Legislative Assembly of Alberta

The 31st Legislature
First Session

# Standing Committee on Public Accounts

Energy and Minerals
Alberta Energy Regulator

Tuesday, March 26, 2024
8 a.m.

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**Legislative Assembly of Alberta**
**The 31st Legislature**
**First Session**

**Standing Committee on Public Accounts**

Sabir, Irfan, Calgary-Bhullar-McCall (NDP), Chair
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Deputy Chair

Armstrong-Homeniuk, Jackie, Fort Saskatchewan-Vegreville (UC)
de Jonge, Chantelle, Chestermere-Strathmore (UC)
Haji, Sharif, Edmonton-Decore (NDP)
Lovely, Jacqueline, Camrose (UC)
Lunty, Brandon G., Leduc-Beaumont (UC)
McDougall, Myles, Calgary-Fish Creek (UC)
Renaud, Marie F., St. Albert (NDP)
Schmidt, Marlin, Edmonton-Gold Bar (NDP)

**Also in Attendance**

Johnson, Jennifer, Lacombe-Ponoka (Ind)

**Office of the Auditor General Participants**

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|---|---|
| W. Doug Wylie | Auditor General |
| Eric Leonty | Assistant Auditor General |

**Support Staff**

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|---|---|
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## Standing Committee on Public Accounts

### Participants

Ministry of Energy and Minerals
- Wade Clark, Assistant Deputy Minister, Energy Policy
- Larry Kaumeyer, Deputy Minister
- Doug Lammie, Assistant Deputy Minister, Energy Operations
- Roxanne LeBlanc, Assistant Deputy Minister, Ministry Services

Alberta Energy Regulator
- Laurie Pushor, President and Chief Executive Officer

**8 a.m.** **Tuesday, March 26, 2024**

[Mr. Sabir in the chair]

**The Chair:** Good morning, everyone. I would like to call this meeting of the Public Accounts Committee to order and welcome every one of you in attendance.

My name is Irfan Sabir, MLA for Calgary-Bhullar-McCall and chair of the committee. As we begin this morning, I would like to invite members, guests, and LAO staff at the table to introduce themselves. We will start with the deputy chair.

**Mr. Rowswell:** Garth Rowswell, MLA, Vermilion-Lloydminster-Wainwright.

**Ms Armstrong-Homeniuk:** Jackie Armstrong-Homeniuk, MLA, Fort Saskatchewan-Vegreville.

**Mr. Lunty:** Good morning, everyone. Brandon Lunty, MLA, Leduc-Beaumont.

**Mr. McDougall:** Good morning. Myles McDougall, Calgary-Fish Creek.

**Ms Lovely:** Good morning, everyone. MLA Jackie Lovely from the Camrose constituency.

**Ms de Jonge:** Good morning. Chantelle de Jonge, Chestermere-Strathmore.

**Mrs. Johnson:** Good morning. MLA Jennifer Johnson, Lacombe-Ponoka.

**Mr. Clark:** Good morning. Wade Clark, assistant deputy minister with Energy and Minerals.

**Ms LeBlanc:** Good morning, everyone. Roxanne LeBlanc, assistant deputy minister of financial services.

**Mr. Kaumeyer:** Good morning. Larry Kaumeyer, Deputy Minister of Energy and Minerals.

**Mr. Lammie:** Good morning. Doug Lammie, assistant deputy minister, energy operations.

**Mr. Pushor:** Good morning. Laurie Pushor. I'm the CEO at the Alberta Energy Regulator.

**Mr. Wylie:** Good morning. Doug Wylie, Auditor General.

**Mr. Leonty:** Eric Leonty, Assistant Auditor General.

**Mr. Haji:** Good morning. Sharif Haji, MLA for Edmonton-Decore.

**Mr. Schmidt:** Marlin Schmidt, Edmonton-Gold Bar.

**Ms Renaud:** Marie Renaud, St. Albert.

**Ms Robert:** Good morning. Nancy Robert, clerk of *Journals* and committees.

**Mr. Huffman:** Warren Huffman, committee clerk.

**The Chair:** Thank you.

We don't have anyone joining online, and there are no substitutions for this meeting.

A few housekeeping items to address before we turn to the business at hand. Please note that microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of the meeting can be accessed via the Legislative Assembly website. I will also request: please set your cellphones and other devices to silent for the duration of the meeting, and all conversation should flow through the chair at all times.

Moving on to the agenda, hon. members, are there any changes or additions to the agenda? If not, would a member like to move that the Standing Committee on Public Accounts approve the proposed agenda as distributed for its March 26, 2024, meeting. Member Schmidt. Any discussion on this motion? All in favour? Any opposed? The motion is carried.

We have the meeting minutes from the January 30, 2024, meeting of the committee. Do members have any errors or omissions to note? If not, would a member like to move that the Standing Committee on Public Accounts approve the minutes as distributed of its meeting held on January 30, 2024. Member Renaud. Any discussion on the motion? All in favour? Any opposed? Thank you. The motion is carried.

We have the Ministry of Energy and Minerals and the Alberta Energy Regulator with us today. I would like to welcome all who are here to address the ministry's annual report 2022-23 and the Auditor General's outstanding recommendations. I would like to invite officials from the ministry to provide opening remarks not exceeding 10 minutes.

**Mr. Kaumeyer:** Thank you, Mr. Chair. It's a pleasure to be here today. Energy and Minerals acts as the steward of Alberta's energy and mineral resources and is responsible for collecting nonrenewable resource revenues. As a revenue-generating ministry Energy and Minerals also markets the Crown conventional crude oil royalty barrels received in lieu of cash royalties through the Alberta Petroleum Marketing Commission.

In 2022-2023 Energy and Minerals collected an all-time high of $25.2 billion in nonrenewable resource revenues. This was $11.4 billion dollars higher than budgeted and $9.1 billion dollars higher than the previous year. Of course, this was due in part to global shocks from Russia's invasion of the Ukraine and the subsequent tightening of global oil supplies, which saw WTI rise to levels not seen in many years. An increase in crude oil royalty barrels led to the cost of selling oil increasing to $429 million from $234 million in the previous fiscal year. However, this also generated substantially higher revenues to all Albertans.

Coal royalties generated $145.5 million, substantially higher than the $8 million budgeted. Again, the instability of energy security post Russia's invasion of Ukraine resulted in some jurisdictions being forced to return to coal for their energy needs. These increased prices globally, which were part of the royalty impact on coal for the province.

While revenue and royalties are vital, so is the work being done to maintain a safe, secure, affordable, and reliable energy supply while continuing to grow the energy sector. The site rehabilitation program complemented the government's closure efforts by providing federal relief funding to accelerate inactive oil and gas cleanup. Announced in May 2020, the program concluded in 2023. In total, $1 billion was approved, and over $863 million was expensed over the life of the program, which was allocated to more than 500 Alberta-based businesses, resulting in the creation of approximately 4,135 jobs.

Government is also making sure that Indigenous communities are involved as owners and partners in the energy sector. The same program allocated $133 million as part of period 6 to clean up inactive oil and gas sites on or near Indigenous communities in Alberta. During the program over 34,900 applications were approved, and from these approximately 11,500 Indigenous company applications were approved.

I'll now touch on market access. As a result of recent global events, there is renewed focus on continental and global energy security and the need to get oil and gas resources to market. The department continues to advocate for all projects that secure additional market access for oil and gas producers and protect the value of Alberta's energy resources. Alberta has continued to focus on the implementation of priorities under the natural gas vision and strategy, including the Alberta petrochemicals incentive program. In 2022-2023 two projects received grant approvals within this program. Air Products was approved for $161.5 million in grants for its new $1.6 billion hydrogen production and liquification facility in Edmonton. Dow Chemical also was approved for $32.5 million in grants for its $300 million Fort Saskatchewan furnace expansion. Other projects which have received funding approval through APIP include Inter Pipeline's $4 billion propane to polypropylene plastic facility in the Alberta Industrial Heartland, which was approved for $400 million in grants.

To ensure the sustainability of the oil and gas sector, the department has been making progress to address inactive oil and gas sites. The Alberta Energy Regulator continues to build programs, systems, and processes to implement the new liability management framework, which was launched in 2020, and I'm happy to report that the Orphan Well Association has decommissioned more wells and completed more reclamation projects than in any other year in its history. The number of sites the Orphan Well Association fully closed increased 57 per cent to 431 in 2022-23, compared to 274 the year before.

Another effort to ensure the sustainability of our energy sector is supporting carbon capture, utilization, and storage. As part of this work, the province has continued to provide support to the Quest and Alberta carbon trunk line projects that have already stored more than 12 million tonnes of carbon dioxide. In fiscal '22-23 grant payments to these projects under their funding agreements totalled approximately $42 million for sequestering carbon dioxide, of which $27 million went to Quest and $15 million went to the Alberta carbon trunk line. To help meet the growing demand, government selected 25 proposals in 2022 to explore the development of large carbon storage hubs in the province. These hubs will safely collect, transport, and permanently store captured carbon dioxide from industries across the province.

***8:10***

Energy and Minerals has done a tremendous job in building a sound foundation for Alberta to be a global leader in carbon capture, utilization, and storage. In fact, we hear from many other jurisdictions that we're on the right path with our pore space model, our regulatory framework, and, of course, our incentive programs.

Alberta's hydrogen road map is guiding our actions so we can compete in the global hydrogen market. We are making progress on the policy actions in the road map, including establishing the clean Hydrogen Centre of Excellence to accelerate technology and innovation across the entire hydrogen value chain. In February 2023 the centre announced more than $20 million in its first funding competition to support 18 new projects to advance innovation in hydrogen use throughout the province.

The department continued to solidify Alberta's geothermal regulatory framework in 2022-2023 by collaborating with the AER to implement the geothermal resource development rules and consequential amendments to the oil and gas conservation rules in June. This allowed companies to move to the next stage of development. Between January 1, 2022, and March 31, 2023, the government received over 74 applications for tenure and issued 32 leases for geothermal projects across the province.

In 2022-2023 the department continued its phased implementation of the Mineral Resource Development Act as part of the province's plan to unlock Alberta's untapped mineral potential. The global demand for critical minerals is prevalent across Canada, and Alberta has tremendous opportunities to support given the lithium, cobalt, selenium, and even uranium opportunities found throughout the province. Regulations have been established for brine-hosted minerals and modernized tenure requirements to help encourage timely exploration and production. The department continued to work with partner ministries to develop regulations for rock-hosted minerals.

I'll now just provide an update in regard to the Auditor General's recommendations. The office of the Auditor General issued their final report, Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure, in March 2023. The report provided nine recommendations to the Alberta Energy Regulator on improvements to the liability management system for oil and gas. The AER has accepted all nine recommendations, developed an implementation plan to address each recommendation, and is making progress to address the recommendations by the end of 2024.

Energy and Minerals announced the new liability management framework in July 2020. The AER's ongoing implementation of the new framework will address the recommendations, including replacing the liability management rating and developing a new security framework. The framework is undergoing substantial changes as the AER continues to implement elements of this program. Some of the key deliverables from this program are the creation of a holistic licence assessment that uses a multifactor approach to assess the capabilities of licensees to meet their life cycle, regulatory, and liability obligations and the establishment of an inventory reduction program, including annual closure quotas for industry.

The AER has also released a new annual liability management report in January of this year. The purpose of this report is to improve transparency about industry's management of conventional oil and gas liabilities and to develop management performance baselines and ongoing assessments, both of industry as a whole and licensees specifically. The OAG published its report titled Processes to Provide Information About Government's Environmental Liabilities in June 2021.

The report included two recommendations associated with unfunded liability: one, that Environment and Protected Areas develop clear guidance to determine who is responsible to do the required work and pay for it and, two, that the EPA and AER complete a case-by-case assessment to determine who is responsible to clean up each site, considering the guidance developed.

In response to the report EPA issued direction to the AER advising the AER that they will facilitate the funding out of their budget. The AER continues to support EPA as this guidance is developed . . .

**The Chair:** Thank you.

I would now turn it over to the Auditor General. Mr. Wylie, you will have five minutes.

**Mr. Wylie:** Thank you, Chair. I'll try not to repeat too much of what the deputy has stated, but I will just maybe articulate again in our words what our work was about, the two reports before this committee. Albertans need an effective liability management system to hold industry accountable from meeting their environmental obligations to the province and to ensure that industry's liability management risks are being properly managed. Inactive oil and gas infrastructure that isn't properly closed can pose serious environmental, public health, and economic risks to Albertans. Failure to ensure that operators and industry conduct and pay for the safe shutdown of their infrastructure increases the risk that extensive closure costs could be shifted to the public eventually.

One of the key findings in our March 2023 report was that public reporting and external performance measurement on this liability management program were insufficient to assess whether the results are being achieved and risks are being effectively managed. The absence of external performance measures has created a lack of public accountability for the performance of this liability management system, which is not new. Without specific goals, targets, and performance measures it's very difficult for Albertans to hold industry, the AER, and the government accountable for the liability management system. Whether or not liability management activities are successful is dependent on transparent disclosure of what the AER expects industry to achieve and what has been achieved relative to those expectations.

As the deputy has mentioned, we made nine recommendations in our March report for the AER to improve processes such as collecting sufficient security, ensuring compliance with closure requirements, ensuring timely closure activity, reducing industry's growing liability for inactive sites, assessing information from the Orphan Well Association, and processing licence transfer applications.

There was also one recommendation outstanding from our June 2021 report. In there we recommended that the AER and Environment and Protected Areas complete a case-by-case assessment on potential contaminated sites where there is no owner or industry backstop and then determine whether any cleanup work must be completed by the government to ensure the safety of the public and the environment.

Chair, I'm going to close with a couple of quotes from page 19 of our March 2023 report.

> AER states a simple rule: "if energy companies are going to profit from the province's energy resources, they must be responsible and properly abandon, remediate, and reclaim their sites."

Further down on that page:

> The government has stated that the new framework AER is implementing will:
>
> > ". . . shrink the inventory of inactive and orphaned wells across the province, ensure more timely restoration of land to its original state, and protect future generations from experiencing a backlog of sites needing clean-up."

Chair, our reports before this committee, we believe, demonstrate that improvement is necessary for the government to achieve its promises to Albertans. As I kind of mentioned in these introductory comments, one theme that permeates these reports is the public reporting, public accountability on whether this program is achieving its intended objectives and, quite frankly, whether it's working. We believe that continual reporting is required to ensure that, you know, the program is actually achieving its intended objectives.

With that, Chair, I'll close.

**The Chair:** Thank you.

We will now proceed to questions from the committee members, and we will begin with the Official Opposition. You have 15 minutes, members.

**Mr. Schmidt:** Thank you, Mr. Chair, and thank you very much to the Auditor General for what are actually quite scathing remarks. The department of energy has a lot of work to do to improve its transparency and accountability to Albertans, and that's what we hope to achieve a small measure of, at least, here today.

My first block of questions will be related to the site rehabilitation program, which is discussed on pages 38 and 39 of the annual report. According to the annual report the federal government provided a billion dollars to provide funds for rehabilitating abandoned sites. Now, the report states that 4,100 jobs were created. What were the targets that were set out for the program at the outset?

***8:20***

**Mr. Kaumeyer:** I don't believe there were formal targets set out, because we were actually developing this with industry, and the industry is responsible for assisting us in being able to work on those wells directly. It was a process of identifying the resources we had available with industry as well as understanding exactly what they could execute upon.

**Mr. Schmidt:** So even though the government has been in the business of trying to get industry to reduce its liabilities, they had no idea what they could achieve with a billion dollars. Were there any liability reduction targets at all established for this program?

**Mr. Kaumeyer:** There were outcomes relative to that. I think I stated some of those in regard to what we actually accomplished, which I thought was an admirable result relative to the time frame that we were given.

**Mr. Schmidt:** What was the actual liability reduction that was achieved, then, by the program?

**Mr. Kaumeyer:** MLA, a total of 34,963 applications were approved.

**Mr. Schmidt:** In dollar amounts: that was one thing that I couldn't get from the annual report.

**Mr. Kaumeyer:** The total dollar amount was $863 million of the total $1 billion that was used.

**Mr. Schmidt:** Right, but the liability management framework report, that was published in January '24, says that the amount you spend doesn't directly correlate to the amount of liability reduced. I know how much money you spent. How much was the liability reduced with that $863 million?

**Mr. Kaumeyer:** I'll have to check. I don't know if we've got that number here. We'll have to get back to you on that.

**Mr. Schmidt:** You'd be willing to table that report?

Other than what was presented in the annual report, was any public evaluation of the billion dollars that was spent provided?

**Mr. Kaumeyer:** I think I walked through most of the results, but I'll just walk through them because, I mean, I think that in regard to the dollar amount of liability, we'd have to probably calculate that. In regard to the actual phases of what was accomplished, we've provided that openly.

**Mr. Schmidt:** I understand. It's incredibly frustrating, as the Auditor General pointed out, that the department of energy continues to not establish any liability reduction targets for these kinds of programs, and it's incredibly frustrating that the people of Alberta are not getting the transparency and accountability that they deserve on this file.

Now, you stated that there was $137 million in funding that was not expended. This was a program that was ongoing for at least three years. Why did the department fail to get that $137 million out the door?

**Mr. Kaumeyer:** The $137 million was essentially money that we were trying to get out the door in support of, specifically, Indigenous sites and reclamation, but we didn't have the opportunity to get that completely finished in the time frame. Under our funding agreement any unused funds are to be returned to the government of Canada. That's part of the agreement. In the end, $137 million in funding is to be returned to the government of Canada. The province is basically in the current process of asking the federal government whether we can actually continue to hold that money for support of cleaning up wells at Indigenous sites.

**Mr. Schmidt:** So you had period 6, February 12, 2021, to March 31, 2022, that was targeted to First Nations and Métis settlement cleanup. That was only $133 million. Let's say that I'm skeptical that you're making things up here at the table, that you wanted to spend that additional $137 million. Like, the allocation wasn't even $137 million in that first period; it was only $133 million. You only paid out $107.5 million. Why would the federal government believe that you wanted to spend this additional $137 million on First Nations site rehabilitation when that wasn't the goal and you didn't even achieve the goal that you set out for yourselves here in achieving that target?

**Mr. Kaumeyer:** The $137 million is currently actually part of ongoing discussions between ourselves and the federal government. I would say that at this time it's not a given that it's not going to be used, because we are still holding those funds. But the understanding in the agreement is that it is supposed to be returned to the government of Canada.

**Mr. Schmidt:** Pretend I'm the federal government and that I have given you a billion dollars, for which you've had no targets, no measurable – you can't tell me what you've achieved. If you don't set any targets, you can't demonstrate public value for dollars. Why would I allow you to have $137 million when you've failed to provide even the barest measure of accountability with the $863 million that you've already spent?

**Mr. Kaumeyer:** I think, MLA, we've been very clear in regard to what we've actually achieved.

**Mr. Schmidt:** We must have a different definition of what the word "clarity" means.

I'm going to move on, Mr. Chair, to talk about the liability management framework report, that was issued in January 2024. Now, before the members opposite get excited, this all dealt with 2022 work that's covered in the annual report. The AER required that industry spend $422 million on closure activity. The report says that $696 million was actually spent. Fantastic. How was the $422 million quota determined?

**Mr. Kaumeyer:** Just give me one second on that. That quota, I believe, is a number that is established by the AER. They go about assessing the actual amount of liability that is there. They work closely with industry to ensure that the actual amount of levy can be provided relative to that and used appropriately, which is why the $700 million number has been established for the last two years. It's something that the industry continues to work on.

**Mr. Schmidt:** Can you provide any more detail? Again, the Auditor General seems to be frustrated that we don't have any clarity on this issue. Seven hundred million dollars: it's based on some aspect of industry's ability to pay and some aspect of the outstanding liability. Like, can you provide me a little bit more detail about the process that you go through to determine this calculation?

**Mr. Kaumeyer:** I'll refer that to Laurie Pushor, the CEO of the AER.

**Mr. Pushor:** Well, thank you very much for your question. In establishing the first target, as you know, we had had a limited number of options available to us to move in this space up until the new program was implemented in '20 and '21. Being able to establish a minimum mandatory spend on an annual basis was new for ourselves and new for industry. So the historic spend trend by industry was a factor that was considered as we established that. We also looked to project forward in terms of what the objectives are for the long term and established that as a first-year objective. You will recall that there was a significant downturn in the industry at that time, so stretch goals at that time were thought to perhaps not be the best path forward in that first-year implementation.

We will and do continue to examine the magnitude of the liability that's on the landscape and develop an approach that we believe is necessary to stop, which had been a long-running trend towards increasing volume of inactive wells on the landscape. We wanted to see that volume begin to decrease as a starting place.

**Mr. Schmidt:** What is the AER's target, then, for eliminating liabilities? Do you have a year in mind?

**Mr. Pushor:** Well, first of all, I would share with you that in about '18-19, '19-20 the number of inactive wells on the landscape peaked at around 97,000. Today, if you look at our data hub on our website as part of our transparency initiatives, you'll see that that number has decreased to 78,000. That has been largely influenced by changing expectations from a regulatory perspective in terms of increased expectations on the amount industry spends and, of course, in the downturn the money that was invested through the SRP program. We're pleased to see the trend reverse now. We see decreasing numbers, and we continue to assess and evaluate that longer term objective.

**Mr. Schmidt:** There's no target, then, for achieving an elimination of the liability by any particular year.

How is each licence holder's spending quota determined? The overall spend, as you said, in 2023 was $700 million, but how do you determine each licence holder's spend?

**Mr. Pushor:** We use an evaluation of the overall liability that each licence holder holds, and we examine that in a bit of a formulaic way and assess that and issue that levy expectation about mid calendar year to assist companies in understanding their objectives as they go into their capital planning cycles.

***8:30***

**Mr. Schmidt:** I appreciate that you have a formula. Will you make that public?

**Mr. Pushor:** A formula might have been an overstatement on my part, but I'm happy to share the methodology we're using to determine the allocation by company.

**Mr. Schmidt:** That would be very appreciated and I think would provide a significant measure of transparency. I look forward to that being submitted to the committee.

Now, the report states that 51 licence holders did not comply with their spending quota, to the amount of $4.2 million. What happens to licence holders who don't comply with their spending requirement?

**Mr. Pushor:** It was the first year of implementing a mandatory spending expectation, a minimum mandatory spending expectation. There are a few factors that we considered. One was some encouragement, I would say, in terms of seeing the overspend by industry. We have been working to try and ensure this is a minimum spend. In addition to that, we were pleased that, at the end of the day, we're talking about approximately 1 per cent of the mandatory spend expectation albeit 50 companies. Obviously, these are smaller companies by and large.

We have worked through our normal compliance strategies to work with those companies to give them opportunities to come into compliance. We have many regulatory actions in place, with most of them on a case-by-case basis. We will evaluate their performance in 2023. We've got the results being received this month, and we will determine the next regulatory enforcement actions. We have a wide range of authorities, and we're comfortable that we'll be able to take appropriate action to deal with those 50 companies.

**Mr. Schmidt:** Give me an example of a regulatory action that the AER has taken against a licence holder that didn't comply with the mandatory spend.

**Mr. Pushor:** Well, we have a series of steps we undertake in any compliance situation. The first is to ask and compel companies to come into compliance. There were others beyond the 50 initially, and most – well, excuse me. The others that aren't on the list of 50, obviously, came into compliance. They were given some options. It was our first year, so we saw a number of inconsistencies in reporting. We thought it appropriate to work diligently through those issues with each of the companies. We then can escalate depending on the nature of the company and the issues in front of us. We can escalate through any number of factors in terms of formally compelling them to come into compliance by a fixed date, and then we move on to suspending their ability to operate as companies through a number of levels of enforcement in that regard. Ultimately, if a company continues to be flagrant in disregarding the instructions of the regulator, whether it's on this matter or any others, we reserve the authority to suspend their operations fully, and we would take that step where necessary.

**Mr. Schmidt:** Will the next liability management framework report to Albertans outline the regulatory compliance steps that were taken against licence holders that fail to comply with their 2022 spending requirements?

**Mr. Pushor:** We will continue to strengthen and enhance that annual report and do our best to be as transparent as possible. I'm being a bit cautious because I need to be – I would want to seek a bit of guidance from our legal counsel around the appropriateness of being specific about individual companies. But, generally speaking, our compliance dashboard provides all of that information at the present time, and if appropriate, we would continue to enhance that.

**Mr. Schmidt:** The report identifies that over $2 billion in liabilities are held by operators in high financial distress. What's being done to ensure that those liabilities don't get dumped onto the Orphan Well Association?

**Mr. Pushor:** Well, that's partly what I was referring to when I talked about wanting to work on a case-by-case basis. Companies deal with matters in regard to their each individual circumstances as we work through them. There are . . .

**The Chair:** Thank you.

For the next block we will proceed to questions from the government side, and you will also have 15 minutes.

**Mr. Lunty:** Thank you, Mr. Chair, and thank you to the ministry officials for joining us this morning and shedding a little more light from the business plan and what's going on. We certainly appreciate the opportunity to hear from you this morning. Through the chair, I would like to start with some questions on carbon capture, utilization, and storage. I certainly appreciate – we heard a little bit about that from you, Deputy, during your opening comments, but you know I think it would be beneficial to dig in a little bit.

Of course, we know Alberta is a global leader in carbon capture, utilization, and storage, and as the demand for this technology increases around the world, Alberta is well positioned to take advantage of emerging CCUS opportunities. I would like to ask a few questions, through the chair, on the ministry's work to advance and support CCUS in Alberta. This, of course, is on pages 36 and 37 of the annual report. My first question is: how does the strategic hub concept differ from the province's Quest and Alberta carbon trunk line projects?

**Mr. Kaumeyer:** Thank you, MLA. From a 10-year perspective the hub process builds on, essentially, the Quest project, but 10-year carbon sequestration was granted through a competitive process that enables the development of carbon sequestration hubs. The hubs are different than, essentially, what was established originally with Quest. A carbon sequestration hub will be run by a private entity or private company that plans and enables storage of carbon capture from various emissions sources. Hub operators will ensure open access and affordability for industry looking to store carbon.

The Alberta carbon trunk line, which is 240 kilometres of pipeline that may be used by carbon sequestration hubs as the pipeline has capacity and will be expanded in the near future, is also a stand-alone project. The pipeline can transport up to 14.6 million tonnes of $CO_2$. The nameplate annual capture capacity of the Alberta carbon trunk line project is 1.68 million tonnes per year captured, and most of that's coming from the Sturgeon refinery as well as from Nutrien. Actual capacity usage has been somewhat lower, at 7 per cent in the first year of injection and 8.5 per cent in the second, so there's lots of capacity still in that.

The hubs essentially operate independently, and we are just in the process of starting to stand up how those will be operating. The department is working on the establishment of both guidelines in order to guide the 25 hubs that have now been provided to industry on a broader basis, and we expect that more details on that will be forthcoming from the department.

**Mr. Lunty:** All right. Through the chair, thank you for that information.

Again, through the chair, if you can maybe touch on some overarching benefits of the carbon capture, utilization, and storage technology and why this technology has seen such dramatic growth in demand over the past few years.

**Mr. Kaumeyer:** Yeah. Thank you. Essentially, within Alberta we have a unique circumstance of having the geology and, really, the framework to be able to provide and build a world-class carbon sequestration industry. Our pore space is unique in being able to store vast quantities of $CO_2$, and combined with that we have – as we all know, the province has outstanding drilling capability and a long history of being able to drill very appropriately. Research shows that CCUS technologies are a safe way to store $CO_2$ underground and in reducing, obviously, carbon emissions. Captured $CO_2$ from industry emitters is permanently stored deep underground in specific types of underground geology formations, typically more than a kilometre underground, and the research shows that Alberta is perfectly positioned to be able to do this.

We believe that there will be certainly a need for the province to look at all forms of energy and ability to store carbon. We would, obviously, like to see the advent of nuclear and hydrogen and other elements of reducing our carbon footprint. The province is very well positioned now to take advantage of carbon capture. It's essentially a bird in the hand that allows us to really build this industry out now with the support of industry involvement and engagement.

**Mr. Lunty:** Through the chair, thank you again. It's exciting to hear about this potential and those opportunities.

Just a quick follow-up, then, on some of what you're talking about. Through the chair, has the ministry established a plan to ensure new projects receive the necessary funding to get started?

***8:40***

**Mr. Kaumeyer:** Yes although it doesn't fall into this specific year, really, that we're talking about today. I think more recently the department has worked on an Alberta carbon capture incentive program that mirrors the Alberta petroleum incentives program, and that program was launched at the end of November by the minister and by the Premier. That program provides a variety of different carbon sequestration proponents with the ability to have a capital cost of 12 per cent deducted from their overall capital cost on the project. We expect that that program could see as much as between $3.2 billion to $5.3 billion in actual grants provided over the next 10 to 20 years in the province.

That positions us along with the federal government – we are hoping that the federal government's budget in April actually does finalize and distribute the investment tax credit from the federal government, which will work in harmony with our incentive program to be able to then provide something that is truly industry leading in regard to a grant program to support carbon capture and storage.

**Mr. Lunty:** All right. Thank you very much, again through the chair.

I think the reason people are excited about this is ultimately reduced emissions, so how much has the carbon capture and utilization technology reduced emissions in Alberta as of the end of '22-23? Moving forward, how big of an opportunity is there in this space?

**Mr. Kaumeyer:** CCUS is critical to meeting the long-term objectives and energy needs of our objectives in regard to reducing emissions. The International Energy Agency and other sources say that without substantial support for CCUS we will not achieve our global objectives. According to the government of Canada's official greenhouse gas inventory in 2020 Alberta's $CO_2$ emissions were 256.4 million tonnes.

CCUS can be applied to various sectors such as power, petrochemical manufacturing, clean hydrogen production, cement manufacturing, biodiesel production, and natural gas processing. Based on an analysis from 2021, decarbonization of industry emissions will require CCUS, which has the potential for 70 million tonnes of reductions with a proactive, hub-based infrastructure approach.

**Mr. Lunty:** Thanks very much. Certainly an exciting opportunity.

I just have one last question on CCUS. Of course, I direct my question through the chair, but this is on the CCUS 10-year – and that's on pages 37 and 38 of the annual report. It's the 10-year management agreements on those pages. My question: what is Energy and Minerals' role in working with companies to evaluate suitable sites, and how long does this process take?

**Mr. Kaumeyer:** Thank you. Once evaluation demonstrates that the process projects can provide permanent carbon storage, the proponents will be able to apply for a standard sequestration agreement that provides them the right to inject captured carbon dioxide. Throughout this process the proponents are also undertaking various regulatory approval consultations in business development. In addition, for a proposal to move forward once the tenure for sequestration is obtained from Energy and Minerals, the operator will need to obtain regulatory approval from the Alberta Energy Regulator for the carbon capture transportation and subsurface injection activities.

Currently the department is working on this process right now within the guidelines, and we expect to have those done sometime in the next six months.

**Mr. Lunty:** Thanks again for those answers.

I would like to switch topics here and speak a little bit on investment and production, specifically on the impact of inflation. I mean, we've obviously seen high inflation and rising interest rates over the past two years. My question, through the chair, is related to performance indicator 1(c) on page 22. This does track the level of upstream and downstream investment in Alberta. What has the impact of inflation been on capital investment in the energy sector? And as a bit of a follow-up here, do you expect capital investment this year to meet or exceed 2022?

**Mr. Kaumeyer:** Thank you, MLA. In 2022-23 the economy grew faster than expected and oil prices stayed relatively high, as we all know, due to the ongoing invasion of the Ukraine by Russia. These relatively high energy prices boosted revenues and activity in the oil and gas sector on a year-over-year basis. Drilling activity increased both in 2021 and in 2022. The total successful natural gas wells increased by 19 per cent, from 802 in 2021 to 956 in 2022. Similarly, the total successful crude oil wells drilled increased by 45 per cent. Bitumen wells drilled experienced a strong upward trend, increasing by 92 per cent, from 1,866 in 2021 to more than 3,500 in 2022. Overall, 2022 was one of the strongest of years for the types of wells drilled over the entire period of 2018 to 2022. However, there are ongoing labour and material shortages that the industry is experiencing.

I might add as well that we've seen record profits relative to many of the oil and gas companies as a result of increased cash flow, and this has been shown to be a substantial lift relative to the returns both in the capital markets as well as what we're seeing in the impact back to the province.

**Mr. Lunty:** Great. Thank you so much for providing that information to this committee this morning.

I would like to cede my time to MLA McDougall.

**Mr. McDougall:** Thank you.

I'm going to change a little bit to the topic of critical minerals, something that, at least historically, we haven't got a lot of attention to in Alberta. Outcome 1 of the annual report states, "Albertans benefit from economic recovery through investment in responsible energy and mineral development and access to global markets." One of the key strategies is the mineral strategy and action plan, which indicates that it hopes to enable Alberta to be at the forefront in global mineral exploration development. You're working on a blueprint for sustainable development, which will include, of course, fostering economic growth and prioritizing environment and community involvement. Pages 32 to 34 of the report outline the ministry's work to implement Alberta's mineral strategy and action plan. I'd like to ask a few questions in large part because this is sort of a new and an emerging area for us. Can you outline a little bit what the department sees as the economic potential in developing this critical mineral resource that we have here in Alberta?

**Mr. Kaumeyer:** I can. Thank you, MLA. I think Alberta is really, in some respects, a sleeper when it comes to our ability to sort of start the development of critical minerals. The World Bank has predicted a 500 per cent increase by 2050 in the production of minerals such as graphite, lithium, and cobalt, just to feed the clean energy demand alone. Alberta has vast untapped geological potential to meet the increasing demand for minerals, many of which are used world-wide to manufacture batteries, cellphones, energy storage cells, and other products. These include lithium, cobalt, rare-earth minerals as well, and we even have a small deposit of uranium, I believe.

Alberta is also home to world-class refineries for critical minerals, including nickel, cobalt, and magnesium, and many of these kind of fly under the radar relative to, really, what occurs with the oil and gas sector. Sherritt International's refinery operation in Fort Saskatchewan is a top 10 producer of finished cobalt; Baymag's refinery facility in Exshaw is one of the world's leading manufacturers, MLA, of high-grade magnesium oxide; Umicore in Fort Saskatchewan produces spherical cobalt powders used in hard metal applications.

**The Chair:** Thank you.

We will now proceed to the 10-minute blocks, starting with the Official Opposition.

**Mr. Schmidt:** Thank you, Mr. Chair. I want to return to the liability management framework report. The question that I asked at the end of the last block was dealing with the $2 billion that that report highlighted in liabilities held by operators in high financial distress. We'll get into the Orphan Well Association in a minute. But of the $696 million that was spent in 2022, how much of that was spent on high-risk sites?

***8:50***

**Mr. Kaumeyer:** I'm sorry, sir. I'll have to report back to you. I don't have that at hand.

**Mr. Schmidt:** And that's one of the frustrations with . . .

**Mr. Kaumeyer:** Can I ask for a point of clarification?

**Mr. Schmidt:** Yes.

**Mr. Kaumeyer:** Did you say high-risk sites or high-risk companies?

**Mr. Schmidt:** I'm looking at the matrix that's in the report. The matrix that's in the report says that they are – you've got two evaluations, right? There are high-risk sites, and there are high-risk companies, and then there is that subsector that are high-risk sites that are held by high-risk companies. I mean, provide us with your methodology for targeting spending on those things that are highest risk, or do you have one?

**Mr. Kaumeyer:** I'll have to get back to you in terms of your first question in that respect. We are implementing a new system, as you know. Prior to the implementation of the system in '21 we had very few tools in this place, so as we implement, we're going to start with the general strategy and approach to this to take an overarching move in this regard. It was very encouraging to see industry overexpend that first $422 million targeted spend, and we will continue to grow and assess that, particularly with an eye to risk. At this time we are interested in getting good, stable, sustainable spending and diligence on the part of industry broadly, and then we'll begin to move in a more deliberate way into, perhaps, areas that require more immediate attention.

I would note, though, that when we talk about higher risk in the context of these end-of-life liabilities, we are not talking about environmental risk that would be immediate in any way. We have widespread regulatory tools to deal with any site that poses an immediate risk to the environment or human health and safety, and we do so regularly. So I would say that when we look at the body of this inventory of inactive assets, if there was anything immediate, we would be taking action under other tools, and as we implement the framework, we will move through getting a good, well-established commitment out of industry and performance out of industry broadly, and then we'll begin to focus and contemplate options to target sites that in the long term might be ones we would priorize at a higher level.

**Mr. Schmidt:** Sorry; if I understand you correctly, you don't currently have a target for high-risk environmental sites, but that's something that you're working on establishing. Is that correct?

**Mr. Kaumeyer:** What I'm saying is that we've implemented the new structure very broadly to begin to establish good overall spending and closure activities across the industry. As I said to you, if there are high-risk environmental sites that pose an immediate risk, we would take other regulatory actions in that space. When we talk about high risk in the context of end-of-life closure responsibilities, we're talking about sites that require more attention in their cleanup, not necessarily that pose significant immediate risk.

**Mr. Schmidt:** The Auditor General made a number of recommendations in his March 2023 report that both the deputy minister recapped and the Auditor General recapped. These were well known months in advance of the AER publishing their liability management framework report. Why weren't the comments of the Auditor General incorporated into this liability management framework report that was published in January of this year?

**Mr. Kaumeyer:** Well, the Auditor's comments included publishing an annual report, and we undertook to do that. This is an evolving set and broad range of regulatory oversight that we've been empowered to execute on. Prior to the implementation of the new framework we and others have been saying that we need more tools, that there's a need for more attention in this space, and for many years we saw that well count growing, and we're really pleased that the new tools by way of a more holistic assessment of operators to ensure that they are appropriate, a more detailed look at how licence transfers occur but also an expectation and a tool that allows us to execute on holding industry to account to meet that expectation to spend and spend more to address these things. So all of that is being implemented, and I think early signs are pretty encouraging in that space. We will continue to work with the Auditor and others to evolve the annual report and continue our objective to move to increase transparency in this space.

**Mr. Schmidt:** I want to turn now to the Orphan Well Association. Now, according to the Auditor General's assessment of the sustainability of the Orphan Well Association there's no evidence that the AER is using OWA information to assess whether the organization is completing its goals and objectives. Does the AER have any projection as to how long it will take to clean up the current OWA inventory?

**Mr. Kaumeyer:** Well, we have an estimate that the closure liabilities are to be about $890 million for the orphan well program. As of March 31, 2023, there are 2,253 orphan wells requiring abandonment, 7,117 orphan well sites requiring reclamation, and one large facility. That is our estimate.

**Mr. Schmidt:** Right. That's the estimate, but how long will it take? In 2023 you spent $135 million from the Orphan Well Association. Like, how long is it going to take to clean up that liability?

**Mr. Kaumeyer:** I don't believe we've got an actual estimate of that in regard to it. I mean, we could do simple math relative to how long it's taking in regard to the average number of wells that are actually being cleaned up on an annual basis in the orphan well society. It's a stand-alone entity relative to it, and of course its funding has been provided by the government in the past but as well is provided by industry, so we would have to probably work with them to identify exactly as a stand-alone group what their estimate would be.

**Mr. Schmidt:** How is the target for the annual levy for the Orphan Well Association established?

**Mr. Kaumeyer:** I don't know if I've got that right in front of me. The program itself – sorry.

Do you want to take that, Laurie?

**Mr. Pushor:** Sure. Just a reminder that the Orphan Well Association is an independent association fully funded by industry on its ongoing basis. There has been previous support provided by various governments in the form of loans. As such, we expect and get a recommendation from the Orphan Well Association on an annual basis. They calculate based on their view on what they need to do to attend to the inventory of wells they have. They also look at capacity and their ability to execute on any program, the same as anyone would. We as a regulator then take an assessment of that and recommend that through to appropriate authorities for endorsement. Of course, we do collect that on behalf of the OWA and then remit it to them, so we do assess whether we think it's an appropriate level of spending in that regard.

It's been encouraging to see the Orphan Well Association move consistent with the increases we've thought appropriate as prices stabilized coming out of the significant downturn through COVID and whatnot. We took a move to say that the minimum should move from $422 million to $700 million. They tracked the magnitude of that and the growth of their spending as well. It's important to keep in mind that we have the objective of ensuring the inventory depletes into a way that gives us confidence but also that the industry has to have the capacity to execute on that work. So as we came out of the SRP program and significant spending that was occurring around that program, we wanted to ensure that the service industry could keep pace as we grew the amount of spending in this area. We'll continue to have those conversations with the OWA, particularly as it relates to managing their inventory to ultimate closure.

I would note that we as Albertans are blessed with the foresight that was provided in creating an industry backstop, and it's a pretty unique industry that sees industry prepared to step up and pay for other failed companies. I'm not sure I've seen many examples where industry has taken that responsibility.

**Mr. Schmidt:** Right. Well, I mean, we turn around and give them $8 billion in subsidies for carbon capture and storage, but that's another point.

Why not get a lot more money and save it in the Orphan Well Association while companies are turning record profits right now? Just save it up for future liability reduction. Why not do that?

**Mr. Kaumeyer:** I think it's a process in which we actually are working with industry. It's a stand-alone group.

***9:00***

**The Chair:** Thank you.

Now we'll move to the 10-minute block for the government. MLA Lovely.

**Ms Lovely:** Thank you so much, Mr. Chair. I'd like to ask a couple of questions regarding the site rehabilitation program. On pages 38 to 40 of the annual report it details the results of the site rehabilitation program to March 31. The SRP launched on May 1, 2020, as part of Canada's COVID-19 economic recovery plan, offering $1 billion in relief funding to eligible oil field service workers for well, pipeline, and oil and gas site closure and reclamation work. The report states that over "$1 billion in grant funding was approved . . . [for] more than 562 Alberta-based companies." The program ceased accepting new applications on March 31, 2022, with a final deadline for work completion and invoice submission set for February 14, 2023.

The government of Alberta requested a 45-day extension from the government of Canada, requiring that all SRP funding commitments be made by May 15, 2022, with unallocated funds returned. The $1 billion grant funding was distributed across eight funding periods, each with specific priorities, application criteria, and timelines. Was the program successful in increasing Indigenous participation in the oil and gas sector, and what metrics were used? And one more question: how does this work align with other government initiatives, like Alberta Indigenous Opportunities Corporation?

**Mr. Kaumeyer:** Thank you, MLA. I think Alberta has developed tremendous, strong partnerships and relationships with Indigenous communities and businesses through this program. This includes an environment that ensures the duty to consult, supports economic and social development in communities, and continues to design effective competitive processes that respond to Indigenous issues and perspectives. The site rehabilitation program is a perfect example of that.

Several measures strengthen the Indigenous participation in that billion dollars that was included. First was that a process was put in place for First Nations on-reserve and residents of Métis settlements to nominate inactive oil and gas sites for closure. Secondly, there were incentives that were put in place to encourage Indigenous participation in the program. Projects with Indigenous oil field service companies are eligible for a 100 per cent grant funding. There was 50 per cent without Indigenous participation, so we provided that added advantage to Indigenous oil field service companies in particular.

To ensure Indigenous businesses and communities play a meaningful role in Alberta's postpandemic energy strategy, a portion of federal site rehabilitation program grant funding was allocated to clean up inactive oil and gas sites in Indigenous communities, specifically, across Alberta. The government of Alberta worked with Indigenous communities, Indigenous businesses, the Indian Resource Council, and the Metis Settlements General Council to develop the details of this grant allotment for funding in what you referenced, MLA, as period 6.

Various metrics were tracked through the SRP program, and statistics were reported weekly throughout the program on alberta.ca/site-rehabilitation-program-grant-funding-status. Energy and Minerals engaged with Indigenous communities, oil field service companies, and licensees with infrastructure within Indigenous communities throughout the program, and there was open communication throughout that period. At the end of the program 11,567 Indigenous company applications were approved, and 103 different Indigenous contractors directly participated in the site rehabilitation program.

As you referenced, in period 6, specifically, there were 1,824 wells approved for funding, and that resulted in 513 direct jobs that supported the efforts of that work to ensure that we optimize those dollars.

**Ms Lovely:** Fantastic. Now a question regarding the liability management framework. Pages 49 and 50 of the annual report go over the steps taken to implement the government's new liability management framework in 2022-23. The report states that our government introduced the new framework in July 2020, following a thorough multiyear review process. This involved extensive engagement with various stakeholders, including industry, financial institutions, environmental groups, municipalities, Indigenous communities, and landowners. Over the last years the Ministry of Environment and Protected Areas, the energy industry, and the Alberta Energy Regulator, AER, have worked together to implement the framework's components gradually. I have a few questions on this framework. Has the framework been fully implemented, and if not, what are the next steps? Can you please go into more detail about how the holistic licensee assessment helped support the liability management framework?

**Mr. Kaumeyer:** Thank you, MLA. I'll start, and then maybe I will ask Laurie Pushor to supplement what I state. The new liability management framework includes a suite of improvements to enable industry to better manage the cleanup of oil and gas wells, pipelines, and facilities throughout their development life cycles. I touched on this in my opening comments, and frankly I was glad to hear that the Auditor General as well referenced part of this work that is ongoing. Nearly all components of the new liability management framework are implemented, including a new holistic licensee assessment and licensee capability assessment system to assess the ability of oil and gas operators to meet their cleanup obligations prior to receiving regulatory approvals. As well, there's the licensee management program, which enables the regulator to proactively work with licensees to meet regulatory obligations when they may otherwise struggle to do so.

There is also an inventory reduction program that's been put in place to accelerate timely cleanup of wells through mandatory annual closure spending quotas and through a closure nomination process for all landowners. Landowners can now actually directly feed into the system relative to being able to provide that information directly to the AER so that those sites are identified and dealt with sooner. An expanded role for the industry-funded Orphan Well Association also has been completed, which allows the OWA to better manage and accelerate the cleanup of orphan wells. A process to address legacy sites – sites that were abandoned, remediated, or reclaimed before current standards applied – and sites that have received reclamation certificates but for which the operator's liability period has lapsed is under construction currently.

Laurie, I don't know if you want to augment any of that.

**Mr. Pushor:** That's all right.

**Mr. Kaumeyer:** Okay.

**Ms Lovely:** Fantastic. Now a question regarding integrated resource management system. Page 50 of the annual report speaks to IRMS, "through which the cumulative [effects] of . . . resource development are examined in relation to economic, environmental, and social interests." Can you explain the role of IRMS and the benefits of how it operates? Can you share what some of the priorities of the IRMS are going forward and how Energy and Minerals is expected to contribute to these priorities?

**Mr. Kaumeyer:** Thank you. I can, MLA. The IRMS, for those listening in, stands for the integrated resource management system. We love to use acronyms in the government, as everyone knows, but better probably I spell that one out. It's made up of a network of key organizations, including Forestry and Parks, Agriculture and Irrigation, Energy and Minerals, Affordability and Utilities, Environment and Protected Areas, Indigenous Relations, Jobs, Economy and Trade, Health, and the Executive Council as well as the Alberta Energy Regulator. The IRMS is the forum through which the province's land and resource ministries and regulators collaborate to evaluate, design, and implement policy to ensure Albertans' expectations about land and natural resource development are being met.

Work within the integrated resource management system is all about ensuring decision-makers have the information required to manage all resources – energy, minerals, forest products, agriculture, air, water, and biodiversity – for the purpose of appropriately balancing and achieving economic, environmental, and social objectives. The focus is understanding the cumulative impacts of activities on the environment and communities as a whole and proactively planning for current and future needs. Energy and Minerals' role in the integrated resource management system is to ensure that land-use planning and other crossministry initiatives consider the interests of all Albertans as owners of Crown mineral resources and the obligations that the Crown has in relation to these resources such as tenure agreements.

Specifically to your second question, Energy and Minerals' current focus is contributing to the development of the caribou subregional plans and the completion of a 10-year review of the lower Athabasca regional plan. There are also two subregional plans which are being worked on right now. Cold Lake as well as Bistcho Lake have been completed and are being implemented. Then there are four additional plans that we are currently in progress of developing within the integrated resource management system.

***9:10***

**The Chair:** Thank you.

We will move to the Official Opposition for another 10-minute block.

**Mr. Schmidt:** Thank you, Mr. Chair. This line of questioning is related to the release of toxic tailings from the Kearl Lake site, which is mentioned on page 56 of the annual report. I beg the committee's indulgence. I have quite a bit of preamble that I think is important to set the context for the questions that I'm going to ask.

Now, the first report of discoloured water from this site was made on 19 May 2022. After three months of back and forth with Imperial Oil the AER issued two notices of noncompliance on 2 September 2022. Then for four more months the AER and Imperial Oil went back and forth again until there was a second event, the release of 5.3 million litres of waste water in February of 2023, followed shortly by the publication of an environmental protection order.

Now, at no point during this period did the AER advise affected First Nations or the government of the Northwest Territories about the incident. The CEO admitted in testimony at a House of

Commons committee in April of 2023 that he didn't inform any of the government ministers until after the EPO had been published. At that same meeting the Northwest Territories' environment minister testified that "trust in government's ability to keep their waters safe has been lost."

Rather than accepting any responsibility for the AER's failure to effectively manage these incidents and to inform affected parties in a timely fashion, the Audit and Finance Committee of the AER's board hired Deloitte to conduct an investigation that explicitly put a forensic analysis of the incident out of scope. Even that investigation identified a number of deficiencies in how the AER handles these types of incidents and made several recommendations for improvement.

The board accepted all of these recommendations in September of 2023 and committed to implementing them. However, since September 2023 there has been no public reporting about whether or how any of these changes were implemented.

In response to this review the Athabasca Chipewyan First Nation said, quote: the Alberta Energy Regulator is captured by industry and overseen by a political class that doesn't care about the consequences to northern and Indigenous residents of Alberta and the Northwest Territories. The Mikisew Cree First Nation said, quote: the seepage and spill are symptoms of a broken regulator; this is why today we repeat and maintain that we have lost all confidence in the Alberta Energy Regulator.

On 13 November 2023 Imperial Oil reported another spill, this time from a different area, this in spite of the AER's assurances that everything at Kearl Lake was under control and the regulator had learned its lesson and was going to do a better job of managing this site.

In 2024, according to the AER's website, Imperial was issued a noncompliance on January 5 and again on February 14. The website states that as of today Imperial Oil still hasn't completely identified the impacted area, nor is it clear that its remediation system is working.

In March Athabasca Chipewyan First Nation filed suit against the AER and the government of Alberta for over a billion dollars' worth of damages because of their failure to competently respond to these incidents. Now the AER and the government of Alberta are at an extreme financial risk in addition to the reputational damage that this incident has already incurred.

To summarize, nearly two years after the initial incident at Kearl Lake was reported to the AER, the AER has failed to address this incident, has failed to prevent several further incidents, has failed to restore trust with affected First Nations and the government of the Northwest Territories, and even though they've committed to making changes that their own hand-picked auditors said were needed, they failed to show what, if anything, they've done to change.

Now I turn to the AER's Mandate and Roles Document, which was signed in 2020 by the energy minister, among others. This document outlines the responsibilities of the CEO of the AER, which include:

- engages with AER's many and varied . . . stakeholders to ensure the organization is positioned for success and credibility . . .
- acts as a trusted and integrated partner in running the regulatory system with government . . .
- monitors AER performance and takes corrective action when problems are identified;
- ensures the proper management of risks . . .
- ensures decisions of the AER are published in a timely and transparent manner . . .
- participates . . . in resolving key stakeholder issues to ensure shared outcomes are achieved.

Given that by 31 March 2023 it was already clear that the CEO had failed to uphold these responsibilities and given that subsequent events have only served to reinforce the failures of the CEO to carry out his responsibilities, why didn't the chair of the AER ask for the CEO's resignation last fiscal year? And when can the people of Alberta expect the CEO to resign from a role that he has clearly demonstrated he's completely incapable of performing?

**Mr. Kaumeyer:** Thank you, MLA. I will refer this to Laurie in a moment. I guess I would just want as a point of order, Chair, to make sure that we understand the period by which this questioning takes place, which is for 2022 and 2023, and not 2023-2024.

**Mr. Schmidt:** Yeah. Mr. Chair, as I clearly stated in my question, it was evident to anybody looking at the situation that by the 31st of March 2023 the CEO had already failed to uphold his responsibilities. So why didn't he resign before the 31st of March 2023?

**Mr. Kaumeyer:** I think that this is an ongoing investigation, and the response to two separate Imperial Oil incidents that occurred at Kearl Lake is something that's ongoing. I will ask Laurie to respond to some of this, but I will say that this is something that's very sensitive right now, and there is the potential for this ongoing investigation, given its sensitivity, to be something we cannot share all matters with.

In response, the AER issued an environmental protection order to Imperial in February of 2023, as you have identified. The EPO requires Imperial to take action.

**Mr. Schmidt:** We don't need to recap this.

**Mr. Kaumeyer:** Well . . .

**Mr. Schmidt:** My question was simply: why didn't the CEO resign?

**The Chair:** I think, Member, insofar as your question relates to Kearl Lake and spills there and within the time frame covered by the report, that's the part I think is fair, and the ministry should answer. But insofar as resignation is concerned, I will rule that out of order.

**Mr. Schmidt:** Okay. Thank you very much. Disappointing that there doesn't seem to be any accountability present today for the CEO's failure to uphold his responsibilities.

The same Mandate and Roles Document that I quoted states that the board chair is responsible for monitoring and evaluating the CEO's performance and providing the CEO feedback on their performance. When in 2022-23 did the board chair evaluate the CEO's performance? What was the outcome? And can the written evaluation be tabled for the committee?

**Mr. Kaumeyer:** That is a matter, Chair, by which something is subject to the board of directors of the Alberta Energy Regulator. I do not sit on that board.

**Mr. Schmidt:** The CEO is right here. He can answer that question. To the CEO, then: when were you evaluated by the board chair for your performance? What did the board chair tell you? And when can we expect a written evaluation to be tabled to the committee?

**Mr. Pushor:** Well, I would need to take the question of the appropriateness of asking for an individual's performance report to be publicly released. I would say that I have a very strong working relationship with the board. Their expectations have been clear all the way along, that as we became fully apprised in understanding the issues in front of us at the Kearl site well . . .

**Mr. Schmidt:** Okay. I don't have much time. We're not going to get an answer. I would appreciate some form of accountability from the department of energy on the CEO's performance. Now, given that the board is responsible for holding the CEO accountable for his performance and that by the end of 2022-23 it was already clear that they had failed to do so, why hasn't the board resigned? Why didn't the board resign? And when can the people of Alberta expect the board's resignation?

**Mr. Lunty:** Point of order. This is a point of order on 23(j). The member opposite's treatment of the ministry official, particularly with the forceful repetition of this question, is most certainly abusive or insulting and is meant to cause disorder in the committee. I would also add that the chair of our committee, in fact, just recently advised the member that that particular line of questioning on a person's resignation or performance was, in fact, out of order. Then we immediately saw two additional questions on the exact same line. So this is clearly a point of order, 23(j).

**Mr. Schmidt:** I'm just demanding some accountability for the people of Alberta for the Alberta Energy Regulator's failure to protect the people of Alberta.

***9:20***

**The Chair:** I think that the Energy Regulator and whatever is provided in the 2022-23 annual report is a fair question, so I would urge the member to frame the question about what's in there and tie it closely to what's in the report and what's within the scope of this meeting.

**Mr. Schmidt:** Thank you. I'll move on.

The Mandate and Roles Document states that ministers are responsible for providing feedback on the performance of the chair. When in 2022-23 was feedback to the chair provided by the minister, and will the written evaluation of the chair's performance be tabled for the committee?

**Mr. Kaumeyer:** There again, MLA, I would want to be clear that the Alberta Energy Regulator operates separately and distinctly as an energy regulator and that . . .

**Mr. Schmidt:** No. It's clearly stated in the Mandate and Roles Document that the minister will provide feedback on the board chair's performance. When was that done, and will you table it? Simple question.

**Mr. Kaumeyer:** I would have to get back to you on that relative to the actions that were taken relative to the minister.

**Mr. Schmidt:** Thank you very much.

In 2007 it came to light that the energy regulator of the day, the EUB, had hired spies to monitor public meetings. That was enough to cause the government of the day to disband the regulator. Now, given the reputation and financial damage that the mismanagement of the Kearl Lake incident has caused, when can the people of Alberta expect the Alberta Energy Regulator to be deregulated and to create an industry regulator that people trust?

**The Chair:** Thank you.

We will move to a 10-minute block for the government members to ask questions.

**Ms de Jonge:** Thank you very much, Chair, and thank you to the deputy and officials that are here today. I want to ask a few questions this morning related to Energy and Minerals' work and potential opportunities for LNG, which can be found on pages 42 and 43 of the annual report. I'm encouraged to see that LNG Canada and Woodfibre LNG projects are progressing and under construction. What role did Energy and Minerals play in supporting these projects?

**Mr. Kaumeyer:** In regard to Woodfibre directly, Energy and Minerals continues to work with regulators, industry, and other stakeholders and across government to address our pipeline systems, in particular the efficiencies, and address market connectivity issues to look at how we can support that. In regard to Woodfibre and LNG Canada both of those projects do not have a direct impact relative to Alberta molecules moving. Most of that gas is found on the B.C. side of the border, but it will have an indirect impact if those projects do proceed and do get to a completed stage relative to the price of AECO, which is our gas price.

We are not directly involved with things other than we are looking at the pipeline systems that go to support those. Obviously, with LNG Canada we are working and have worked closely to ensure that the coastal gas pipeline gets completed because that's an important artery to ensure that gas can get to the west coast to support LNG Canada. We are aware that LNG Canada is going to be completing their first phase of their project shortly, and we look forward to seeing the first phase of that completed.

Woodfibre is currently in the process of finalizing to get to an FID. I think there, again, we are there to support in ensuring that the pipeline access is there and that we can help to support the molecules that will move so that we can support those projects indirectly.

**Ms de Jonge:** Thank you very much, through the chair.

While these projects are dealing with molecules that are not specifically in the province, we're ensuring there's a completed gas line. Can you maybe expand a bit more on how these projects will provide benefits to Albertans once they are completed?

**Mr. Kaumeyer:** Sure. Because of the integration of the gas market overall, we have gas that moves, of course, across the continent. A lot of our gas goes down into Chicago and other areas. We are actively working to ensure that the pipeline network continues to provide for the access and movement of gas. The consensus is that the Asian market is key to the long-term health of the western Canadian gas producers and that we will support the enhanced market access via the western Canadian LNG projects now and in the future.

The first step is to build a Canadian LNG facility and should lay the foundation for more to come in the future. We know that with LNG Canada, one, getting that project started, financed, and completed has been, let's just say, a little more onerous relative to our requirements regulatorily, but we do see an opportunity where a lot more gas can move.

If I run down the projects, MLA, the one project that probably has the most direct access to Alberta gas would be Western LNG and the Ksi Lisims LNG project, which recently there were some very positive announcements both in regard to Shell Canada announcing that they were prepared to take down a forward-looking contract for LNG gas in the future as well as the announcement more recently by TransCanada of the Prince Rupert gas terminal line, the PRGT line, in which they would provide that optionality to the Haisla First Nation to go and proceed with the construction of that. That would enable a substantial amount of Alberta gas to move to the west coast. We are quite keen to see how that project will proceed in the future.

**Ms de Jonge:** Thank you very much. Justin Trudeau might not think there's a business case for natural gas, but I certainly do.

I'd like to talk about LNG within the light of some global conflicts we're seeing. I'm happy to read on page 42 of the report that our natural gas is helping to "meet the rising demand for sustainable energy while [of course] creating jobs and billions of dollars in revenue." Given the ongoing conflict in Ukraine and other global issues that have put pressure on the supply of clean and reliable energy, how has Alberta's development of LNG products helped to fill the gap in the global energy market over the past fiscal year? And are there any specific government programs or initiatives that have helped to augment the production of LNG so that we can better assist our partners and allies overseas that need access to a reliable source of energy?

**Mr. Kaumeyer:** Thank you, MLA. Yes. I think the analogy of us not having a business case for LNG is something that I would strongly suggest that our industry in particular – and our industry advocates suggest that there is a case for LNG from Alberta in particular.

The government of Alberta is ensuring Alberta's responsible-produced natural gas has access to markets through LNG. The efforts include collaborating with other governments, regulators, industry, and Indigenous partners to streamline project approvals, improve pipeline access, and get infrastructure built to ship Alberta gas.

We are currently working with the federal government in a number of ways relative to ensuring that we can support the streamlining of applications and the advent of moving forward with more gas. That's an ongoing set of tables that the provincial government is helping to table. We are implementing our natural gas vision and strategy really as we speak.

Canada has a world-class scale LNG export project with LNG Canada in Kitimat, which aims to produce about 14 million tonnes per annum of LNG. We believe that project will be up and operational by 2025.

You touched on Woodfibre LNG. It's currently under construction, and it's expected to be finalized by 2027. It will have the capacity of about 2 million tonnes of LNG annually.

The Ksi Lisims project that I touched upon as well, which is the predominant project that will see Alberta gas move and is driven by gas producers located in Alberta, is a proposed floating natural gas liquefaction facility and marine export terminal to be located on the northwest coast of B.C. The planned capacity there is 12 MPTA, or 12 million tonnes of LNG. That project would see a sizable amount of gas from Alberta move to the west coast, which would be, I think, very beneficial.

*9:30*

The need for the province of Alberta to be a provider of energy on a global basis is clear. We believe that natural gas can provide a fuel-switching opportunity in Asia, where they are currently using coal predominantly. We have the ability to have them switch relative to coming off coal to dramatically reduce their emissions, thereby ensuring that we can cut emissions on a global basis. Alberta can provide that global opportunity back to the world relative to ensuring that we can lower emissions on a global basis.

**Ms de Jonge:** Through the chair, thank you. Well put.

Our government prides itself on its commitment to meeting and exceeding the global standards for LNG production. I recently had the opportunity to go on some PNWER missions and speak to our neighbours to the south. One thing was very clear, that, you know, Alberta's production of LNG and production of hydrogen were of great interest to our southern trade partners. We've showcased the importance of clean and sustainable energy solutions in today's world.

I don't have much time here, but you know maybe I can just sneak in a question about hydrogen. That's something that you've referenced in terms of growing Asian markets. Can you give us an overview of some of the major hydrogen projects in Alberta and any updates on statuses during the 2022-23 fiscal year? Maybe you can send that to me in writing following this meeting.

**The Chair:** Thank you.

We will now move to another 10-minute block for the Official Opposition.

**Mr. Haji:** Well, thank you very much, Mr. Chair, and thank you to the senior leadership of the department for the work that you do and the background work that you put into preparing for such a meeting. As a former public servant I appreciate that.

My questions will be around royalty frameworks. The government owns 81 per cent of oil and gas reserves, and there are two frameworks under the royalty regime, the modernized royalty framework and the Alberta royalty framework. The ministry's annual report provides charts that indicate the number of applications to the programs in the measures of the number received, the number accepted, the number of applications that are refused.

However, the ministry doesn't provide, again, in alignment with what the Auditor General has provided, performance metrics for these programs, both of the two framework programs, which makes it difficult to ascertain whether the ministry is meeting its intended key objectives. There are three performance indicators generally under outcome 1; however, none of them are related to the Alberta royalty programs. My first question will be: has the ministry developed any key performance metrics that directly measure the success of the royalty programs?

**Mr. Kaumeyer:** The performance measures are monitored within the royalty framework and published yearly in Energy's annual report. In addition to the assessment of nonrenewable resource revenues, that are highly sensitive, obviously, to commodity prices, some key performance indicators, including commodity production, the investment, the dollar investment, the industry activity and employment, are all registered relative to Energy's annual report.

The annual report also includes a discussion and analysis of results section outlining the achieved key objectives and performance measures towards establishing outcomes for the business plan. I mean, I guess, really, when it comes to a royalty framework, we are working with industry, who are basically leaders of the resource relative to the extraction of that resource. We're not privy to exactly what their plans are relative to proceeding directly with capital investment programs.

**Mr. Haji:** Yeah. Sorry. What I'm asking – the question is on the metrics related to the programs that are under the two frameworks. This includes the enhanced hydrocarbon recovery program. This includes the emerging resources program. Are there any specific performance metrics that show the performance of these programs, and can you provide examples of those?

**Mr. Kaumeyer:** Yeah. I'll probably start and then maybe defer to ADM Lammie. The objectives of the two programs are to provide the appropriate royalty treatment for incremental hydrocarbon production, to account for the higher costs associated with enhanced recovery methods, and to generate incremental hydrocarbon production. The emerging resources program, or the ERP, is tailored to emerging areas that have not reached the point of activity on a commercial scale, and that's one program that we're currently using relative to ensuring that industry can proceed with additional royalty work.

Qualifying projects receive an increased drilling and completion cost allowance, or C, based on the level of current development. Eligible wells receive as much as two times the calculated component. So that program is in place as far as R minus C. The objectives of that program are to provide the appropriate royalty treatment for strategic emerging oil and gas assets.

**Mr. Haji:** Deputy, why don't you connect those performance metrics to your report, then?

**Mr. Kaumeyer:** That's a relatively new program. That program has just recently been stood up.

I don't know, Doug, if you want to add to that.

**Mr. Lammie:** MLA, there are a number of different varieties of programs that we have in place within our royalty system, you know, the conventional oil ones, as you mentioned, those two programs. EHRP and ERP are two pieces to encourage increased drilling and completion. The deputy has outlined some of those objectives that are identified within that space. Clearly, as we look at these, not only are we looking at how we collect the appropriate economic rent. The deputy had earlier identified some of the significant record milestones for royalty collection over the past year; $25.2 billion in total has been collected on . . .

**Mr. Haji:** Again, from a transparency perspective – and I'm trying to maximize my time here – the ministry's performance Albertans will only know based on the objectives set out in the business plans and the annual reports, that provide against those key objectives that you have provided. None of those provide metrics that show the performance of those two royalty frameworks that you have provided and the programs that run under those. Why?

**Mr. Lammie:** Those two programs: we do have guidelines and program details that are available on our website. If you go to www.alberta.ca/royalties, you'll be able to find more details about the specifics of those.

**Mr. Haji:** Is the standard evaluation provided?

**Mr. Lammie:** You'll be able to see on the website the number of programs that have been approved, applied for, and some of the outcomes from those programs.

**Mr. Haji:** Okay. It would be great if the department can provide those within the annual report, which is the accountability framework that we have in government in terms of the ministry's performance, again, the set of key business outcomes and key objectives, which are not clear in terms of the royalty perspective for me.

The next question would be: does the ministry set targets for the number of applications it expects to receive under each royalty program? Do you set a target number of applications that you expect to receive?

**Mr. Kaumeyer:** No, we do not. Maybe just to provide a little bit of context, within the royalty framework these are programs for which industry must lead relative to the overall application process. We are not privy to the capital programs that the oil and gas companies are developing on an annual basis, which would then trigger, potentially, them to proceed with an application, which would then trigger, obviously, a royalty component. Your line of questioning I think is challenging in a way because, at the end of the day, although we may set the royalty component, the ability is that we will address the applications as they come from industry. We won't establish a goal based on trying to determine what industry would do relative to providing an application for an additional royalty program.

**Mr. Haji:** Yeah. From my side, the problem I have on behalf of Albertans is: how will I know the performance of the royalty program?

***9:40***

**Mr. Kaumeyer:** We can tell you – I think that if we were to focus on something that Albertans would really want to understand and know about this, it is that we have 111 projects that basically fall within the current royalty program. Of those, 42 are in prepayout, and the balance, 68, are in postpayout. So the difference relative to what we take as Albertans . . .

**Mr. Haji:** But that is basically a description of what exists. It's not a performance metric. I'm after performance metrics here. You could describe the programs that you have within those frameworks, but it doesn't tell me your performance. It's something that you set in your business plan. How do you provide those targets that you set in the business plan?

**Mr. Kaumeyer:** We just don't establish based on what industry can do relative to additional applications within the royalty framework.

**Mr. Haji:** But the alternative is not to have at all any performance metrics to evaluate the performance of the department on these royalty frameworks.

**Mr. Kaumeyer:** I mean, I guess about all I could say would be that the department does not look at it relative to saying that we are trying to establish a performance for a royalty framework, which comes down to an individual case-by-case application by a specific company and in which we identified, based on whether it's prepayout or postpayout, exactly how the actual program is operating within the structure of that project.

**Mr. Haji:** Yeah. I get it. That's why you develop a framework. Your framework should have some sort of performance metrics, then, and it doesn't.

**Mr. Kaumeyer:** Well, I guess, from the perspective of the line of questioning, I'm not sure how we would really design a performance metric for something which industry drives. They are driving this. They drive the application process.

**Mr. Haji:** So the department has not . . .

**The Chair:** Thank you, Member.

We will now move to the government MLAs for another 10 minutes of questions.

**Ms Armstrong-Homeniuk:** Thank you, Chair and through you to the deputy minister. About the Alberta petrochemicals incentive program, the APIP program, pages 43 to 44 of the annual report discuss the Alberta petrochemicals incentive program, a grant-based program created to attract petrochemical investments in Alberta, increase investment, and create jobs. As mentioned on page 43, there was continued interest in APIP through the 2022-2023 fiscal year. I would like to go into further detail about the program and the projects that have received funding. I see there were two projects that received APIP grant funding in 2022-2023.

Dow Chemical Canada was approved for a grant worth $32.5 million for its Fort Saskatchewan 12th furnace capacity improvement project while Air Products was approved for a grant worth $161.5 million for its new hydrogen production and liquefaction facility. Can you please outline the merits of these two projects and the role of these APIP grants in attracting the investment to Alberta?

**Mr. Kaumeyer:** I can. Thank you, MLA. As we understand, it's a very competitive market relative to how Alberta competes in the petrochemical space, especially across North America. We are competing with Texas, Louisiana, and other states relative to ensuring that we can provide an incentive that supports the attraction of that investment back to Alberta, which is so critical. As you know, MLA, we have if not the lowest corporate tax rate, certainly, in Canada, one of the lowest corporate tax rates in North America, which is a huge draw.

Combined with that, we also have, of course, the Alberta petrochemical incentive program. It's designed to propel economic growth by attracting substantial investments, like you touched upon, and I will get to the details on those. It really does aim to solidify Alberta's position as a global leader in petrochemical development. Of course, I might say that probably right in your riding, MLA, we have the Industrial Heartland, which we are so proud of relative to the work that both the Industrial Heartland does as well as its ability to attract global investments. It really is becoming the hub for Canada in many respects relative to petrochemical development as a result of this program.

Air Products, which you touched upon, is a $1.6 billion investment in their clean hydrogen production facility. It has already begun construction. It has over 2,500 Albertans through the construction period, which started in 2022, who are currently building that facility. That will have a substantial number of permanent jobs when the operations begin in that facility in 2024. Air Products wouldn't be eligible for the grant payout before 2025 at the earliest.

I think the beauty of this program that is so unique – and I think it's critical that Albertans understand the uniqueness of the program for APIP – is that we essentially want to ensure that the payback for Albertans is that we get those construction jobs; we get the taxes; we are actually able to ensure that the economic development and the sustainable development economically is provided to the province up front, at which point the payments for APIP then kick in essentially a year after the facility has essentially started to operate fully, which ensures that we can say to Albertans quite clearly and definitively that they have gotten the return relative to the construction, development, and overall ability for that facility to be financed and stood up by the proponent and ensuring that the grant then comes at the very end of it. I can't understate the importance of that relative to ensuring that we as a province get the return so required back to Albertans, relative to these key investments which are providing a host of petrochemical outputs around the world.

The first major clean hydrogen investment that you had added to be approved under APIP, in regard to Air Products, is going to contribute $25 million per year in municipal property taxes during the construction and approximately $27 million during the operation, as I said, which will begin in 2024. It will contribute $13 million per year in provincial revenue once the operation is fully stood up and operating.

The further evidence, I think, as you're probably aware, I will touch on as well, is the tremendous announcement made in the fall by Dow Chemical in what will be the largest global investment in a net-zero ethylene cracker in the world. We were pleased to see Jim Fitterling down at CERAWeek in Houston this last week as the CEO of Dow globally. He is thrilled about the project. We are thrilled to be hosting that project. It will be in line for a substantial APIP payment. We have also supported Dow indirectly in regard to their recent furnace expansion. That will see them receiving grants going forward here that will begin to pay out in the coming months.

The program itself has approximately $30 billion to $35 billion of additional petrochemical projects in the queue, so it's really a substantial program in support of a global-leading position that the province has taken in petrochemical development, and we're obviously thrilled to be administering this on behalf of the government.

**Ms Armstrong-Homeniuk:** Thank you.

I think you can see that I can hardly wipe the smile off my face when you talk about the Industrial Heartland. These two projects are, of course, in addition to the $408.3 million grant for the Inter Pipeline Heartland Petrochemical Complex and a $3.9 billion facility in Strathcona county that converts Alberta propane into polypropylene, which became fully operational last year. With three major projects having received grant funding from APIP already – you've kind of touched on this – can you tell us about the impact that APIP has had so far, particularly within the last fiscal year, on investment attraction in the petrochemical sector and what metrics have been used to track and evaluate the APIP's success?

**Mr. Kaumeyer:** I can. Just to be clear, we work very closely with Treasury as we stand up these applications to ensure that we look at the actual capital dollars to be invested in the province; we assess the number of construction jobs both at the start; we look at the tax income and the revenue that does generate; we look at the spinoff effects relative to the municipal side with municipal taxes. We will also look at the postconstruction benefits back to the province directly and ensure that each of those are essentially accumulated relative to us understanding how that contributes to the grant program that's put in place. I can speak specifically to those two projects in regard to Inter Pipeline's Heartland Petrochemical Complex, which will convert propane to polypropylene and is the first of its kind, I might add, in North America.

***9:50***

One of the beautiful things about what we're doing in regard to the heartland in general, as you know, MLA, is that many of these projects are global-leading projects as far as net-zero. We are cutting a path toward net-zero ability to produce petrochemicals that'll be a beacon for the world.

The project with Inter Pipeline was approved for a total of $408 million in grants to be paid in three installments starting in 2023-2024. The facility has commenced operations, after having created thousands of jobs to support the building of the facility. It currently employs 300 full-time workers in Alberta, and it's expected to contribute $50 million in provincial revenue each year during operations and $914 million annually to the provincial GDP. To date $98.7 million has been made in grant payments to Inter Pipeline, and we expect that that project, which is now on pace to be completed here again shortly, will be a world-leading project for the province to look at.

You mentioned the Air Products; I'll just touch on that one as well. I know I mentioned it a little earlier, the $1.6 billion hydrogen facility, which will convert natural gas into clean hydrogen using carbon capture, utilization, and storage, of course, and work very closely within a hub that is essentially on the doorstep of the project itself to safely store the residual carbon dioxide. The project has been approved for a $161.5 million grant under APIP. It's expected to create 2,500 jobs directly during its construction, which will finish in 2024.

We see that project as leading to a substantial opportunity within the hydrogen element of where we're going as a province and being able to look at how we could move to be able to provide opportunities by which we could export more hydrogen on a global basis. We understand the importance of hydrogen relative to its ability to be a feedstock as well for ammonia, and we are working very closely relative to the work . . . [A timer sounded] Oh.

**The Chair:** Thank you.

Now we will move to the final rotation. The Official Opposition will have three minutes in this block to read questions into the record.

**Ms Renaud:** Got you. Thank you, Mr. Chair. The AER refers to an unprecedented number of wells being transferred to the Orphan Well Association during the COVID pandemic. Can the AER provide the exact number of wells that were transferred to the OWA in that time period? Does the AER have a method to calculate the numbers of wells that may be transferred to the OWA in the near future, and if so, what plans are in place to manage them? The AER states there are 29 legacy sites. Can the AER explain what criteria or methodology was used to determine the number of legacy sites? Can the AER please provide an updated estimate of the unfunded liabilities of legacy sites?

Next question: does the AER have an estimated time frame for when responsibility regarding legacy sites may be clarified? If not, does the AER have any processes to examine the cost of lack of timely action on legacy sites?

Finally, how many licences have been exchanged outside of the AER's licence transfer application process? Does the AER keep track of those? How many of the new licence holders would have been able to go through the AER process?

Thank you, Mr. Chair.

**The Chair:** Thank you.

Over to the government side, three minutes to read questions into the record.

**Mr. McDougall:** Thank you. Yes. Just going on to another area that probably has not received as much attention in the past as hopefully in the future, and that's the geothermal development. On page 35 of the annual report we talk about Energy and Mineral's work on the geothermal file. With the new regulatory regime now in place can your ministry . . .

**The Chair:** Member, this block is to just read questions into the record.

**Mr. McDougall:** Yes. I was about to ask a question.

**The Chair:** Okay.

**Mr. McDougall:** Okay? Yeah. Will the ministry provide an overview of how many leases the government has granted and whether this is an established timeline for the development of these projects? You have $50 million in funding from various sources coming from Alberta Innovates. Some information as to how this funding has supported the companies and its efforts to advance this technology while creating the jobs and presumably being a leader in that. Some details on what you actually are funding or what Alberta Innovates has been funding for these, an update on new and current projects in Alberta, and considering that they received 74 applications for tenure and issued 32 leases, some context as to how big we actually think that geothermal opportunity is in Alberta.

Finally, going back to the critical minerals question, what I started a little while ago: can you provide an update on the progress made on implementing the mineral strategy and action plan and what your next steps are for that?

**The Chair:** Thank you.

I would like to thank the officials from the Ministry of Energy and Minerals, the Alberta Energy Regulator, and the office of Auditor General for their participation and for responding to committee members' questions. We ask that any outstanding questions be responded to in writing within 30 days and forwarded to the committee clerk.

Moving on to the next item, other business. Are there any other items for discussion?

**Mr. Pushor:** Mr. Chair, if I might. May I have an opportunity to speak briefly?

**The Chair:** Sure.

**Mr. Pushor:** During the questioning the member raised a number of assertions about the quality and integrity of the Alberta Energy Regulator with inflammatory and, I suggest, ill-informed comments. I want to assure the committee that there are a thousand Albertans who get up every day and go to work at the Alberta Energy Regulator to ensure they enact and require industry to conform to the standards as set out.

They have worked diligently to hold Imperial to account at the Kearl site. They have supervised and overseen the repair work that was put in place. We have had well over a hundred on-site inspections. It's only a short drive up there. Imperial is welcoming guests to see and view the work that they've done up there.

The board has diligently assumed its responsibility to ensure management was responding appropriately and have held me to account on a regular basis to ensure that management is fully and appropriately responding. As to myself, I have come to work every day since I became aware of this incident and done my level best to ensure that the resources required to ensure this is responded to appropriately and that we are being as transparent as possible have been put in place. We've been providing weekly updates on what is happening at Kearl. We are working with all nine communities in the region to ensure they have insight into what's happening.

I'm proud to go to work every day at the Alberta Energy Regulator, and unfounded and inflammatory comments do a disservice considering what we inherited four years ago at the Alberta Energy Regulator.

Thank you very much for your indulgence.

**The Chair:** Thank you.

The date of the next meeting is April 9.

If the comments were about the performance evaluation that was asked individually, I would agree that it was not in order, but the comments made by the AER CEO, I think, that were about AER should have been made in the course of the meeting.

Anyway, I would call for a motion to adjourn. Would a member move that the meeting be adjourned?

**Ms Renaud:** So moved.

**The Chair:** Okay. All in favour? Any opposed? Thank you.

The meeting is adjourned.

[The committee adjourned at 9:59 a.m.]

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