

Standing Committee on Alberta Heritage Savings Trust Fund Act

Monday, August 23, 1982

Chairman: Dr. Reid

2:05 p.m.

MR. CHAIRMAN: Ladies and gentlemen, perhaps the committee can come to order. Before we go into the appearance of the Minister of Energy and Natural Resources, I have a few remarks to make. First of all, because of his schedule the Minister of Environment will be coming tomorrow at 11, not at 10. We'll be distributing an invitation, I suppose would be the correct word, from the Provincial Treasurer to visit the investment management area of the Treasury Department tomorrow. We meet at 12 noon in Room 511 of the Terrace Building. The suggestion is to enter by the northwest door. The Provincial Treasurer and people from that part of the department will make some initial remarks, and we'll tour the actual investment desk and have a question and answer session, probably after the tour of the area.

The other point I have to make is that my understanding is that the Auditor General, who will be appearing tomorrow at 2 o'clock in the afternoon, will bring some written material with him. He intends to walk us through that written material, being the answers to the questions he regarded as appropriate to his position as Auditor General. It's possible I contributed to some confusion about these written answers. I thought they were going to be submitted to us today, but apparently he feels he should walk us through the answers in view of the nature of the questions and answers.

The only other item I have to talk about at the moment is that, unfortunately, the Member for Spirit River-Fairview has been unable to come today, because there's a ministerial tour of the Dunvegan historical trail. He has submitted some written questions to the Minister of Energy and Natural Resources which I will read on his behalf. Perhaps I will come out with some suitable supplementaries, but I don't commit myself to that.

Having dealt with those matters, perhaps we can go on to the minister. Mr. Minister, if you've any initial statement you wish to make, then we can go to the questions.

MR. LEITCH: Thank you, Mr. Chairman. No, I don't. I'll be happy to deal with any questions the members of the committee may have.

MR. ISLEY: Mr. Minister, there's been some talk of AOSTRA doing some experimental work with smaller upgraders, in the 30,000 to 50,000 barrel per day range. Could you enlighten us any on that: whether it's in the talking stage, whether they're talking seriously to any companies, and what state it's at?

MR. LEITCH: Mr. Chairman, I'm sure the hon. member is referring to a proposal AOSTRA has been working on with private-sector companies. It was a preliminary study to assess nine new upgrading processes, I believe. Those would be processes which have proved promising in the laboratories but have not been field tested, at least not on the type of oil sands and heavy oil resource we have in Alberta. This study is to assess whether any of them -- and if so, which ones -- are sufficiently promising to justify building a pilot or test facility. I believe their assessment is nearing completion, and

I expect them to make a decision fairly soon whether to proceed with the facility and, if so, of what size.

This study would involve a study on size as well as the particular resource the facility should test, whether it be heavy oil or from one or the other of our sands deposits. Perhaps it would be accurate to describe it as a preliminary study that's nearing completion. I expect some recommendations to come out of that study. Then we would consider the recommendations. If we proceeded with the plant, in all likelihood it would involve appreciable investment by AOSTRA. Hopefully it could be done on something comparable to the test or experimental projects AOSTRA now most commonly does with industry, which is a fifty-fifty cost sharing. I really can't be more specific than that until the study is completed and we have AOSTRA's recommendations.

MR. ISLEY: Mr. Minister, approximately what time line would you predict we're looking at before you receive recommendations from AOSTRA?

MR. LEITCH: I hope to get them this year, perhaps within a matter of weeks or a couple of months, something of that nature.

MR. ISLEY: Thank you, Mr. Chairman.

MR. CHAIRMAN: Perhaps I can go to one of the questions submitted by the Member for Spirit River-Fairview. It has to do with enhanced recovery research. I think the best thing is that I just read it, Mr. Minister. About two years ago the Canadian Energy Research Institute, jointly funded by government and the oil industry, said that a price of \$25 a barrel in 1978 dollars would increase the recoverable oil potential in Alberta by almost 3 billion barrels. That works out to about \$40 a barrel in today's terms. The institute study also argues that enhanced recovery would appear to represent a cheaper source of oil than oil sands production. In view of this, and given your prediction last year that the guarantee of world oil prices for enhanced recovery oil in the new energy agreement would create a dramatic change, why have we only managed to spend \$0.5 million out of the \$30 million we appropriated over the past two years for the purpose of developing enhanced recovery technology?

MR. LEITCH: Mr. Chairman, there are some assumptions in the question I'm not sure I would agree with. But setting aside the question of the validity of those assumptions, AOSTRA is of course authorized to carry out research and experimental work in enhanced recovery of conventional and heavy oils. Enhanced recovery projects are under way in which AOSTRA is working with the private-sector companies. One is in the Lloydminster area. It hasn't been under way very long, and it's still too early to assess the results. There's also a project in the Suffield block involving AOSTRA and the Alberta Energy Company. The initial work was completed during 1981. It's a fire flood, as I recall, and combustion will commence in February 1982.

The conventional light oil enhanced recovery program has been very difficult to get under way. That's due primarily to the complexity of carrying out experimental studies in producing reservoirs. It's much easier to carry out these other projects, because you're working in reservoirs that aren't producing, at least not to the same extent as most of our conventional oil reservoirs. But AOSTRA presently has a number of proposals before it with respect to enhanced oil recovery experimental projects in the conventional light reservoirs, and AOSTRA expects that several of those projects will be funded during the coming year.

So I don't know that I would agree with the matter of slowness. That's a question of opinion. Certainly at the time we expanded AOSTRA's mandate, we felt it was going to take some time before these projects would actually get

into the field testing stage. We have two in the heavy oils and a number under consideration in the conventional light area.

MR. CHAIRMAN: A supplementary. Are we waiting only for the private sector? Or, to quote last year when you said in front of the committee that AOSTRA is certainly going to move ahead on its own in some areas, are plans under way for public-sector initiatives on enhanced recovery through AOSTRA?

MR. LEITCH: AOSTRA has been very aggressive in promoting and encouraging industry to enter into these projects. I'm not sure of the details; some work may be under way by AOSTRA, not in the field but at the university level or under its funding of university research and things of that nature. I'd have to check that. Certainly AOSTRA is pursuing this aggressively because they share the view which industry holds, that we should get as much of the oil out of the ground that we already know is there, simply for conservation reasons, if no other. In addition to that, hopefully with additional enhanced recovery techniques, that oil could be produced more economically than other Canadian oil reserves.

MR. CHAIRMAN: Given the importance of maximizing the recovery of Alberta oil reserves, what regulatory means for obtaining private-sector investment in enhanced recovery are being considered? And that's to do with the answer.

MR. LEITCH: I'm sorry. I missed a couple of words in the question.

MR. CHAIRMAN: Given the importance of maximizing the recovery of Alberta oil reserves, what regulatory means for obtaining private-sector investment in enhanced recovery are being considered?

MR. LEITCH: Mr. Chairman, very important incentives have been put in place to encourage enhanced recovery. For example, certain enhanced recovery projects received the new oil reference price, which in effect is the international price. In addition, they pay a lower provincial royalty. It is the new oil royalty. Those projects that pay the lower provincial royalty also receive a tax advantage in the sense that the depletion allowance follows automatically. The federal government automatically grants the depletion allowance when we grant the lower royalty. So the regulatory system in the sense of royalty, taxation, and pricing is very encouraging to enhanced recovery projects.

MR. CHAIRMAN: In other words, the regulatory mechanism is almost the same as for new oil?

MR. LEITCH: That is right. As a matter of fact, it would be preferable in the sense that -- I'd want to check this, Mr. Chairman -- it gets the depletion allowance in its tax calculation, which isn't the case with new oil.

MR. PAHL: Mr. Chairman, I'd like to ask a supplementary on that. Certainly the regulatory climate for conventional enhanced oil recovery is accommodating. I wonder whether the minister could comment for the committee on whether the federal tax treatment shows a similar accommodation, particularly as it relates to enhancing recovery in conventional wells because of unitization and the PGR tax. All those things, at least in my understanding, would tend to inhibit in themselves. Has there been an inhibition caused by that federal taxation that has perhaps not put the emphasis we might like on enhanced oil recovery from conventional fields?

MR. LEITCH: Mr. Chairman, it would always be a judgmental call as to what tax, pricing, and royalty regime ought to be in place to encourage the maximum recovery from known reserves. I'm sure opinions in all those areas would differ from person to person as they examined the situation. However, as I outlined a moment ago, certainly the existing pricing, royalty, and taxation regime is the most favorable compared with any other conventional production from the western sedimentary basin. I limit it to the western sedimentary basin, because the comparison with offshore exploration work is something different.

Certainly at this point, a case is not being made by industry that there should be additional changes to increase enhanced recovery. As industry comes forward with proposals -- and that will occur and has occurred -- we may find that they need changes. But to this point, I haven't received any representations for any significant changes in the pricing, taxation, or royalty regime with respect to enhanced recovery projects. That might come as industry does more work in the area.

MR. PAHL: Thank you, Mr. Chairman. Actually I was referring to the federal taxation regime vis-a-vis those schemes. I appreciate you wouldn't be in a position to know what discussions may have gone on in that respect. But I suggest that in order to be effective, they will have to be tripartite discussions to make sure that the PGR tax, for example, which would attach to all production, in my understanding -- is that not correct? -- would serve to inhibit moving a conventionally produced field to an enhanced recovery field, simply because of the unknowns.

MR. LEITCH: Mr. Chairman, perhaps I could answer it in this way. The federal government has made a change in its taxing system by allowing depletion with respect to enhanced oil recovery projects for which Alberta reduces its royalty. With respect to the impact of the petroleum and natural gas revenue tax, you would need to do some work on each project, because that tax is only payable after a deduction of operating costs; that is, it's calculated and applied after you deduct operating costs. That would apply to a company's total production, and the operating costs in respect of most enhanced recovery projects would be quite high. Therefore, when you take the high operating cost and apply it to the total production of the company, it significantly alters the impact of the PGR tax. So I would need to look at the individual project to assess the significance of the PGRT on enhanced recovery projects.

MR. PAHL: So I guess the only safe generalization is that companies may perceive the PGRT as reducing their available internally generated cash for experimental projects which would tend to be at the margin in their decision-making process.

MR. LEITCH: That's certainly possible, Mr. Chairman. I should also add, of course, that it's not just the cost involved in enhanced recovery projects; it's the risk factor. Each company will judge the risk factor a little differently, but generally they are regarded as being quite high risk. I'm now talking of enhanced recovery projects other than those that employ water flood and the common enhanced recovery techniques.

MR. CHAIRMAN: There's a further supplementary by the Member for Spirit River-Fairview on what terms AOSTRA technological advances will be made available to non-participating private-sector operators.

MR. LEITCH: Mr. Chairman, my memory is that the arrangements AOSTRA normally follows in entering into these projects with the private sector is that

private-sector participants in the project have the right to use the technology free of a royalty charge. As I recall, it's throughout the world. AOSTRA has the right to market the technology to others, and it would then be available to other private-sector companies at the going price, whatever the market might establish that to be. The revenues from selling it are then divided between the private-sector participants in the project and AOSTRA.

MR. CHAIRMAN: Is that an equal split between the private sector and AOSTRA?

MR. LEITCH: That's my memory, Mr. Chairman. But really the question dealt with on what terms it would be available to private-sector participants who are not involved in the project. I understand it would be at the going market price.

MR. CHAIRMAN: A typical commercial transaction price.

MR. LEITCH: Yes.

MR. CHAIRMAN: Are there any further questions or supplementaries for the minister on that particular subject?

Perhaps I had better explain for the Member for St. Albert that the Member for Spirit River-Fairview informed me last week that he might not be able to attend. This morning he submitted a list of written questions, which I am putting on his behalf in his absence. So that's what is going on in the committee this afternoon. Does the Chairman get back in, in lieu of the Member for Spirit River-Fairview?

The next series of questions is to do with the energy investment alternatives discussed last year. On page 198, the minister argued that the criterion for public investment in energy development should be, "is that a better investment than the other investment opportunities that are available?"

What assessment has the minister's department carried out on the relative merits of alternative energy investments which might show the comparative cost-effectiveness of investment in oil sands, say, with an equivalent investment in energy conservation or renewable energy sources such as biomass and solar energy?

MR. LEITCH: Mr. Chairman, those are questions that really should go to the Provincial Treasurer, in the sense that they relate to which would be a better investment of the Heritage Savings Trust Fund.

As to the comparative advantage of investing in new oil sands projects, alternative energy sources, or conservation, I don't know that one can ever put that on a pure dollar basis. I remember when we were talking about investment in, say, future oil sands projects, enhanced recovery projects, or exploration, where you would have to have regard to the issue of supply, not just return on the investment, because supply has to be important to Canada. So I'm not sure you could restrict your comparison of those investments to the risk involved and the return on the investment. You also would have to give consideration to such matters as supply.

Alternative energy sources: there certainly are areas of substitute energy sources where oil now supplies energy. But the bulk of the energy needs that oil supplies can't be met by alternative energy sources -- and I'm talking essentially about the liquid fuels. They have to come from oil until there are some new technology breakthroughs.

We certainly have done cost comparisons of all energy sources, and we have that information in the department. Essentially, renewable energy sources that are available in Alberta, at least, are expensive as compared with oil or natural gas. Hopefully that cost will be brought down over time by

experimental work. As members of the committee know, we fund research into alternative energy sources through the fund that was established some years ago during the energy negotiations between Alberta and the federal government.

MR. CHAIRMAN: Before I ask the supplementary that's coming, perhaps I'd better clarify that. The minister is saying that a comparison has been done on the costs of the energy but not on the relative merits of the alternative investments.

MR. LEITCH: No, Mr. Chairman. The department wouldn't do it on an alternative investment basis, because that primarily would be the Provincial Treasurer's role when making decisions about Alberta investments. We would be a source to provide information and advice, things of that nature, but the decision-making would be by the Provincial Treasurer.

MR. CHAIRMAN: The first supplementary: if such a comparison has been undertaken, will he supply the committee with the results and the back-up data? That would apply to the costs of the energy alternatives, I imagine.

MR. PAHL: Mr. Chairman, on a point of order, not a supplementary. I've listened to your accommodation of the hon. Member for Spirit River-Fairview with a certain amount of interest and, I guess, some bemusement. There are a number of members on the committee, and I suppose this might be the procedure for all of us to follow, to submit our questions and allow you to do a very good job, as I must say, of responding to his special request. I wonder if you might make a ruling or perhaps suggest whether this is a precedent that will be pursued, or is there a special occasion that warrants this sort of accommodation? I find it a little worrisome as a precedent, and perhaps other members of the committee may share that view.

MR. CHAIRMAN: The situation was that as of last week, he was trying to change the ministerial tour in his constituency, and he obviously was not able to do that. I said that if he couldn't find someone else to ask the questions, under those circumstances I would be prepared to do it. In view of the absence of the other members of the opposition, I think it would be a little difficult to have one of the members of the government caucus ask those questions on behalf of an opposition member. Perhaps the impartial Chairman can do that on this occasion only. But this is not clearing a precedent, because there is a particular concern, which the member has addressed in his note to me. If other members have anything else to say on the subject, I'm quite prepared to listen.

MR. PAHL: That satisfies my question, Mr. Chairman. I did have some concern about the precedent.

MR. ISLEY: Mr. Chairman, how many more questions are on that written document you have?

MR. CHAIRMAN: There really are only three more questions and one possible supplementary. I hadn't read this before I came in here, so I'm 'ad hocking' to that extent. There's a possible further supplementary to the one I just asked, then I suppose you could say there are three other questions.

MR. ISLEY: I have somewhat the same concern as the Member for Edmonton Mill Woods. It may be tempting for other people to be elsewhere and leave written questions as well.

MR. CHAIRMAN: The Chair will have some difficulty if it becomes a bad habit on anybody's part.

MR. MUSGREAVE: Mr. Chairman, on the matter of questions, it was brought to my attention that the hon. Member for Calgary Buffalo submitted something like 300 questions to you. Did I hear correctly last week?

MR. CHAIRMAN: He submitted some 294 to the Auditor General and has submitted another large number to the Minister of Recreation and Parks. The Auditor General will be here tomorrow afternoon and will be addressing his concerns about the nature of those questions. He is not prepared to answer a good number which he regards as not being within his prerogative as an officer of the Legislative Assembly. I don't know about the Minister of Recreation and Parks; I've had no further contact with him.

MR. MUSGREAVE: Mr. Chairman, I guess what I'm saying is that I think it's a reasonable response on behalf of the ministers who appear that they should get additional information that perhaps they don't have with them when they're asked questions here in committee. If people can drop off several hundred questions to you and never mind the kinds of problems it creates within government departments to answer them, whether or not they're relevant and all the rest of it, I think is not the way I would see a committee of this nature running. There's no discipline of the Chair as to the kind of questions being raised. I think it's something the committee should discuss when members of the opposition are here. Let's get a ruling on it for future use.

MR. CHAIRMAN: I'm quite prepared to agree with that. Normal parliamentary procedure is that committees function essentially on a verbal basis with clarification in writing, not on the basis of written questions as can be submitted in the full Assembly as part of question period. On each occasion, there were a few questions. On each occasion, a few has turned out to be a considerable number.

What do members of the committee feel about the continuation of these questions on the part of the Member for Spirit River-Fairview?

MR. PAHL: Mr. Chairman, I raised it and am satisfied with the answer, and apologize for imposing on the minister's time to get clarification. It seemed to be a trend I would feel very uncomfortable with in the long term. Thank you for explaining, and thanks to the minister for abiding with the interruption.

MR. CHAIRMAN: Mr. Minister, once more we get back to the supplementary. Would you supply the committee with the results and back-up data on those comparisons and the cost of energy from alternative sources as opposed to oil and gas, I presume?

MR. LEITCH: Mr. Chairman, I doubt that we have any formal studies of that nature in the department. Really what I had in mind in my earlier answer is that we've probably drawn conclusions from a variety of sources which would be publicly available. In any event, I will check and, if there are any such studies, consider making them available to the committee.

MR. CHAIRMAN: The other supplementary I mentioned to the Member for Bonnyville has more to do with the financial one, I think. If no such assessment has been made, how can the government justify its *ad hoc* approach to public investment in megaprojects when the opportunity costs of such investment -- that is, the cost of investing in oil sands, say, rather than in conservation

-- may be staggeringly high? I imagine that that is really an investment question.

MR. LEITCH: Mr. Chairman, in addition to that, you can't do them as alternatives. Of course there should be conservation, and conservation is being practised in a major way in Canada and throughout the world. But it's not just a question of investment versus conservation. We should do all the conservation that is practical, but in addition to that we need to bring on some new oil supplies.

MR. CHAIRMAN: From that, I'll skip a quotation here because it becomes irrelevant. How does the investment in alternative energy sources compare with our commitment to high-cost energy developments? I imagine that is a question asking what investments we are making in alternative energy sources. I think I remember some questions from last year about windmills and some other technical questions. Am I right, or is my memory failing me?

MR. PAHL: Mr. Chairman, when I agreed to this accommodation I didn't think we were going to get back to the living in caves and eating raw meat line of questioning here. I think you've been had a little bit, Mr. Chairman. If the hon. Member for Spirit River-Fairview wants to raise some serious questions, I hope you could accommodate him. But when you start talking about the cost/benefit of the total exercise of energy extraction, you're getting into theoretical numbers at best. As I said, if you follow that line of thinking to its logical conclusion we're in caves eating raw meat. I don't think we need the Minister of Energy and Natural Resources here to debate that one. That seems to me to be more properly a question of philosophy in terms of recommendations.

The other point is the one you're on, sir. I believe we went through this philosophical bent last time with all members in attendance. I don't think it was any more productive then than it will be now with an admittedly pretty one-sided crack at it.

Mr. Chairman, I'd request that you ask the hon. Member for Spirit River-Fairview to think through his question a bit more and perhaps pose it as a recommendation rather than a philosophical point for debate when he isn't here to debate it.

MR. CHAIRMAN: Speaking from the Chair, I think that's a valid point. There is one more question, which I think is a more valid question. On page 206 of last year's transcripts, Mr. Leitch indicated he would make available energy revenue estimates and the production figures on which they were based. Can he supply the committee with his most up-to-date forecasts?

MR. LEITCH: Mr. Chairman, I'm a little confused with the question. Last time, I think they asked what forecasts were used at the time of the energy agreement. As I recall, I said I'd consider making that information available. I felt I needed to have the consent of the federal government before making such information available, since it was a joint preparation and a joint document. Following our normal practice, when other government or private persons are involved we do not release it without their consent. My memory is that the information was asked for in order for the committee to prepare its report. By the time I was in a position to consider it, the report had already been released by the committee. I believe you and I had a conversation about it, Mr. Chairman, and we agreed that since the report had been released, there was nothing to be gained by providing the information.

I think what's now being requested is an up-to-date forecast. Within the department, we do not have any complete forecast. That would change from time



to time. It's obviously a forecast and, as events unfold, the forecast is going to change. So it's a continuously changing situation. I think the most recent figures we published were those that were part of the announcement of the Alberta oil and gas activity program on April 13. As I recall, the price forecast was included in that announcement.

MR. CHAIRMAN: That's all the questions, valid or otherwise in the opinion of the Member for Edmonton Mill Woods. Are there any further questions for the minister on other subjects to do with his involvement with the Heritage Savings Trust Fund?

MRS. FYFE: I want to ask one related to Alberta reforestation. Mr. Chairman, it may be a little broad to tie it into forestry. But with the heat we had this year, the amount of damage done by fires obviously was substantial. What kind of review takes place at the end of the season? I suppose the fighting of fires almost wholly depends on the people within the area and the approach they use. Is there a review at the end of the year as to the conditions, and how effective one area was as opposed to another, et cetera?

MR. LEITCH: If I understood the question, it contained the assumption that the people within the area of the fire do the firefighting. That's only true in a very general sense, in that we try to employ the people who are nearest the fire. But we certainly bring resources to the fires from all over the province and from a number of other provinces, as far away as Ontario, and from the United States and Alaska. There's co-operation between all the governments in the forested area with respect to supplying resources to fight fires.

The specific answer to your question about a review: yes, one is carried out on a continuous basis. We're continually assessing the capability to cope with fires after they have gotten out of control and continually assessing the programs and policies that are in place to prevent fires from getting out of control. For example, significant additional funds were included in the budget last year to instal equipment that would enable us to track lightning strikes. By just following the indications of the path of the lightning storm the preceding evening, we can then fly aerial observation over those. That's improved our capability to get to fires quickly. That's the key to fire control: getting to them quickly and getting them out before they get out of control. Despite the large fire losses, we've been very successful in that. I can't recall the precise percentage. But because of the initial attack system, the number of fires that get out of control is very small in comparison to the total fires. In recent years, we have significantly increased our initial attack capability and are covering more of the forested area of the province. Our objective is to reach a fire with an initial attack crew within a matter of minutes after it's been reported.

MRS. FYFE: Thank you. That's very helpful. Just one further supplementary related to reforestation. Is there a program that begins the following year to reforest areas that are burned out?

MR. LEITCH: No. The program funded from the Heritage Savings Trust Fund is the maintaining our forest program. That was established at \$25 million at the time the program was implemented. The department is spending the money as rapidly as it feels it can effectively do reforestation. It may be that in future we will request an increase in that program.

Certainly we wouldn't be able to reforest, even in a few years, the amount of forest destroyed by fire in the last two years, because they were particularly bad years. My feeling is that you have to operate the

reforestation program over a longer time span, because we have had periods, several years at a stretch, when fire losses were quite nominal in comparison with last year's and this year's losses. I think you have to operate it over a relatively long time span, with the objective being to bring about reforestation of all that's been damaged by fire, but not year by year.

MRS. FYFE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Can the Chair get in a supplementary on this subject? Does the minister feel that the nursery and reforestation program will be adequate, from what he said, in the future, where quota-holders don't do their own reforestation? Forest management agreement -- those particular businesses do. But once the lumber industry turns up and we have a greater consumption of timber by quota-holders, in conjunction with catching up over maybe a 10- or 15-year period, which I think would be reasonable on the areas burned this year, are the facilities in the program we have adequate? Or was the minister indicating that perhaps the department would be back within the next few years, looking for further funds for those projects?

MR. LEITCH: Mr. Chairman, I don't know that we've gotten far enough along to be able to answer that precisely. Another fact enters into it. There would be no point in reforesting unless you expect the forest to be used within the time frame that it becomes mature. So that requires quite a long-range outlook for the forest industry. It's about 75 to 85 years or more, depending on the location of the forests in the province, to develop a mature forest. The further north you go, the slower the growth rate. But there may be burned out areas in the province that today one wouldn't consider should be reforested in an intensive way.

So we would have priorities. I think it would be a question of assessing the total amount of reforestation that needs to be done over a relatively long time span, and then putting priorities on it. We're going to have to assess the total losses in the two recent very serious fire years and do some more work on that before we would be able to make recommendations to the committee about further investment in reforestation.

MR. CHAIRMAN: Are there any further questions on anything to do with reforestation, AOSTRA, or anything else? The Chair has one more of its own.

MR. PAHL: Mr. Chairman, I have one more. I suppose this is indirect, inasmuch as it may impinge upon available revenues. To me, AOSTRA is a flagship activity in the sense that it is truly ploughing back, reinvesting the Heritage Savings Trust Fund towards the source of those funds in the first place. I noted there was a pipeline issue in the Moose Mountain area, I think, adjacent to or part of Kananaskis Country, where the effect of the decision of the ERCB was to sterilize those lands and, in effect, the sources of revenue for the Heritage Savings Trust Fund. It wasn't quite clear to me who was minding the store, if you will, and making those decisions. Based on that tenuous reach into the question, would the minister have a response for the committee?

MR. LEITCH: Mr. Chairman, that question would touch on several departments. Certainly the Department of Energy and Natural Resources is interested, because the development of a resource is involved. The Associate Minister of Public Lands and Wildlife would also be involved, because public lands are involved. In addition, the Minister of Recreation and Parks would be involved, because proposed developments in Kananaskis Country are part of the issue.

Mr. Chairman, it arose from an application by Shell to construct a pipeline and produce sour natural gas and deliver it to a plant for producing. The Energy Resources Conservation Board rejected the application on the grounds that contemplated development within Kananaskis would create a danger to human life. Following that decision, the ministers involved met and really requested an examination of the situation by officials. I think what we had in mind was: is there an alternative to the proposed development of a road and a campsite, as I recall, that would equally well meet the recreational needs in Kananaskis but not prohibit the development of a very valuable resource? That work is going on.

As I understand it, what has been in the news recently is an approval given by the deputy minister of renewable resources to construct a piece of pipeline under a roadway that's now being worked on by the Department of Transportation. As I understand it, Shell wanted to do the work now. It's a relatively short piece of pipe. Because if they were ultimately successful in their application -- and they would be reapplying if their alternative development plans come forward -- it would be much less expensive to do it now than after the road is completed.

As I understand it, the deputy minister of renewable resources gave that approval. It seems to me the perfectly sensible thing to do and, unquestionably, won't have any impact on the final decision, because the final decision would be made after Shell reapplied, if it chose to do that, to the Energy Resources Conservation Board. The board would then consider what the new proposals were and make its decision. The fact that this piece of pipe is under the roadway isn't going to have any bearing on that decision.

MR. PAHL: So if I understand then, the operator placed the road crossing pipe at his own risk.

MR. LEITCH: Totally. If the application is successful, they would use the pipe. If it isn't, the loss is theirs.

MR. PAHL: Thank you.

MR. CHAIRMAN: Obviously, the Member for Edmonton Mill Woods and the Member for Edson were after the same subject, because that was the question I was going to ask.

Are there any more questions for the minister, or does that cover all of it? Thank you very much for appearing, Mr. Minister.

MR. LEITCH: Thank you, Mr. Chairman and members of the committee.

MR. CHAIRMAN: I guess the Member for Spirit River-Fairview will get the answers to his questions from the transcript.

Ladies and gentlemen, I have tentatively made arrangements with the Minister of Agriculture and the Associate Minister of Public Lands and Wildlife to be available this afternoon earlier than the scheduled time, with a view to completing the three appearances in the afternoon, if possible, once more to avoid our having to work this evening. I imagine that will be agreed to by the members of the committee. Perhaps we can take an adjournment until 5 past 3 to give the Minister of Agriculture time to get here.

*The meeting recessed at 2:58 p.m.*