information that they're not satisfied with it. Not only some of the electricity retailers but, for instance, the Industrial Power Consumers Association of Alberta in a letter dated December 7 were very dissatisfied with it. The EUB felt that they weren't consulted in a manner that was respectful of their regulatory role, and I agree with the EUB, and now we've got the Industrial Power Consumers Association of Alberta expressing the same sort of displeasure.

So I get this phone call, and it was from a concerned Albertan who wouldn't identify themselves to me. I could look in my Daytimer, and I could tell you what day it was. It was shortly after I had asked for the resignation of this electricity business unit leader, Mr. Kellan Fluckiger. I would like to know what sort of conflict of interest rules the Department of Energy has. There was a serious matter brought to my attention, and I think it has to be dealt with. Now, according to this source – and I would really appreciate it if the hon. minister would follow up on this and get to the bottom of this. Hopefully it's not true, but this source by telephone indicated to me that Mr. Fluckiger's spouse is CEO of AltaLink and felt that there was a conflict of interest there because Mr. Fluckiger is setting the rules for the transmission policy.

Thank you.

The Deputy Chair: Hon. minister, would you like to respond?

Mr. Melchin: Thank you. On some of the comments I'd be happy to supply a little more detail in due course. I'd like to first state a couple of things that got repeated a number of times.

Talking about fair share of royalties, specifically in the business plan notes it goes down to 19 per cent, as if we are somehow losing a percentage in the take. That's kind of the reference: that the slice of the pie is decreasing, that our cut is decreasing. Actually, our royalty rates haven't decreased. It's not a result of our structures having been changed to take a lesser percentage. Our percentages are still there. So when price goes up, we do too. Our structures are factored by two things: the price of the commodity, both for oil and gas, and by the production volumes. So there are two things that come into play with how much we'll get.

As we get more mature fields, as the production volumes go down – and they are in our conventional fields of gas and oil – those wells become less productive, so they will have a lower royalty rate associated with them. What we're trying to ensure is that you don't make the cost too prohibitive so that those wells are shut in. You want to extract all the resource you possibly can, so you want to still encourage those low-producing wells. The economics are still there so that they can produce from low-producing wells, and we have more and more of those in Alberta. We don't have some of these large pools of conventional sources compared to, say, Norway or something like that. Production volume has been one of the real key successes, actually, in helping to get the last incremental barrel of oil or the last amount of gas that you can from that well.

But the other very significant change that's caused in the overall

average is the fact of the increasing production out of the oil sands. The reason why it's gone from, say, the mid-20s down to 19 per cent in our business plan is that our oil sands royalty regime is at 1 per cent until payout. So you can see in the estimates this year that we're getting \$1.716 billion for the crude oil from bitumen royalties. It was \$1.184 billion last year. When you see the more oil that comes from the oil sands, that royalty structure is different, so it's going to change the average mix. We're not reducing our take on all of our conventional oil and gas. It's just that when you add in increasing production from a different source, of course it changes the overall averages, and that's what's happened to the take. It hasn't changed anything, that we are getting less. You have to look at and separate the two.

The design of the generic royalty regime for the oil sands was to ensure that these are the highest producing sources of oil in the world. These are the highest risk projects, because of the high cost structures, of anywhere in the world. This is still a volatile commodity. Heavy oils aren't even commanding \$60, like you'd mentioned. Heavy oils have had a very substantial differential in the past year. They've only been commanding the \$30 range for a good part of the year. Our heavy oils in the oil sands take substantial investment of upgraders to get them so that we can even get to that price.

These are very expensive, long-term projects, and it really is in our best interest to ensure that that risk capital is paid out quickly so that we will have a long-term, viable project, so that those jobs will be secure for the future. It was designed with two things in mind. These projects are the least cost-incentived projects in the world, though the resource is great, so you have to take into account also the multi-billion dollar projects' high capital. When you blend in something like oil sands, which has been a very successful regime thus far, the projects are now starting to pay out faster because of high prices, so we will benefit on the upside sooner on more of those barrels than in the past. That will start altering, once again, that royalty percentage share that we take.

8:40

We're just at the beginning of the stages of production in oil out of the oil sands, about a million barrels today. In a few years we could be at about a million and a half barrels a day of production, just in our next three-year business plan. We're forecasting that in another decade it could be up to about 3 million barrels a day. As those projects come on, it is going to take some time, another decade or so, before those projects all get paid out. This is long-term, patient capital both for industry and for Albertans to ensure that there's a long-term viable future for these oil sands in a world where commodity prices can come back down. There are lots of scenarios that could see commodity prices for oil and gas in North America come right back down. We're not forecasting that to be a substantive change though we are seeing some even in our own forecast, not being quite as aggressive on that price because there is a lot of downside risk to that price as well.

You'd mentioned the Henry hub price and why not use the Alberta reference price. One of the great things that's happened is we've created an Alberta hub, and it's a market hub. It's actually one of the largest gas-trading hubs in this world. What we want to continue to build on is that we have this trading platform right here in Alberta, and they use the Alberta reference price.

The Henry hub is another market. We don't price our gas off Henry hub. It's only used there for comparative purposes. It wouldn't change what our take would be. It's just that you would base your royalty on a different reference price. So we've used and want to strengthen the Alberta hub as being the right marketplace to develop more trading to be expanded off this and that our gas is

traded off this hub. We'll continue to reference that that's the price that we realize on the sale of that product right here.

There are different oil commodity prices throughout the world. There are different gas commodity markets in the world. You can use them for comparison's sake, but it doesn't change that we would take more or less. You would just now all of a sudden use a different reference price if you wanted to price everything off a different market. We use it because this is the market that's been established in Alberta, where the gas is sold closest to the point, one which we want to continue to develop and increase.

Natural gas and by-products: I'd be happy to get a list with more detail. That clearly will include all of the natural gas liquids. You'd mentioned some of the propanes, butanes, pentanes and the like, and C₅ and plastics. We do realize royalties on all those structures, on all of those products. That's included in there. I'd be happy to give you more of a breakdown on that.

You'd mentioned also some of the studies: Wood Mackenzie. Van Meurs was the other one that I'd cited previously. I'd be happy to share those studies. I don't have any problems with that. A lot of our work does stay. We have been preparing for it. We do a lot of work internally, continuously. This isn't a matter that you're commissioning a report. We do continual monitoring of our royalties and of places around the world, so we would have to go to quite a bit of work in just comparing and building reports. This isn't an event other than that it's something that we continually monitor. If we get to the point of having a report prepared, I'd be happy to share that report. There's no intent to have to do anything other than ensure that Albertans understand what it does mean and to what extent you can benchmark and ensure that we are receiving our fair share, all things which I'd be happy to share with yourselves and with the public.

One of the royalty things we have looked at is the programs. That's why the Alberta royalty tax credit is something where we are undertaking a very significant review as to the need for its continuation. We will look at that one with respect to the small companies in particular as to: is there really a need to continue with that with the small companies? Clearly, there's less of that need demonstrated with the larger companies. So we'll take a look at that. Any changes would be happening through this year, best implemented in January of 2007.

The reason I say that is the history. The Alberta royalty tax credit program actually came back in '74, when the federal government disallowed the deduction of royalties. In response to not being allowed to deduct royalties, as with any other royalties that were allowed for federal tax deductions – this was singled out, so the Alberta government of the time put in an Alberta royalty tax credit. Later on the federal government had a number of tax changes introduced: a resource allowance, which was an approximation of the royalty deduction. That's changed over time. Prices collapsed, so there have been modifications of this program through all these years. Now, all of a sudden when we were examining this project, this program with the Alberta royalty tax credit, in light of higher price scenarios not having been anticipated, is there really a meaningful need to continue this program?

The reason for January of next year: that will be the final transition of the federal tax changes to allow for the full deductibility of royalties. They're eliminating the resource allowance. That will be phased out by the end of this year, and the full deductibility of royalties happens as of January 1, 2007. As well, they were allowing for corporate income tax changes for the oil and gas industry. So the timing coincides with the federal government finally reversing all those policies which led to the creation of this program in the first instance.

On electricity. You had mentioned the Montana/Alberta tie-line. That's a merchant line. That's a private-sector line totally. Exports don't drive up prices domestically. It really depends on what markets are everywhere else. What has happened in natural gas – and it's not really a fair comparison to take natural gas and electricity in this sense. The natural gas supply has really been constrained in North America, and it's a North American contained market. Electricity is somewhat of a North American contained market, but the capacity to find substantially more generation of all sources is quite unlimited in electricity. If there's a market for it, they will find an ability to put on new generation.

Quite to the contrary, what more interties would give us would be more stability in our system. We have already a tie-line between Alberta and B.C. We already export or import, both ways. These lines aren't just a one-way export; they are for imports too. When all of a sudden we're a growing market and we have a need or a plant is down, if you have other plants because of more export and import capacity, we will find more stabilization of our own market. We will find that even the generators here will have a broader market to both sell their product and to import in the time of need to meet the demands right here. They will also then be subject to having to be competitive with the broader markets of electricity.

You mentioned that one of the successes has to be price. You say that the price hasn't gone down, but quite frankly, price has gone down substantively over this. In the early days of deregulation price spiked because of natural gas. The first spike that we'd ever seen to that extent was when gas – we were used to gas being in the \$2 to \$3 range – all of a sudden went to the \$10 to \$12 range. The first time we'd ever seen a spike like that happened to coincide with when we deregulated. It led to the substantive increase in electricity costs. Today one of the main contributing factors to higher electricity cost is natural gas. Natural gas is not the price it used to be a decade ago. I don't know if it's five times as much, but it's still in the \$6 to \$7 range. It's been up to \$15 this year. It traditionally was in the \$1 to \$2 range. It is a major component of an increasing cost in the market unrelated to anything to do with deregulation. It is a cost that's borne not just here but throughout, clearly, North America in the gas market that we have.

The other thing we see is that there's been a substantial drive towards environmental issues, which we support. Being prudent energy developers, we want to attend to the environmental kinds of questions: how do energy and environment kinds of things coexist? In that light, there's been a greater demand placed on natural gas as a cleaner burning fuel rather than things like coal. What has happened in response to that, though, is coal. Genesee 3 that's come out recently has introduced a very . . .

An Hon. Member: You had to do it, didn't you?

Mr. Melchin: Yes. Should we mention coal one more time?

What coal is doing and will do for the markets of the future is that they, too, can address the environmental issues but not at the same price as old coal was. Genesee 3, one of the later ones, has come in with a substantive decrease in the NO_x and SO_x in particulates and even in carbon dioxide. That's the direction you want to go, but it is at a higher cost. If you want electricity, it is still more competitive than other sources that we could bring in.

8:50

We still have in Alberta, other than hydro – we're not blessed with everything. We have many great advantages here. Hydro is not one of them. Still our sources of electricity are the least expensive of anywhere in Canada other than hydro. We have produced a very

good market, one of the overwhelmingly great successes of generation in excessive capacity: in the last couple of years a very substantive reduction in electricity prices in this province is a clear result.

You look around even to the provinces to the west and to the east of us. They're facing, really, shortages when they don't have the markets that are growing as fast as ours, and a very high, escalating challenge they're going to have in their electricity costs. I would say, on the contrary, that we've had a tremendous success in deregulation in price to Albertans. It's not lower than historically because of the factors that have changed both environmentally in gas and the like, but those are things to which we have all come to accept are the right directions in developing of energy.

You mentioned the conflict of interest of Kellan Fluckiger. That has been through all the ethics. Those have been declared. It is true that his spouse is not the CEO but is a member of AltaLink. That's correct. But that has been cleared and vetted not by our own Ethics Commissioner but by all of the codes of the departments to ensure that the conflict of interest has been addressed and that there is not as is being purported. There should not be a penalty to have your spouse employed somewhere. These things have been declared openly before the contracts were let, so certainly all the precautions have been made to ensure that he, too, can do his job without being placed in a conflict of interest.

Allegations to the side would be complete unfair statements, and I would stand up in defence of a person that's doing tremendous work. He has an enormous understanding and a great understanding – spend the time with him – of electricity and markets in general and has provided tremendous benefit and value to this department in particular. So happy to clearly state that those issues have been dealt with prior to any of these allegations being made, to ensure that Albertans are protected from there being a conflict in any real or even perceived fashion.

Happy to respond to any further questions of the members.

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

Mr. Eggen: Thank you, Mr. Chairman. I rise with great interest to speak on the Energy budget for this year. I would like to thank the minister for his thorough preparation, and his staff as well, and also for the line of communication that the minister has extended towards me on a regular basis to discuss specific issues. Certainly, we don't see eye to eye on many of these issues concerning energy, but we do have, I think, a similar goal in mind, which is to provide energy revenue and energy for domestic consumption here in the province of Alberta. So I'm sure we can work that out somehow.

I'm hearing at least a couple of encouraging signs, especially in regard to revisiting the royalty tax credit regime, and I know that many people across the province would be very heartened to hear that. I am a little disappointed to know that we're not going to go there for another year. Regardless of changes in the federal tax credit deduction scheme, I think that it's incumbent on and, in fact, the responsibility of this House to make sure we are capturing revenues that are otherwise not tax revenues, Mr. Chairman. They are a question of ownership, and royalties are paying that portion to the people of Alberta that is otherwise theirs. For every day that we fail to impose a royalty regime that is capturing that money in a fair and reasonable way for every single Albertan, then I believe that we are doing a disservice to both them and to our economy.

I just wanted to briefly go over the numbers in the budget, and then I have quite a number of questions. If the minister would answer me now or in writing later, either way is fine with us.

First, the revenue changes for this past year and then projecting to next year for both natural gas and crude and synthetic crude oil. I

think one of the issues or one of the flags that should be raised, Mr. Chairman, in regard to how natural gas and crude oil royalties are actually going down in terms of the revenue being captured is that we must be concerned, as the minister pointed out, that the crude oil and natural gas are coming from depleted resources. I believe that if there are not other ways by which we can highlight how finite these royalties are and, in fact, how finite these products are, then perhaps this is the most graphic example that we can show Albertans that, you know, oil and gas revenues from royalties and, indeed, the domestic products that we consume in oil and gas are finite here in this province.

We need at this juncture to look for a way to bridge into other fuels, to encourage conservation, and to make sure that we are capturing the revenue from the last bits of these reserves before they are finally depleted. A third of the entire budget, to my calculation, in fact is coming from this ministry. If we could expect a 13 per cent decrease in the royalties over the last year in both oil and gas, then I think that should be a red flag that we all should take very, very serious note of.

In regard to other royalty revenues coming in, I think that I would like to just highlight briefly the coal royalty, which otherwise is – no one's hitting the thing when I say coal; I don't know why. [some applause] There we go. This is static, right? I would just like to highlight that at this juncture. Perhaps I'm not familiar with how much, more or less, coal we are in fact cutting in the province here, but I think that we have to remember that if we are going to move forward on using coal technology, which I have some reservations about, and burning more coal in the province of Alberta, we should consider changing this royalty. This, again, is going back to the old trap that we found ourselves in with oil and gas, saying: well, we have to give them a good deal because otherwise they will go elsewhere, and la-di-da. But, in fact, with the depletion of hydrocarbon reserves around the world once people set up, let's say, a coal-fired electricity plant in a certain area, they're not going anywhere.

I think it's important for us to charge a fair royalty that probably reflects the environmental degradation that is resulting from the burning of that coal, including the holes that are dug and whatnot, so that, in fact, we are thinking more seriously about what we're burning. There's this perception out there which I find troubling, which is that we're sitting on an infinite mountain of coal which will somehow come in to save us all, a special, clean Alberta coal. You know, there is lots there, but I think we need to be a little bit more prudent and thoughtful about it as opposed to the sort of gold rush mentality that has depleted our conventional reserves of crude oil and natural gas in this province so quickly and, I would say, perhaps prematurely consider that we do need the domestic-consumption production of natural gas to survive in this province for ourselves. We have to wonder what we're going to do if it's all gone.

I have just a number of questions, as I said, for the minister in regard to the budget, and I'm going to move through them reasonably quickly. I'm feeling constrained here, as my hon. colleague from Edmonton-Gold Bar mentioned. This is a very important ministry, and I think that we need to focus more attention, perhaps, on it than we do. I hope that some of these issues come up during the course of the next year or so and that we can revisit them because I know that the public certainly has an interest in them, both financially and otherwise.

The ministry is forecasting \$11 billion in the next year, a third of all provincial revenues. As I said, we must be very careful to imagine what it would be like for anything less than a third to be coming from that source. The budget bases its numbers on \$50 per barrel for oil and \$7.50 per gigajoule. In a way this is sort of a two-edged sword. I'm happy to see that these projections are more

realistic, but they do sort of fall within the very minimum projections for the next year that I had found from various sources I have in Calgary energy companies. I was told that if the fee goes a dime under \$50 and \$7.50, then you can call him because those would be very, very lowballing but not entirely unreasonable. So it's good to see that there is some movement that way. They're at the low end but more realistic than in past years.

9:00

I'd like to ask why the government has suddenly decided to raise its numbers after years of these huge surprises, which were not surprises at all, which ensured billions of off-budget spending. I'm wondering what the big change is here. Why are we being somewhat more realistic? I'm certainly hoping that this is the first of many changes which move toward more accountability and transparency because, of course, these off-budget spending sprees that we've seen over this last year and other years as well are very confusing and certainly less than democratic, I would say, Mr. Chairman. I'm wondering if maybe this is a way of keeping some ministers off of these giant, unbudgeted surplus purses that they like to throw around. Hopefully, they might stick to their budgets a bit better this year.

Given that the energy prices are hovering around \$60 a barrel right now and factors leading up to this sharp increase in prices, including decreasing fuel reserves around the world, environmental disasters in the U.S., and continued instability in the Middle East, I would like to ask: why does the minister foresee a sharp decline in oil revenue over the next few years? There seems to be in the budget this downward sort of trend, and I'm curious to know why that might be so. For example, the natural gas prices just happen to be low, and I know that some energy companies were experiencing some difficulties with that, but that was because of the very warmest winter on record. Certainly, once the heat that probably corresponds with that warming trend hits the U.S. market, the air conditioners will fire up, and we'll see natural gas fly high once again.

This government keeps talking about its concern about health care costs supposedly eating a third of the budget, but more than a third of our revenue is from nonrenewable finite sources. So I would like to ask the minister what he is proposing that we replace these decreasing oil revenues with if not alternative and renewable energy sources. I find it difficult to swallow that we would move from one fossil fuel to another, and I'm wondering if perhaps this government is thinking about changing the minister's title from Energy to the Minister of Fossil Fuels, since we don't seem to be focusing on anything else besides those particular products.

Minister, please, if you could explain to me as well why the energy and utilities regulation is seeing an \$8 million increase. I'm curious to know where or why that money is going there and why it's increased by that amount. I would like to know.

As well, given that the EUB has somewhat of a mixed reputation in regard to independent regulation of the energy industry and that the public is often perceiving the EUB to be more industry-favoured rather than perhaps looking at things in a more judicious way – I'm asking this because one of the key elements, I think, of the Auditor General's report and something I'm very concerned about is increasing the effectiveness of the verification program for royalties, verifying if, in fact, energy companies are paying the royalties that they should be for the energy that they're taking from the ground. So I'd be curious to know more precisely how this might be improved over this coming year because a lot of it is now, Mr. Chairman, on the honour system.

While we certainly do expect the best from people and the best of their behaviour at all times, we do, as a regulator, need to expect less

than that and, in fact, put measures in place to regulate in a policing sort of way to ensure that we are getting the money that we need. I seem to recall that there was at least \$300 million or \$400 million worth of royalties that seemed to be, well, not missing, but there seemed to be some confusion about. So I would like to know what the progress is on verification.

In that regard as well or more generally in regard to royalties, if the minister is committing to some change or a review of the royalties, I think it would be reasonable for us to see something of what he has in mind in regard to perhaps a draft proposal of where the royalty program is going at least in terms of its objectives and its performance rates because, again, we have some difficulty with that at this point in time. I think that the public and the industry deserve to know where we're going.

Given, Mr. Chairman, that global oil reserves are dropping and that access to them is becoming increasingly difficult and given that Alberta's oil sands have recently been recognized as the second largest oil deposit in the world, I'm assuming that the oil sands development is here to stay. Given that this industry is no longer in danger of moving in a downward trend, I would ask the minister if he would be willing to change the royalty scheme that is currently used in the Alberta oil sands. I'm asking to look for a reasonable regime that is going to be more in keeping with the tremendous revenues that are being generated from the oil sands at this time.

This government has insisted that one of the reasons our oil development bonuses are so high and our royalties kept to a minimum and our corporate taxes kept so low and lowered still even more in this year's budget is so that we can maintain Alberta's competitive edge in light of rising labour and energy costs. Even if we buy this — of course, I have my doubts — I'm wondering: how can this government not encourage and reward through incentive programs, research grants the development and use of cogeneration sources of energy in the industrial sector? We have a tremendous potential for cogeneration across this province, and we need to encourage that in a more proactive way. Certainly, it's there if the balance sheet demonstrates that it's useful, but I think we need to encourage that to make it easier so that industry generates this energy right at the source. That's always the best way to conserve and to be efficient.

This would bring down everybody's energy bills, increasing our industry's competitive edge, and this is one of the ways by which we can change the way we use energy here in this province. So I'd ask if the minister would commit to examining the possibility of microgeneration projects like we see in other countries. I know that in Norway and in Great Britain microgeneration is a very hot topic and not just a hot topic but something that will bear fruit in the next while. You know, it's interesting to see that countries that are serious about reducing their greenhouse gas emissions are also countries that lead the way in providing alternative energy sources, which actually bring down the cost of energy in the long run. So I would like to be counted amongst those regions of the world to do that, and the sooner we do it, the better.

While we begin to develop alternative generation projects, I would like to just focus on another contentious issue in terms of energy in this province, which is coal-bed methane extraction. I would like to know if we could have the review of the coal-bed methane extraction that was done last year in public and see exactly where the government is going in regard to that. We're seeing a tremendous amount of criticism by residents living in places where coal-bed methane is being tested and utilized, and I would like to see where the government's going with this in a transparent sort of way. I don't preclude the possibility of extracting coal-bed methane, by any means, but we have to make sure that we don't do it at the expense of the surface rights of farmers and people who live in the affected regions.

9:10

I would also in that regard ask if the minister would commit to giving landowners, the people who are affected most directly by CBM developments, the people whose land is devalued, whose air quality is degraded and water as well, primary consideration in the review debates instead of making them queue up as observers or peripheral stakeholders. This is a big problem, Mr. Chairman, and I'm hoping that we can meet it head-on in an honest and transparent fashion.

So in that regard I would ask if the ministry would commit to a moratorium on coal-bed methane projects until a nonpartisan public environmental health and safety review can be conducted. We've seen such reviews in the United States, and I think it's a useful process. Sometimes it's a dirty process, but it is a democratic process nonetheless.

I know that my time is limited, so I just want to switch gears here a bit in regard to increasing royalties. My issue here is that we need, I believe, a royalty increase that is reflective of the windfall profits that are being generated at this time, very much like a progressive tax regime, which we should be familiar with here in this province. The windfall increases along with the amount that's being made at any particular time, and I think it's incumbent and responsible for us to in fact enact something like that so that we are recovering the money which is now being generated at a windfall rate but won't be soon enough.

In that regard as well, I think it's our responsibility to manage how the industry grows in terms of energy in this province. By having low royalty regimes, we're contributing to this gold rush mentality, where there's all manner of drilling and activity that outstrips our capacity to regulate it, outstrips our capacity to support it, and often outstrips our capacity to in fact even meet the labour needs that are there. So instead of developing it all at once, I think that we should be trying to have some regulation there. I think it's good for all of us, for longer term development of important resources, for the conservation of those resources, and ultimately for better profits over a longer period of time.

Thanks a lot, Mr. Chairman, and I wish I could have another 20 minutes.

The Deputy Chair: The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. I guess that in your opening comments you said that you didn't quite see eye-to-eye on all facts. We'd like to confirm that that still is the case, especially after some of those comments. In fact, quite the contrary. We have a very different viewpoint on many of the policy kind of questions you said.

You know, when we talk about royalties and the assertions of low rates and giving it away and all that, it's not surprising to hear that the answer is: let's have a tax at a higher per cent, put a higher per cent to everything we can so that we can create a smaller pie, drive everything out, let the investment go somewhere else, let the jobs go somewhere else. That seems to be a philosophy that permeates continuously: why would we want anybody to have a profit? I mean, it's such a terrible thing to have a good year; therefore, if we take everything and extract everything that's supposedly windfall, that would be good for us all.

What has happened by being competitive is that we are attracting people, and it's been very much a success. There's lots of oil and gas around the world. The challenge is that there aren't places where it's safe. There aren't places where it's actually competitive and where you have fiscal regimes that actually work. The reason they're coming to Alberta is because those things are in place. It's

not just by accident and by luck, just because we have all these resources that we're finding success. There are many, many places throughout the world that can't attract people and capital for projects that are a lot less costly and expensive than the ones right here in the oil sands. It is because of setting competitive environments that let people reinvest the profits, that create greater productivity, greater returns, and greater benefits for the government, for the people, and for jobs, and that's what's been proven out.

We talked about this extrapolation, that we're somehow lowering our rates, which is not true in royalties at all. What is happening is that, yes, our average has gone down because, as I mentioned earlier, oil sands are starting to come in as a higher volume of production at a higher percentage of the royalties. That's maybe lowering the overall average, but we're still collecting those same percentages everywhere else. In reality, we collected resource revenues last year of just under \$15 billion. It's not going down. We used to average \$4 billion through the '80s and '90s. That's the average. Now prices have gone up and have done a lot for that, but volume increases are also substantively doing it.

There's also the assertion, that I do agree with, of the integration of hydrocarbons, nonrenewables, and also renewables. You had some good ideas about continuing to be at the forefront. You talked about microgeneration kinds of projects on the electricity front to even some of the other renewable sources of energy that could come. I think that's the right approach, to start building off the hydrocarbon base that we have, to start allowing for the other ideas to come forward by research, by technology, by facilitating so that there's a methodology to bring these things into the mix. Over time they will play a part of the solution and a larger part of the solution. Let's not forget that even with our conventional sources we leave 73 per cent of the conventional oil in the ground. We leave 40 to 50 per cent of the conventional gas in the ground.

An Hon. Member: Terrible.

Mr. Melchin: That is terrible. It's technology kinds of questions that will continually improve that, and we'll find a whole new Alberta. We've said that before. We know where it is, and it's technology that's going to be the ability to unlock and, rather than leave 73 per cent of the oil in the ground, to leave only 50 or 40 or 30 or 20 per cent of that oil in the ground. It's those things that will continue to expand the life of the conventional reserves not for decades but into the next century.

Our unconventional sources have centuries of supply. Why do we put so much emphasis on them? They still provide the most economic environmental solution to energy affordability for the public. They still provide so many benefits. It's going to be a substantial source of energy for the next century because of the demand for energy and the growth of energy not just in growing economies like our own but throughout the world.

The ARTC. We need time, even for January. You want to do it instantly, but you need time to give notice to industry, to have discussions with industry on any of the programs we have, and January is a pretty fast date.

Depletion of reserves. I think I've spoken quite a bit about that.

You mentioned more realistic projections. You know, anybody can forecast. The fact is that you're likely to be as wrong as any other forecaster on a commodity price. We might say that we're more realistic today. Some think: why all of a sudden did we raise ours this year? Industry too. No one, when they saw the first blips – oil has been in the \$20 to \$30 range, if not lower, forever. We've never seen any period of time above \$30 for oil until the last couple of years. When you saw the first year going up, no one had the

expectation that this might be sustained. There's too much risk associated with it. It could also fall back into the \$20 range. Today there's maybe a little more growing confidence with more experience and time, and that's why we've increased our projections.

All of us, I guess, are becoming more accustomed to it, that our economy has adjusted to a higher price scenario. It hasn't caused a recession, but it has caused a substantial increase in costs to industry, to individuals, and it is and can still be a potential softening of the economic question in the United States, Canada, China. There is still substantive risk of that price being lower than where we forecast. I know you can choose a higher one, and you might likely be right, but you could just as easily be wrong. Therefore, in this case I would say that we have been actually fairly aggressive in our forecast.

9:20

The EUB. I just want to comment about the Energy and Utilities Board. It's easy to make an assertion about the public perception that they're favouring industry, but that couldn't be further from the truth in this sense. They process thousands of applications every year. It is by policy of the government to which they're applying those regulations. It's the standards of Sustainable Resource Development, of Environment, of Energy, and together with the other bodies out there, when they develop standards, they do provide a very efficient and thorough regulatory environment. The objective is not to say, no, and put a closed for business sign. It's only to suggest that we can approve those applications if they meet the appropriate standards. Given the quantity of applications there are bound to be some challenges and some concerns, but they do a very valuable, very independent, and a tremendous service to the public.

Auditor General, verification of amounts paid: we have accepted those. You know, there are a lot of ways. With the extrapolation of the industry because there are so many joint venture agreements on all of these wells and with the reporting of information, there are so many checks and balances that we are collecting the right volume of production data and quantity of royalties that the risk level is really remote that we are not collecting it. Now, the Auditor General talks about some risks of having volumetric accuracy and data. Those things are being addressed, are being actively worked on. The Energy and Utilities Board recently put out directive 019, Compliance Assurance-Enforcement, effective January 2006. If you're interested, you might refer to that one in particular as to some of the progress being made on that front.

On the statements such as: oil sands are here to stay. There's no longer any danger; therefore, just change the generic regime to which you've invited everybody to invest, investment structures that are over decades. Now that you've got their money in, just all of a sudden change the financial structures.

There is still a huge, huge risk to all of these industries. I'll mention again that these are the highest cost oil deposits of any other in the world to extract. These are still at the margin, still risky projects given that they need decades to recover the very significant risk capital that is put up front. So, no, I wouldn't suggest at all that that would be prudent in Alberta's interest in receiving the long-term fair share that just because you have a high price today, everything changes instantly. We also benefit on the high-price scenario. That means that all of these barrels are being paid out faster, the risk capital is recovered faster, and we are going to the higher rates, 25 per cent of net, on a much sooner basis, which is the exact design that will benefit Albertans.

You mentioned to encourage cogeneration, microgeneration projects. I'd agree with that. We will continue to explore how you can facilitate. One of the advantages of our deregulated electricity

market is that we've seen more variety of cogeneration, of wind, of renewables than any other jurisdiction. It's because we've created and facilitated a market that doesn't respond to only building the one megaproject plant, like we did in the past under the regulated model that had to guarantee the supply for everybody; therefore, you only did the 400- or 500-megawatt plants, and in Alberta coal was the predominant source to which we'd build and some hydro. What we have done by creating a market is that you allow the facilitation of some of these things to come in, so I think that would be a great expansion, even the ideas that you suggested would just add to it.

Coal-bed methane extraction. Categorically we'll not entertain a moratorium. There's no need for it. The risk is not there in that category, and it's fully unwarranted to mention that there's a risk for the public to their health, their safety, their water. Yes, there's lots of coal-bed methane, but we've had decades of experience with drilling in shallow areas, in southeastern Alberta in particular. These wells are not unlike all those wells. Yes, there's a little different formation. Yes, there's a little difference in techniques, but it's the same drilling rigs. It's the same operations. Yes, there have been some procedures that are somewhat different, but for the most part they look the same. They're the same procedures. We have tremendous experience and standards set by the Energy and Utilities Board for regulating this type of production. This is not new production. It's not new in methodology. It's new because it's going to get larger, and in that seam it's going to become larger. It's not new in methodologies and design and regulation.

That said, because it is going to become even larger in scope, it was at the initiative of this department to create the multistakeholder advisory committee two years ago. That report has had a tremendous amount of public stakeholder involvement, feedback: industry, landowners, all of the people whom you mentioned. That report, a draft one, was out last fall. The final report is in our possession at this stage, and it's an excellent report. It does talk about the air and the water issues. You've heard some of that from the Environment minister in a previous question period. We've heard about baseline testing of water, a lot of these things. We and industry too want to continue to be at the forefront of all regulatory and environmental standards for development so that we can safely and reliably develop these resources to ensure that the water and the aquifers are not destroyed. We do have lots of practice to ensure that that's the case. What we're going to do is to continue to improve. As we learn more, as we gather more information and more science, it will only help us in the future to guarantee the reliability and the confidence of the public, which is truly at heart too.

From that report we hope to come out with an action plan of the various departments that are impacted. It's got many recommendations by the Energy and Utilities Board, by the Department of Energy, Department of Environment, Department of Sustainable Resource Development, and a couple of the other departments. There are a number of recommendations. We are going to be coming out with an action plan. These are some very solid, thoroughly thought through ideas that we plan to implement. There's a process we're taking it through right now. We've just had this report, so we're actively working on that, and it should be out in the near future, to make that public and to demonstrate in what fashion we will continue to gain and show the support of the public that this can be done safely and reliably, which is being done.

I think I'll conclude my remarks at this point. Thanks.

The Deputy Chair: The hon. Member for Cardston-Taber-Warner.

Mr. Hinman: Thank you, Mr. Chairman. I, too, appreciate the opportunity to stand up and respond to the 2006 budget for Energy

and to the business plan. I think that it's very exciting and that our opportunity here in Alberta truly is unique, and we want to be as innovative and efficient and wise as we possibly can be. I want to see a wonderful, integrated energy system. I think all Albertans do realize, as the minister mentioned, how much goes into our health care, our education, our social programs, and the other benefits that we have. Therefore, we do want to look at things in a beneficial way.

At this time I would also like to compliment the minister and the government, that I appreciate a conservative estimate on the value of gas and oil. I think that that's a wise and prudent way to look at things. Let's not count our chickens before the eggs are hatched because things can happen. It does worry me that we're already at an unsustainable level on what our spending is if that glitch was to occur again, and I certainly feel that we need to address and be aware of that.

I'm pleased to hear that they're going to have a review on the royalty tax credits. I wish that would have started three years ago so that industry could have had lots of heads-up time. I understand the importance of industry needing to know the rules and regulations long in advance and the detriment that it is to investments if, in fact, we're changing those rules, as we did with the NEP and saw the drastic reduction and the removal of equipment from our province because of a government change in policy. Though I'm going to mention many things, at no point do I want to see a drastic change or anything that would upset the apple cart and cause damage to our industry or the faith that we have throughout the world that this is a great place to invest because we have a stable and understanding government of the importance of investment here in Alberta.

I would also like to comment, I guess, on the conservative side as well, that everybody says that we're in the information and technology age. I still feel, though, that we're very much caught up in the energy age. With that, at any time fusion could be discovered, and perhaps the carbon world would be to the side, and we would be left out, perhaps like Newfoundland without its cod, if a breakthrough in technology was to come forward. So I feel that that also is something to be cognizant of. Like I say, I am grateful that they are looking at the different reviews for the royalty tax credits and other areas. I think that it is something that definitely needs to be done, and I appreciate their going into that.

I very much would like a copy of some of the different documents that you mentioned. Please send them down this way as well. We don't want one party receiving that benefit and not the rest of the House, as was earlier mentioned by the hon. Member for Edmonton-Gold Bar.

9:30

I guess I'd like to go into some different areas. Your business plan: there's way too much – I see I forgot to start my clock. There's just an immense amount of information. It is such a huge portfolio that I feel I can only scratch the surface.

Speaking of surface, I'd like to go into surface rights. This is an area of concern that a great deal of people are calling me about. I'd like to address a few specific cases just to make you aware of some situations. It's been brought up many times that in the last 20 years there's been no increase in what landowners receive from oil and gas exploration. The landowners are just now starting to realize and run into the different problems that are affecting them. I'll give you a couple.

I wasn't able to get up and respond to the historical railroad society bill, Bill 203, and I was disappointed. I sat in here and wasn't able to get in line and get recognized. Stirling has the Great Canadian Plains Railway Society there. It's an historic one, and

they've set up on a little piece of land. They've lost their spur lines, or they will lose them, and they want to be able to run one. As we've been discussing here, it would have been a great asset to the tourism industry there. They own I think 60 acres, and they want to set up a track to run around. Lo and behold, though, there's a high-pressure pipeline going through there. ATCO says: oh, sure, go ahead, but you need to put in this \$100,000 worth of structure before you can do that. Yes, there's benefit to those things, but landowners very much receive the brunt from the EUB and the gas pipelines that they, in fact, seem to own those areas, and we are reduced to tenants on the land in many areas.

I would certainly ask and appreciate and many landowners throughout Alberta would appreciate it if you would readdress and look at surface rights and perhaps make the EUB more aware of that. As I've mentioned to the minister before in private, if they won't allow elected people to that board, perhaps appoint people that specifically look after the interests of landowners and the difficulty that they run into when they do that.

I have another landowner who in his best interests wanted to level his land so he could flood irrigate. There are 400 feet of high-pressure pipeline going through his property that prohibits him from doing that. It costs \$35,000 to lower the line so that he can flood irrigate.

A gravel pit that has a pipeline going through it: \$200,000 worth of gravel underneath the pipeline, a million dollars to move the pipeline.

The reason why I'm pointing these out, Mr. Minister, is because there are high costs, many times 30 and 40 years after a pipeline goes through, to the detriment of the landowners, and there is no compensation for them. It becomes a liability for them, yet the province seems to state that that is the way it is to be.

Just to read from your opening statement, it says here that "Alberta owns 81 per cent of the province's mineral rights. The Ministry of Energy manages the development of these resources on behalf of the people of Alberta." I appreciate and understand that responsibility, yet I have to question: why do we always seem to give precedence to what's under the land and not on the land?

I'll give you an analogy of this. We have a lot of people in the province with kidney problems who have to have dialysis. If, in fact, we just have surface rights, should we as a people look at having everyone tested and typed and say: "Well, you know, you don't need two kidneys. We're going to take one out because we have other people that, in fact, need a kidney. We're going to take it from you and give it to these other people." That's very much how landowners feel. Whatever is inside or under their property, they become insignificant as property owners, and the EUB is just going to arbitrarily say how much compensation they will get, and they're going to take that. So that's a concern, and I would really appreciate the minister looking into it and standing up for the rights of property owners.

In your business plan you talk about value-added. I'm a great advocate of value-added, and I feel that we need to be doing all we can here in the province to continue to put in incentives so that businesses will come, will have the desire to set up businesses here because we are a business-friendly province, and we know that that gets the economic wheels spinning and is of great benefit to the people. We need to take a closer look at the big picture because many people seem to have the attitude: not in my backyard. I think we need to educate Albertans and understand better that we want to process those things.

I'll give the example of the tanning industry. We used to have a lot of tanneries here in Canada, but because of the acids, the tannic acid and the other dangerous chemicals that are associated with that,

we've pushed the market off to China, and it's done over there now. I've seen pictures of how they process those hides. There is no environmental concern, and that stuff is now just dumped. If we set up rules and regulations here in Alberta, we can process those in a safe and proper manner rather than pushing them off, perhaps sending our bitumen to China. How they process it may not be in a very environmentally friendly way. I'd like to see the processing done here, where it is controlled and regulated in an environmental way, in the best possible way in the world, and to continue developing the technology so that the whole world can benefit from it.

I'd like to see new regulations whereby competing companies – one of the concerns that landowners also have, going back, is that the EUB takes the stand that it's the corporation's right to be able to put in a pipeline even though there might be one there. You can get as many as three pipelines crossing a piece of land by three different corporations. I feel that the EUB should take the flip side and say: "You guys figure it out. You're putting one pipeline through here, and if you can't decide, then we'll arbitrarily tell you what it's going to be and how you'll defer that." We don't need more pipelines; we need efficiency and to save the industry and use more gas.

Another concern that I've had many complaints about is the competing attitude of having to suck the gas out because of the different locations of the wells. We're burning up a lot of our own natural gas just so we can suck it out of here before competitor B over here can get it. We're burning up 25 per cent of the gas here, but economically it still balances out. I think that we need to look and address something like that, where it's not who can haul out the most the fastest who wins. We need to look at some way – and I'm sure that your ministry has got lots of great ideas, if they'd address that – to weigh that out so that we'd bring it out in a good fashion and not just burn up that gas to help extract it.

The use of water in the industry is very concerning to many Albertans. In light of the research just recently released by Bill Donahue and David Schindler, I think that it should, as mentioned today in question period, heighten our resolve to do something about that. I'll use the example of California, how they very much take the attitude that they want to reduce smog. They pass a law, and lo and behold somehow technology catches up, and they're able to meet it. I think that if we were to look at regulating water use and what could actually go down those wells, maybe that would fast-track sequestration or who knows what to look at different technology because we can't afford to be putting water in the ground to get oil out. In my little finite understanding of the industry it just seems to go against all common sense for me.

I'd like to switch for a minute – as two previous speakers said, we run out of time here very quickly – to talk a little bit about electrical generation and what we could possibly do. We have a lot of innovative ideas going on in the province. Down in my area there are a lot of windmills going up, and they're a great benefit to the system. We've had many mentions of the Alberta/Montana link going in there, which will benefit, and a lot of windmill people are looking and wanting that to tie in there.

Once again we come back to a land-use problem and what we're going to do there. I've had several landowners come and talk to me about this. We need this land-use study put in place, and we need to really think: where do we want these corridors? We need to get actual transmission corridors. Why put them through the most pristine and the most productive part of the province? Perhaps the government needs to be more involved in where these lines are going and not just private industry to push it through. It just seems like further east is a beneficial place to be putting major transmission lines to go north and south because what we're really trying to do, I understand, is to go north and south rather than east and west, where we're kind of locked in, and to look at that.

9:40

One of the things that we need to address that landowners are frustrated with is that their house could be on the corner of a quarter section and the transmission line can be one yard across, and there is no compensation. That goes back to the corridor region. In fact, if we were to set up some regulations on how far we're going to buy out, you know, whether it's a quarter mile, a mile, we need to address that and let landowners know: look, we do have a plan; we're going to protect you.

You know, it's like dams. It's like so many things: roads, everything else. There are some times when we're in the wrong place. The transmission lines need to come forward because I don't think there are too many Albertans that would say: we want to get rid of them all; I don't want them in my backyard. We see them, but we need to have a better handle on how we're going to compensate landowners as we want to go through or right beside them, and look at that.

Looking at some other areas here, these are just some ideas that many of the constituents and other people have come to me with. What would it be like if today our highways were owned by private corporations and we had to bid to get on, and they were to possibly say: "You know what? We're too busy here. We're hitting peak traffic flow. Those with the biggest bucks can come on." Right now we're facing that with our shipping industry to China. There are a lot of smaller industries that have lost because there aren't the containers or the ships to get things over there. So the lower products are lost, and we can't compete.

It's very much that way with the electrical. If, in fact, we were to maybe look at owning the big transmission lines and some of these other ones, we could regulate who and what could come on and not have a monopoly that is prohibitive to the small generator. One of the things that was brought up last year and that I'm very much in favour of is zero-based metering at the very least to allow people to set up and to be self-sufficient in a small way yet be contributing back into the big grid. It's there, and we need to work out a more equitable way that's innovative for the small guy to be able to be part of that and to be able to get on this so-called highway with his moped and not say, "Well, there are only super semis and super Bs on here." Right now the small generator cannot get on and link up. You either have to cut and be off. It's prohibitive, and there isn't any innovation there.

Another area to look at – and this kind of crosses over with both oil and with electrical generation and not really in your jurisdiction. We've talked a lot and they're talking about a bigger piece of the pie, and I want to use the example of the electrical industry first; for example, wind farms, where it's easier to do the economic analysis of it. If, in fact, you put up a million dollar generator, they need to be able to generate, you know, a hundred thousand dollars a month before it's economical and see that the wind is there. They might pay 3 per cent royalty to the landowner on that windmill. Yet if electricity was to double and there were now set costs on their capital assets and now electricity is producing \$200,000 for them, the fact of the matter is that that landowner getting \$3,000 a month is going to go to \$6,000.

If we were to link that royalty somehow where it was to double if, in fact, the product doubled – and we have to take into account, you know, the different industries, what their costs are. For example, with the tar sands the extraction costs and the use of energy are very high, so they can't necessarily be the same, whereas with electricity with a fixed cost they could easily double it from 3 per cent to 6 per cent. They're getting \$200,000 a month, and the landowner, then, would get \$12,000 instead of just \$6,000. It would be a win-win situation for everybody, and there would be a desire to go there.

[Mr. Rogers in the chair]

I really feel like we need to be more innovative in how we bring industry in and to allow that. On innovative ideas I'd like to address a specific concern in my area, Rogers Sugar. The sugar beet industry is big down in Taber, yet many times it is on shaky ground because of the cost of energy. Yes, since the Alliance pipeline and the NAFTA agreement came in, we're in a situation where we have to compete now on a world market. My good neighbour here talked about cogeneration. I've talked to the people at Rogers Sugar, and the cost of converting over to coal to generate the heat to process the beets is prohibitive. But if they were able to have incentives, much like the tar sands area, where capital could actually be recouped, perhaps they could switch over to a coal generation and cogenerate electricity with the excess when their season isn't being used and have something there. But we need to come up with some more innovative ideas to have industry able to utilize the coal and to move forward because natural gas has gone through the roof and makes many businesses, like I say, at best not economical.

It's another major problem for farmers and irrigation in the south. All the residents of the province are hurt with the price of natural gas. The province has done very well, and because of that you have the rebate program, which Albertans can certainly appreciate.

Another innovative idea that came up after reading your report was new to me. I don't know; maybe I'm going to run out of time here. On page 144 it says that conventional crude oil royalties are received in kind. Perhaps that's one of the solutions that we can have. We should take natural gas in kind, and we could redistribute it through the co-ops, a certain percentage to Albertans, and there would be no cost. It wouldn't affect NAFTA, and it would benefit Albertans that we could receive that at a very – well, like Medicine Hat. They're in their own area and capable of using that.

We need to come up with an innovative way where Alberta is not competing with the rest of the world for what our natural resources cost. That just seems like a natural, where we could and should move any way that we could possibly jump through the hoops to benefit Albertans rather than to suffer the consequences of a tightened market and export which is hurting us.

There are a few other questions that perhaps you could explain to me; for example, the \$40 per metre that Albertans pay to Direct Energy because of the cost of the purchase of the billing agents. I've never been able to understand the EUB, how they . . .

This is really sad that we run out of time so fast.

The Acting Chair: Thank you.

The hon. minister.

Mr. Melchin: Thank you. I'd be more than happy as questions come forward – I've mentioned, actually, to all of the opposition members that certainly are critics of the energy department that I'd be more than happy to facilitate dialogue on an ongoing basis. This doesn't have to be an event that happens only at this stage. If there are questions and things we can help out, we'd be more than happy to do just that. So it doesn't have to start and stop on a clock that's just right here.

That said, you went through a whole host of ideas. You're suggesting that there could be some innovation. I don't know how to necessarily respond to all the what ifs and could be's. I think the challenge in energy development of all sources is: how do you create some more innovation? That's at the heart of this. Technology and innovation are going to be the formula for success, so how do we continue to see that we do just that? The Minister of Innovation and Science has obviously been paying very close attention here to

ensure that he's captured all of the innovative thoughts that could be here for his own department. But it is in part true, so if there are some ideas that come out of here that we see are things we could act on soon, we'll be more than happy to report back on them.

One of the things that you also mentioned was about various royalty studies being done. That would be circulated to the House at large, so they'll be made available.

Surface rights does get also as a topic much more into Sustainable Resource Development, which has the Surface Rights Board directly under them.

It is true that one of the challenges that we have and will continue to have, probably in growing proportions, is the balancing of those accesses to the surface rights and the competing interests of those surface uses, be it recreation, be it agriculture, be it some of the very forested areas or even ecologically sensitive areas and the like. Those are the ongoing enormous challenges, and I would only concur that that's a balancing, forever moving, difficult one to satisfy everyone.

9:50

Compensation is at the heart of a lot of these questions too. I think that's a real statement. You still have to somehow ensure that in both high-price and low-price scenarios the industries can survive. You don't build the structure so expensively that if oil and gas prices also return to low prices, everybody's out of business. So that's a tough structure to have to see about getting the balance.

We've heard the comments. You know, it's hard to predict the future. You put these pipelines in. They're in there for lengthy periods of time, and times change, and needs for that community and those lands will change. So I do think those are worthy comments, that we continue to explore how we can find solutions to those ongoing problems. You need the co-operation of those landowners to continue the confidence to develop the mineral resources going forward, and I think that's a fair statement.

[Mr. Shariff in the chair]

When you talked about how that extrapolates to some of the utility corridors and the siting and location of those, that's a similar challenge that we have. No one really wants those power lines in their back yard. There's no easy answer to that question. But compensation is part of that mix as well. I know that's been part of our – we've had a Committee on Transmission. The Member for Whitecourt-Ste. Anne is chairing a committee that has been very much looking at those issues and has worked with the various boards and agencies to deal with what is fair, appropriate compensation when you're siting these lines.

Long-term planning and trying to move them further east – actually one of the long-term plans looks like we'll probably need both those utility corridors on the western side and on the eastern side. Likely, then, the connection is in one or two spots throughout the province, especially as we're growing. I think it is the right approach that we look more forward in planning for those utility corridors, putting those caveats on, getting access to those lands now, resolving those conflicts now for the long-term planning in future. We very much support – and I know our committee that's working on it; that's part of their work and suggestion.

That will form very much the basis of not just finishing up this 500 kV line and the one in southwestern Alberta that are the urgent need today but how we look longer down the road and plan with those stakeholders, when you have an appropriate amount of time to plan, with all of the landowners, and to look down the road and ensure that you've put in place those transportation highways for electricity for the long-term future and viability of this.

Ideas such as – you know, you've gone through a whole host of

them, things even like zero-based metering. We need to be able to accommodate and examine and explore how to encourage more efficient use, not whether it's in that or what you said about the use of natural gas and the burning of it. All of those things, energy efficiency and less waste and more capturing of emissions, are part of the platform as well so that they become end-use, valuable products rather than just waste products. All will become part of that really, I think, the future of development and use of energy.

One of the things you commented on, I think, that is really quite insightful for the challenge we face is the value-added opportunity, which is enormous. We are great resource extractors, but we have an enormous opportunity to also be providing more finished goods. Out of this service when you think of the development of the oil sands, we have been very much working and trying to get in front of how you do more than just take bitumen out of ground and ship that to United States or China for processing, especially if you introduce overlays of different standards in things like, say, a Kyoto accord.

If we punish ourselves so that we price ourselves out of the market of being able to do that processing, then we allow all of that to go somewhere else like China, as the example mentioned – not that they would, but they might – or a different country. It could be any other Asian country. It could be even the United States. It could be somewhere else. They could end up producing those value-added products at standards lower than we might. So in the context of the world environmental outcomes it would be a worse outcome rather than us trying to be at the forefront of the energy and environmental solutions to these questions.

That doesn't mean you go ahead with zero emission because that technology as yet is too expensive, but you continue to advance, probably incrementally, with technology and research and best available equipment and practices that keep moving the yardsticks forward, so we demonstrate to the world how to progress on that front. We need to in our integration, be it from royalty – that's part of the royalty review we're thinking about. How do you ensure that the structure would be built to facilitate doing the value-added here?

One of the real encouraging signs that is happening in the marketplace already. We've been concerned about bitumen being produced or sold and upgraded to the light grades of crude in places other than Alberta. We're even looking at studies on doing the refining here. I don't know how far we can keep moving up there. The feedstock for the petrochemical industry – it's in those areas that we can put quite a bit of priority to ensure that as these projects get positioned, we're thinking about those next steps down the road, especially as the capital is being invested and before it gets invested in some other jurisdiction, making it too late for us to actually be able to do it here.

What is one encouraging sign, actually, is that the list of projects for upgraders today is projects that are either in place, announced, or money is already being raised. There's a list of upgraders that have been announced to produce about 2.7 million barrels per day of oil. What is a very good sign is that most of the bitumen projects that are going in the oil sands are actually now a contemplation of the markets reacting to building the upgraders here. So we've gone to one step of threshold, I think, already. Our designs are helping us facilitate to get to that step. The next step is the continual push to the feedstocks for petrochemical refineries and looking at those other structures.

We've had also quite a bit of work done on looking at ethane extraction off even the Alliance pipeline, for example, as a project in specific. We're looking forward to: how can we do more value-added to our more long-term secure supply of ethane stock for the petrochemical industry here.

An Hon. Member: How many barrels is that?

now have an active role in protecting against, investigating, and detecting mortgage fraud. As I said earlier, mortgage fraud has become an issue, a real issue here in this province. There are examples, and they have been discussed at previous stages of this legislation in this Assembly. There are straw buyers. There are flipping properties. There are low down payment scams.

The committee that was formed a year ago to combat the growing problem of mortgage fraud in Alberta has delivered, as I understand it, its final recommendations to the government. These recommendations, as I understand it, are reflected in this bill. Certainly, when we look at this and we review it, it should be beneficial to both buyers and sellers.

Now, I understand Alberta Government Services and the Real Estate Council of Alberta have developed a tip sheet to help consumers, lenders, and real estate professionals protect themselves from mortgage fraud. This is a good thing, and I look forward to it. I hope that this government also is going to provide a tip sheet for consumers so that they, too, can get in on these dollar deals for property and everyone can qualify for the purchase of surplus government property for what amounts to giveaway prices.

With that, Mr. Speaker, I will conclude my remarks on Bill 13, the Real Estate Amendment Act, 2006, and I certainly hope it follows its purpose and that we will now have a first line of defence against mortgage fraud in Alberta. Thank you.

The Acting Speaker: The hon. Member for West Yellowhead to close debate.

Mr. Strang: Question.

[Motion carried; Bill 13 read a third time]

**10:10 Bill 23
Provincial Parks Amendment Act, 2006**

The Acting Speaker: The hon. Minister of Community Development.

Mr. Mar: Thank you, Mr. Speaker. I now ask that Bill 23 be read a third time.

I thank all colleagues in the House for their input into the Provincial Parks Amendment Act, 2006, and my only comment, to follow up on yesterday's discussion in Committee of the Whole, is that Bill 23 addresses the authority of conservation officers but not operational matters such as how many officers should be employed.

Other than those comments, again, Mr. Speaker, I thank colleagues for their input and ask that the bill be read a third time.

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

Mr. R. Miller: Thank you very much, Mr. Speaker. My pleasure to rise on behalf of the Official Opposition this evening and speak to Bill 23, the Provincial Parks Amendment Act, 2006, in third reading. I'm sorry I missed the debate yesterday in the committee stage, but I did have a chance to review some of that. I appreciate some of the explanations that were offered.

I had indicated in second reading that I and my colleagues from the Official Opposition would be supporting this bill. I believe it does accomplish a number of important things, not the least of which, Mr. Speaker, is moving a number of issues related to land-use dispositions out of regulations and into the act. I've been known to comment many, many times in this House on my concern over the propensity to move legislation into regulation. Here's an example

where we're going the other way, and I appreciate that. In fact, the opposition has commented, lamented many times on the fact that this House does not sit as many days as other Legislatures. I would hope that the goings-on this fall in terms of selecting a new leader for the governing party would not interfere with a fall sitting, Mr. Speaker, because there is important business for the province to be done. Certainly, we're looking forward to the opportunity of being here this fall to do that.

Back to the bill at hand, Mr. Speaker. As I said, it does accomplish a number of things. I'm particularly supportive of the stronger fines that are going to be in place for serious infractions that may take place in provincial parks. I think that the parks certainly needed tougher legislation to protect them from industrial activities. It may not go far enough. We still have a situation where in many parks the density of oil wells is actually higher than in some nonpark areas. We allow drilling to continue in the Rumsey natural areas, as a matter of fact, and in many natural areas, so I'm not sure that the bill goes far enough, but certainly, again, it is a step in the right direction.

We would have liked to have seen the special places campaign restarted, Mr. Speaker, and that doesn't happen in this bill. I think it's fair to say that it's important to seek a balance and ensure that there are proper offsets within those protected areas between industrial use and recreational use.

Mr. Speaker, we talked before – and unfortunately it's not reflected in the bill – about the idea of enshrining the requirement to maintain current park master plans. Currently, too many park master plans are either out of date or, in the case of some parks, there isn't a plan at all. We would have liked to have seen a requirement that a transactive park master plan be completed every seven years and that that would have been approved by the minister and tabled in the Legislative Assembly. I think that that would go even further in terms of addressing some of the concerns that the Official Opposition has.

There has been some money announced for infrastructure renewal in some of the parks. In fact, one of my favourite parks, Miquelon park, is closed this year, Mr. Speaker, for some renewal, which as a frequent user of that park I know for a fact was long overdue. What's missing is a meaningful renewal program for all of the parks that would include regular maintenance so that we don't find ourselves in an infrastructure deficit relative to the provincial parks such as what we're seeing, in fact to the tune of billions of dollars all across the province. So that's something that's not in the amended act that I would have liked to have seen, but again it's definitely a step in the right direction.

I talked in second reading, Mr. Speaker, and I do just want to reiterate how I'm pleased to see that in the amended act the minister will actually have the wherewithal to allow free flight activities to take place in the provincial parks. As someone who participates in that myself, I find that very important.

The minister indicated in second reading that he wasn't aware of the fact that the Member for Edmonton-Rutherford partakes in hang-gliding, and I'd like to offer right now to the minister that at some point if he'd like to come out and partake in hang-gliding lessons, I would be more than happy to offer them. [interjection] Now, the Member for Edmonton-Gold Bar is asking whether or not I would supply the minister with a parachute, and I must admit that I hadn't really contemplated whether or not I would make a parachute available to the minister, but you never know. There may be an occasion when he might need one. I'm not sure.

I think, lastly, Mr. Speaker, I would just like to wax eloquent for a second about the value of provincial parks, and I think I may have had an opportunity to do that last year during debate at some point.

I was fortunate enough to have grown up in this province with parents who owned what at that time was probably one of the very first motorhomes in existence on the highways in Alberta. It was actually built by Atlas Van Lines in Edmonton. They took a cube box and converted it into a home on wheels. It wasn't pretty. We have pictures. It looks somewhat like an apple box. But my parents were very insistent that from the Easter weekend right through to the Thanksgiving weekend every year they would get the children out of the city at every opportunity, and we spent literally every weekend out of the city and primarily in provincial parks. So I grew up with a tremendous appreciation of our special areas in this province and a recognition of the value that parks and protected areas can have and do have in terms of raising good citizens. I'd like to think that that might in fact have something to do with the fact that I turned out to be a relatively good citizen myself and stand here in front of this Assembly today having the opportunity to speak about the value of our parks.

So, Mr. Speaker, again, anything that we can do to protect and preserve the parks and the value that they provide to Alberta citizens is very worth while. As I've suggested, perhaps in this amendment we didn't go quite far enough but certainly a step in the right direction, and perhaps next year we'll be back here with another

amendment in front of us that may even go that next step. Were that to be the case, I'm sure it would meet with my support as well.

So with those comments, Mr. Speaker, I'm glad to lend my support to Bill 23 in third reading, and thank you very much.

The Acting Speaker: The hon. Minister of Community Development to close debate.

Mr. Mar: Thank you, Mr. Speaker. I thank the hon. member for his thoughtful comments and personal history and call the question.

[Motion carried; Bill 23 read a third time]

The Acting Speaker: The Acting Government House Leader.

Mr. Renner: Well, thank you, Mr. Speaker. Given the progress made this evening and the events of the day I would like to move that the House now stand adjourned until 1:30 tomorrow afternoon.

[Motion carried; at 10:20 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]