



Legislative Assembly of Alberta

The 28th Legislature
Second Session

Standing Committee
on
Resource Stewardship

Ministry of Energy
Consideration of Main Estimates

Wednesday, April 9, 2014
7 p.m.

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Second Session**

Standing Committee on Resource Stewardship

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Standing Committee on Resource Stewardship

Participant

Ministry of Energy
Hon. Diana McQueen, Minister

7 p.m.

Wednesday, April 9, 2014

[Mr. Khan in the chair]

**Ministry of Energy
Consideration of Main Estimates**

The Chair: Well, folks, I would like to call this meeting to order and welcome everyone. The committee has under consideration the estimates of the Ministry of Energy for the fiscal year ending March 31, 2015.

I'd ask that we go around the table and introduce ourselves for the record. Minister, when it comes to you, you're welcome to introduce your staff and any other staff that you wish to introduce that are with us today.

With that, I'll turn it over to our deputy chair.

Mr. Anglin: Joe Anglin, MLA for Rimbey-Rocky Mountain House-Sundre.

Mr. Xiao: David Xiao, Edmonton-McClung.

Mr. Allen: Mike Allen, Fort McMurray-Wood Buffalo.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

Ms Kennedy-Glans: Donna Kennedy-Glans, Calgary-Varsity.

Ms L. Johnson: Linda Johnson, Calgary-Glenmore.

Dr. Brown: Neil Brown, Calgary-Mackay-Nose Hill.

Mr. Hehr: Kent Hehr, Calgary-Buffalo.

The Chair: Minister, please go ahead.

Mrs. McQueen: Okay. Diana McQueen, Minister of Energy, Drayton Valley-Devon. In my opening comments maybe what I'll do is introduce our team.

The Chair: Great. Very good. If you wish.

Mr. Hale: Jason Hale, Strathmore-Brooks.

Mr. Goudreau: Hector Goudreau, Dunvegan-Central Peace-Notley.

Mr. Casey: Ron Casey, Banff-Cochrane.

The Chair: Okay. Fantastic. I think we probably have a few more members that will be arriving shortly. We'll have them introduce themselves as they come.

Just a little bit of housekeeping here. Please note that the microphones are operated by *Hansard*, and we'd ask that BlackBerrys, iPhones, et cetera, be turned off or set to silent or vibrate and not placed on the table as they may interfere with our audiofeed.

Just some details as to our proceedings, speaking orders and times. Hon. members, as you know, the Assembly approved amendments to the standing orders that impact consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Energy, I would like to review briefly the standing orders governing the speaking rotation. As provided for in Standing Order 59.01(6), the rotation is as follows. The minister may make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes

the members of the third party and the minister may speak. For the next 20 minutes the members of the fourth party and the minister may speak. For the next 20 minutes the member of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes private members of the government caucus and the minister may speak, and for the time remaining, we will follow the same rotation to the extent possible; however, the speaking times are reduced to five minutes.

Members may speak more than once; however, speaking times are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 20 minutes. For the final rotation, with speaking times of five minutes, once again a minister and a member may combine their speaking times for a maximum total of 10 minutes. Members are asked to advise the chair at the beginning of their speech if they wish to combine their time with the minister's time or speak in their allotted time segments.

The chair acknowledges that this is a new procedure, and if members have any questions regarding speaking times or rotation, please feel free to send a note or speak directly with either the chair of the committee or the committee clerk about this process.

Three hours have been scheduled to consider the estimates of the Ministry of Energy. With the concurrence of the committee, I will call a five-minute break near the midpoint of this meeting.

Committee members, ministers, and other members who are not committee members may participate in the proceedings. Ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee. Members' staff may be present and, space permitting, may sit at the table or behind their members along the committee room wall. Members have priority for seating at the table at all times, though I don't imagine that will be an issue for us today.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn. Otherwise, we will adjourn at 10 p.m.

Points of order will be dealt with as they arise, and the clock will continue to run.

Any written materials provided in response to questions raised during the main estimates should be tabled in the Assembly for the benefit of all members.

A vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on April 16, 2014.

At this point, Minister, I would invite you to commence our meeting with your opening remarks, please.

Mrs. McQueen: Well, thank you very much, Chair and everybody, for being here this evening. It's great to have everyone here.

Joining me here at the table from our Department of Energy is my deputy minister, Grant Sprague. We have Martin Chamberlain, the ADM of resource development policy; Douglas Borland, the acting ADM, corporate services, Ministry of Energy; Jim Law, director of external relations for the Alberta Utilities Commission; Tom Heywood, vice-president of finance and chief financial officer for the Alberta Energy Regulator; Mike Deising, communications director for the Alberta Electric System Operator; and Richard Masson, chief executive officer for the Alberta Petroleum Marketing Commission.

I am here and very happy to be here to present our ministry's highlights from Energy's business plan and budget estimates for 2014-15. First of all, I want to begin by thanking our outstanding team that's here this evening but also the entire team from Energy

and our agencies, boards, and commissions that work with us, especially for the work that they do and the dedication that they show daily to Albertans. I want to thank them all very much for their commitment to Alberta and to this ministry.

Our budget is aligned with government's intention to live within our means, to meet our commitments from previous budgets, and to work to open new markets for Alberta's resources. Nonrenewable resource revenues are estimated to be \$9.2 billion for 2014-15, higher than the \$7.25 billion we predicted in Budget 2013. I know that my colleagues and their departments will work to invest wisely in the things that matter most to Albertans – our schools, health facilities, and our infrastructure projects – with these increased revenues. As we laid out in Budget 2014, over the next three years the Alberta government will be putting more towards these priorities to meet the needs of Alberta families and our growing province, and at the same time our department will focus on ways to increase revenue from the responsible development of our energy resources.

On to our ministry budget. Operating spending for the Ministry of Energy for 2014-15 is budgeted at \$701 million. I recognize that this is a significant increase over the original 2013-14 budget estimate of \$462 million. However, the largest chunk of the apparent increase does not result from spending. Rather, it is a result of a change in reporting revenue from the sale of Crown oil. This is an accounting change and is part of our commitment to greater transparency in government. This cost was previously calculated into the royalty amount.

Aside from that accounting change, Energy's actual increases come from our commitments made for bioenergy, \$8 million; to carbon capture and storage, \$1 million; and to establishing the new Alberta Energy Regulator, which is \$44 million. These three areas help deliver commitments from previous budgets. As well, the building Alberta plan has committed our government to opening new markets for our energy resources. This is a big part of the work being done within the department, including work on leading the Canadian energy strategy and supporting proposed pipelines that will help us get a fair price for our bitumen and oil resources.

In this budget we will be increasing our support for existing grants to bioenergy projects, as I said, by \$8 million, to \$106 million. This will support projects already under way from rounds 1 and 2 of the bioenergy producer credit program. We are following through with our promise to fund the already approved projects for the next two years, to 2015-16. We are already seeing positive results from this program.

The bioenergy industry in Alberta has attracted hundreds of millions of additional dollars in private investment and created jobs for Albertans. At the end of 2013 liquid biofuel production capacity increased to 400 million litres from 45 million litres in 2012. As well, approximately 50 megawatts of electricity-generating capacity from biomass have been added. It is the increase in bioenergy output that is driving the increase in government support. Producers receive funding based on the actual number of litres or kilowatt hours they generate, up to a maximum amount each year.

The bioenergy projects under way are revolutionizing the way we look at waste products. The 40 million tonnes of forestry, agriculture, and municipal waste that are created each year in Alberta can no longer be thought of as just garbage. It is now feedstock for a multimillion-dollar bioenergy industry, an industry that feeds power into our electricity grid and supplies the biodiesel and biofuels required under the renewable fuel standard. Also, on the accountability side we've strengthened reporting requirements for bioenergy.

7:10

Similarly, carbon capture expenditures in Budget 2014 are the results of previous commitments and do not represent new spending. Work is ongoing on two large-scale carbon capture and storage projects and for good reason. Our commitment to CCS in Alberta is making us a world leader in this technology. Once both projects are operational, they will reduce greenhouse gas emissions by nearly 2.8 million tonnes annually. This is the equivalent of taking over half a million cars off the road. CCS is a key part of government's commitment to reducing our carbon footprint as we continue to develop our resources. Both projects are on track to begin reducing GHGs from oil sands upgrading at the end of 2015.

This fiscal year \$143.8 million in capital spending is allocated for the projects. As in earlier years the projects will receive funding after Energy verifies that they have satisfactorily met agreed-upon milestones. The next few years will be significant as construction for these projects is under way and they near completion.

The Quest project will take carbon dioxide from the Scotford upgrader near Fort Saskatchewan and store it safely underground near Thorhild starting next year. The second project, the Alberta carbon trunk line, will take carbon dioxide from the Agrium fertilizer plant and the Sturgeon refinery and use it for enhanced oil recovery near Clive. Even though the construction of the Sturgeon refinery has been delayed by one year, operation of the CCS project will move forward with CO₂ from Agrium.

The third and final area of capital increases in Energy's budget is for the Alberta Energy Regulator. To ensure the successful transition to the regulator, Energy has budgeted \$19.8 million for start-up costs. While the operations of the new regulator will now be 100 per cent funded by industry, there is some need for start-up capital costs. This funding includes information technology costs, field equipment, the costs associated with opening new offices across the province.

As you know, the new regulator was phased in over the past year, starting last June, moving responsibility and staff over to the newly created entity. Last month, in March, this transition was completed. Not only did the AER assume all of the responsibilities of the Energy Resources Conservation Board; it also took on additional regulatory responsibility to ensure a seamless, integrated approach to resource development. This one-stop shop will enforce all legislation related to our energy resources such as land and water acts. This will ensure we have an efficient and effective single regulator while ensuring all environmental policies are maintained.

This year a big part of the ministry's day-to-day work will focus on getting a fairer price for our resources. According to some financial analysts the inability to access international markets is costing industry \$50 million a day. It is also costing Albertans in the form of reduced royalties and lower corporate tax revenue, and that means less money to support important public services and programs and savings.

Market access is a key pillar of our government's building Alberta plan. To accomplish this, we are exploring all options – north, south, east, and west – that advance our goals. We have products that the world markets want and need, and we're exploring all of our options to get those products to those markets, particularly in Asia.

Moving forward, increased pipeline capacity will be crucial for market access. While these pipelines are facing some delays, industry has turned to rail to move our resources to market. Some industry analysts are predicting that by the end of 2014 the

capacity to move western Canadian oil by rail will reach 900,000 barrels per day.

In support of these efforts Alberta Energy provides technical expertise and ensures that our leaders and the decision-makers they are meeting with around the world have the best information possible. We have also taken a look at how we can strategically use the bitumen we receive in lieu of royalties to support market access.

Thank you.

The Chair: Minister, thank you so very much. Hopefully, we'll be able to cover some of those points through the course of the questioning that will be about to follow.

I just want to start off by thanking this committee very much for acknowledging the fact that this is not question period. This is not Public Accounts. Everybody has been very good at ensuring that the questions pertain to budget-related items as of 2014-2015 or the business plan for 2014-2015, and I have no reason to believe that tonight will be any different.

To set us on that course, we'll pass it off to Mr. Hale. Mr. Hale, you have an hour, three segments of 20 minutes. Your first 20 minutes is just about to begin. How would you like to use your time allotment?

Mr. Hale: We'll go back and forth.

The Chair: Okay. Terrific. Please proceed.

Mr. Hale: All right. Thank you. I'd like to thank the minister and all her staff for coming tonight and enduring us for three hours of good questions. Good questions. It's a privilege for me to be the Energy critic in Alberta, where we are so blessed to have all the natural resources that we do. Being involved in the oil industry for many years, it's interesting to see it from a different side, more on the regulatory side and not just about, you know, getting those holes drilled and getting them into production. I really have learned a lot, and I'm enjoying it. I'm looking forward to some good questions and answers.

You mentioned in your opening statements about oil marketing and transportation. I'd like to just touch on that a little bit more. It's pertaining to page 66, line item 4 in the budget. It shows that the costs of marketing oil have increased 386 per cent from what was budgeted in 2013-14, and you mentioned that it is an accounting change. So I'm just wondering why this was done in the middle of a year. It seems like it was done from the budget to the forecast. Also, if it is just an accounting change, why was \$157.7 million voted on in the supplementary supply act that we passed at the beginning of March?

If the change is because of accounting, is there a way that you can show the old system compared to the way you're doing it now, the numbers from last year to this year, to do a comparison? Because, I guess, the marketing costs are increasing for transporting oil. If we're going to be doing more by rail, like you were saying 900,000 barrels per day of oil, those costs are going to increase for the oil that the province takes in, so can you just explain how the accounting change makes a difference, where on those line items from last year you were taking away to now what you're putting into the line item for marketing oil?

Mrs. McQueen: Sure. Well, thank you very much. It's a great question. Just so that members know, the line item that has the \$157.7 million, that's on page 66, so everybody is there together. The \$157.7 million increase in the cost of transporting the product in 2013-14 is a result of the accounting practices. The APMC, Alberta Petroleum Marketing Commission, used to include the

single shipper net buy/sell cost in revenue it received. In order to be transparent, what we've done is that we've actually shown the true cost of transportation. So when you see the increase in royalties, you see an increase of \$157.7 million as well.

What we're trying to do is make sure that everything that we're doing is more transparent so that people can see the real cost. The cost it takes to actually transport from the start of the pipe to the end of the pipe is a reflection of what that really costs. Before it was blended, you got a net of what was the revenue versus what was the transportation, and that gave you the net amount. That's how we used to report it. Going forward, you're going to see it be reported this way. So this will be kind of the baseline of the new way so that we continually report that.

7:20

To help you with that also on the revenue side, it's hard for you to see the corresponding \$157.7 million because we have more than that in increased revenues in the budget, but it is a corresponding amount shown in the expenditure side and the revenue side so that we can break that out and be truly as transparent as we can. APMC is really trying to make sure that they're doing that piece.

Mr. Hale: Okay. Thank you.

You mentioned the 900,000 barrels a day increase in the rail capacity. Now we see this past year the issue with the farmers and transporting their grain on the rail and the federal government putting in legislation to make sure that the rail lines haul a certain amount of grain every month. How is that going to affect our rail capacity for oil? If they legislate amounts in that these rail lines must cover for the grain, to me that would say that, okay, that's going to decrease the amount of oil we can move on the rail. How does your ministry plan on addressing that issue?

Mrs. McQueen: Right. Another great question, and certainly one we spoke on last week when we were in Toronto as well. The head of CN was there and raised the same issues. Really, it is about different cars, different transport mechanisms with regard to rail that they use for grain versus for the oil cars and, certainly, the capacity as well for making sure that the rail capacity is there for us. Although it sounds like an awful lot, it's less than 2 per cent. It's 1.85 or something, but less than 2 per cent of oil that's actually being moved by rail. Although it sounds like it's a big number, it's actually a relatively small amount. But the rail companies have talked about, if they're federally legislated with regard to grain, how they will still be making sure that they do that. As well, you're going from an east to west movement of the grain, so it's on different railcars, different directions that we're doing with regard to the transport.

It's a very important question, and one that we know – and I think you've been at many of those different conferences as well – many people in rural Alberta are talking about and asking. So it's important, I think, collectively that we all share that information. Our minister of agriculture is doing an outstanding job, as is our federal minister of agriculture, to make sure that we're moving the products of the grain that we need to. But, certainly, we're confident that we'll be able to continue to move the oil and gas products as well in talking with the different movers of those products.

Mr. Hale: Yeah. I think a lot of that goes to that our job, involved in the energy industry, is to portray that to some of the people that may be saying: "Well, you know, there's so much more oil. That's the reason why there's not enough grain." So I think that's

something that we can all work on together, to try to continue to inform the public that there is room for both.

You also mentioned in your statement about the Alberta Petroleum Marketing Commission. Now their costs included in the marketing of oil – if I'm correct, their costs are included in that, their fees. So now you have two marketing agents, Nexen and Shell. Is that fee increasing? What kinds of controls are in place to ensure that those fees don't get out of control? Are we seeing value, I guess, for having two compared to when we used to just have one?

Mrs. McQueen: Right. A couple of things here. I just want to make sure I'm giving you the right numbers there. When you look at the cost of marketing the oil as well, the cost to APMC for the marketing activities, removing the transportation costs we just spoke about, has gone from \$10.8 million to \$11.016 million, so very reasonable there. The fees received to support marketing activities: we've seen a decrease in marketing fees. From 2013 to '14 was the first year of operational activities, so we've seen a decrease in the marketing fees of \$1.2 million, down to \$7.9 million, under page 75 of your estimates. Then the marketing costs, the operating costs for the APMC, are \$7.9 million, so a decrease in the first year of marketing operational activities. We're sitting at \$7.9 million. If you go to page 75, you would have seen it at \$9.1 million, and as we move forward in this '14-15 year, you're seeing a \$1.2 million decrease.

Mr. Hale: So is the decrease just – why is that decrease?

Mrs. McQueen: I think you would say that it's because of the efficiencies that the APMC has brought forward. Yeah.

Mr. Hale: Okay. Perfect.

Mrs. McQueen: I have to just say what an outstanding job they are really doing. When we moved to APMC, we had a discussion about what that might look like, and I think over the last couple of years we've been really proud to see how we've moved with regard to that, the operation of that.

Mr. Hale: Okay. Thank you.

On page 119 of the ministry's annual report: the APMC signed a memorandum of understanding with Energy East pipeline to provide 100,000 barrels a day for 20 years into that pipeline project. So in June the bidding process was completed, by the end of June. Is the province still committed to supplying 100,000 barrels per day in that pipeline? Is that one of the main reasons the pipeline is going, or is there enough oil out there from other companies that Alberta wouldn't need to put oil in that pipeline?

Mrs. McQueen: Okay. So two questions there. First, yes, the project is going ahead. We're very proud of that project. When we look at market access issues and we look at how we reach other markets, that's an outstanding project for Alberta and one that we're very proud of. We know that the APMC – if we're okay to use acronyms, Chair, if that's fine? We know that they're doing a great job with regard to that, looking at different markets that they may access with regard to marketing the bitumen.

That 100,000 barrel commitment will still be there. It's an important commitment. There are many other barrels that are also committed to that. But when we look at – when I say we, the APMC – where they market and find places for the bitumen, this is a great project, when we look at the value of Energy East, what it's going to bring to us as a province. We have one customer in the United States, and it's a good customer, but we are working

very hard. As you know – you've been in business like I have – you want to have more than one customer, even if it's a great customer. When we look to the west on those projects, when we look to Energy East and open those markets, it will bring a very high value back to us and will supply more markets for us.

Certainly, we look at the relationship that we have as well in Canada, with the provinces that are very interested in this. You were in the House last fall when we had the Premier from New Brunswick come and speak about the importance of it for them as well. So I think what's really important about Energy East is that it is not only extremely important for Alberta; it's extremely important for Canada and for all of us.

Mr. Hale: Yeah. I think we do agree that we need all these pipelines. That's a common goal that we have. We know we need them. There are no other options. Those are the options.

Mrs. McQueen: Yeah.

Mr. Hale: Does the APMC or your ministry have any other memorandums of understanding with pipeline projects coming up, or are you working on, I guess, new deals?

Mrs. McQueen: Certainly, we leave the APMC to work on different projects that they would see important to them. We don't have anything, as I would say, in the hopper right now, but that's certainly what we do. The thing that is important about APMC is the arm's length of the agency and really being able to do the work and look at what the best projects are to invest Alberta's bitumen into. Nothing right now that we have that would be announceable, but they are always working towards new projects. We'll make sure that Members of the Legislative Assembly and Albertans are certainly apprised of those projects as they become announced.

7:30

Mr. Hale: Great. Thanks.

I'd like to just switch gears a little bit, I guess, and talk about the Sturgeon refinery, the North West upgrader. It's priority initiative 1.3 on page 31 of the ministry's business plan, which states: "Develop policies and programs to encourage energy processing and petrochemical development in Alberta." We've heard quite a bit about this upgrader project. There actually was an article in *Maclean's*, that U of A Professor Andrew Leach wrote. He had some very good questions in there that, actually, I was hoping you would be able to answer, I guess, to the best of your ability so that we can get a sense of the risk that the Alberta taxpayer is taking with this refinery and how you and your ministry feel that it will benefit Albertans by taking this risk.

We see that the cost overruns dramatically increased right after, I guess, the groundbreaking ceremony, and now the Alberta government is putting in quite a bit more money. The tolls that we have to pay per barrel, I think, are going to be reflective – I guess the costs to Albertans are going to be reflective on the price differential. If we get Keystone approved before this refinery is done, because it's the closest one to being online, how is that going to affect this investment with regard to the tolls that the government has to pay to the refinery?

Mrs. McQueen: Right. Thank you. It's not if we get Keystone approved; I always like to say that it's when we get Keystone approved. I feel pretty confident about that, so I always like to add that piece.

When the North West partnership was announced, it was a project that was announced at \$5.7 billion, and then the costs

escalated to \$8.5 billion. Certainly, no one wanted to see cost increases. It's disappointing to see them. But for the same reasons that we invested in the beginning and supported this project with others, we continue. When we look at that and we look at the additional financial restructuring, a \$300 million loan that the Alberta Petroleum Marketing Commission put forward to address the cost overruns, this has been an extremely important project on a number of fronts for us.

I know that you would appreciate this, from your background, as many in western Canada would: the diesel shortage that we have here in Alberta. Certainly, it will help supply Alberta's shortage. You know that every fall when harvest comes, we're dealing with farmers, and many farmers talk to me each year about trading: you got any diesel that we can trade back and forth? It's extremely important for us in Alberta to be able to increase supplies of diesel for western Canada. That's one important part.

The other part is to be able to do more upgrading in Alberta. We still believe that that's important, and this is one that helps with that.

The other piece, though, that I think is equally important is from an environmental perspective for us as well. When we look at reducing our emissions and how we do that, we know that carbon capture and storage is going to play a big role for us on that as well. This is a project that will have CCS built in. It'll be the first refinery to have that built in.

Although no one, especially us or the companies, is happy with the cost overrun, it's a \$300 million loan that will be paid back over time, and we will see the benefit for many years. You know, these refineries are many decades of projects. For years we will see the benefits. The replacement of the loan, of course, will be reimbursed to the APMC as well. The benefits in this project are still very good for the province. One that I think that we all collectively have talked about is the need for more refining and upgrading here in the province, especially for diesel. We know that we've got a severe shortage.

Mr. Hale: Okay. Is there a limit to the cost overruns that the government will continue to loan to? It's still a couple of years away from being completed, and we've already seen a huge cost overrun. If history repeats itself as they continue to build this project, what if there are more cost overruns? Is the government going to just continue to take out loans and loan them money? That's going to take longer to pay back from the tolls. You know, you're lending them money, but then they're charging you a toll. Then the money you give them for the toll they give back to you as a payment. The more money we give them, the longer it's going to take and the more risk to Alberta taxpayers.

Mrs. McQueen: Correct. We certainly – touch wood – are pretty confident in these numbers, where they're at.

The Chair: Minister, can I stop you there?

Mrs. McQueen: Absolutely.

Mr. Hale: We'll just keep going back and forth.

The Chair: Okay. Terrific. You have another 20 minutes. You can continue with this line of thinking.

Mr. Anglin: An intro.

The Chair: Oh, thank you.

Quickly, we have someone who joined us a while back, shortly after we started the line of questioning. If we could have a quick introduction, sir.

Mr. Mason: Are you talking to me?

The Chair: I am.

Mr. Mason: Hi. I'm Brian Mason, the MLA for Edmonton-Highlands-Norwood.

The Chair: Thank you.

Mr. Hale, you have 20 minutes. Do you wish to engage in an ongoing discussion?

Mr. Hale: Sure.

The Chair: Please proceed.

Mr. Hale: Yeah. We'll let the minister finish.

Mrs. McQueen: Perfect. Well, thank you. Certainly, we feel confident, as do the others that are involved in this project, that it will remain at that number. MLA Hale, just so that we're clear, we don't loan them money as government; we have money that goes to the APMC, and that business deal is back and forth with them. It's just a point of clarity for people that may be reading *Hansard*.

Mr. Hale: It's an accounting change.

Mrs. McQueen: Yeah, it is, but it's an important one because we have experts that are in petroleum marketing now doing this business, which I think is a really important step that we took before. But in saying that we have confidence in that, if something did change, we would have to bring it back, just as we did with this one, and we'd have to bring it back through the public process, through Treasury Board and cabinet. That's always fun. So it would still be very public if there were any changes, but we're feeling confident. That's where we are right now.

Mr. Hale: Okay. So this is one of eight proposed refineries that are going ahead. We know that Suncor and Total walked away from their project, which they had spent a lot of money on. Why this project? Why did the government decide to invest in this project compared to one of the other projects that were being proposed?

Mrs. McQueen: That's a great question. When we were originally looking at carbon capture and storage, we had the original \$2 billion. There were four projects when it was originally put out. It was shortlisted to four projects. So this one was really working with us to deal with, originally, CCS. It also then became apparent with regard to the refinery and the diesel shortages that happened. When we looked – we as in those that reviewed the projects – at the four projects being shortlisted, we looked at which ones were meeting the needs for Alberta. CSS funding was happening. It went through a competitive process. Any of those projects went through a competitive process. I want to add that piece. Then it dealt also with some of the other shortages that we were facing. Certainly, with the CCS that's where it started through the competitive process, but it also met some of the diesel shortage issues as well.

Mr. Hale: Okay. So when this refinery is completed, it's going to create a lot of jobs. We already see a worker shortage in Alberta. How are we going to address that issue once this refinery is up and running? Where are we going to get the people to work there?

Mrs. McQueen: Another great question. The project should be up and running in 2017. We continue to work in Alberta to recruit skilled and unskilled labour. Our minister has been working very

closely with the federal minister to make sure that we can have more people coming to Alberta to work. First, of course, we want to employ Albertans, Canadians, but we also work with the federal government and with the United States. We have so many, as we saw introduced in the House today, in the Speaker's gallery, men and women that have served in the military and served so proudly in Canada and in the United States as well. The helmets to hard hats program is one where we see an opportunity both in Canada and the United States to look at those who have served our nation so proudly, who have so many skills. Where can we look to recruit people? The recruiting part is not just about bringing people that have the trades or those things. It's also about the acclimatization piece as well, whether it's language barriers or other barriers.

7:40

We continue to work with the federal government to increase the numbers. You know how the economy in Alberta is so strong but we're also facing the competition with regard to B.C. and Saskatchewan as well? We're working with B.C. and Saskatchewan together under the New West Partnership to advocate together with the federal government to make sure that as western Canada is really growing and having great economic opportunities, how do we increase labour, of course making sure that Albertans, Canadians are first? Then how do we bring in those labour markets?

But that is a market issue that business will look at, too. They feel quite confident in that piece. But I would say that we have two big challenges in Alberta. We have market access and a labour, especially skilled labour, shortage. Both are there for us, and we're working collectively at the government of Alberta to fill the needs of both of those.

Mr. Hale: I know the CAODC has some great programs through SAIT and some different ones.

Mrs. McQueen: They do.

Mr. Hale: That will definitely help.

I'd like to talk a little bit about the orders in council for the Alberta Petroleum Marketing Commission. We mentioned what the first \$300 million was for. But there was another order in council to approve the borrowing by the APMC for up to a billion dollars from the Crown or any person. Has that money been allotted to the APMC yet, or is it just being held so that they can access it when they need it? It did mention that it was for the North West Redwater refinery in the order in council, but do they have plans to use that money for other projects? I guess if you could start with just explaining what that billion dollars is for, if it's specifically for the refinery, as it's stated in the order in council.

Mrs. McQueen: Sure. Yeah. You're correct. There were two OCs. The first one was the \$300 million from the government for APMC to borrow for the North West upgrader. Then the APMC's new borrowing authority of \$1 billion, that you just spoke of as well, covers more than the loan it will make to the upgrader. It could be for new commitments of royalty barrels for Energy East or other projects that may go forward. But any of the dollars that will be expended from that billion would have to come back for an approval as well. It's certainly there so that the APMC can do the job that they need to do. The \$300 million to date is all that has been committed to the North West upgrader, but that's there if it's with regard to Energy East as well for new commitments of royalty barrels, which also may require financing through short-

term operation borrowing. That hasn't been decided, but that's an example of what it may be used for with that.

Mr. Hale: Okay. It just made me wonder because in the order in council it actually says: "for the purpose of financing the North West Redwater . . . refinery." I don't know. It's just not very clear because it says that it's for that.

Mrs. McQueen: Yeah. You're correct. There may be some confusion, but it was pretty clear when we went back and looked at it. Of the billion, \$300 million is for the North West upgrader, and then the additional can be used for other purposes, but they still have to come back and have approval, just as the \$300 million did.

Mr. Hale: But it's \$300 million plus a billion? Is it \$1.3 billion, or is it \$1 billion in total?

Mrs. McQueen: It's \$1 billion, and of the \$1 billion, \$300 million is for the North West upgrader.

Mr. Hale: Okay. The \$300 million that was given out: where is that in the budget? Does it come out of your budget, the Energy ministry, or does it come out of Treasury Board?

Mrs. McQueen: Yeah. It comes out of Treasury Board and Finance.

Mr. Hale: Okay. Great. We'll switch again. I'd like to talk a little bit about the Alberta Energy Regulator. We've had some discussions on it, and I know that there have been some issues. I do agree with the whole concept of the single regulator. That's under the ministry business plan, page 31, priority initiative 2.1 for your reference. In last year's estimates it was stated – and you stated it again this evening – that the regulator would be funded a hundred per cent by industry. I'm under the impression that still the goal is to have industry fund it a hundred per cent. If you could elaborate a little bit more – I know you touched on it in your opening statement – on the money that's coming out of the ministry this fiscal year for that.

Mrs. McQueen: Yeah.

Mr. Hale: It's completed now, so what is that money for this year going to be used for?

Mrs. McQueen: Right. Well, thank you. Sorry. Were you finished? Did I interrupt you?

Mr. Hale: No, no. Go ahead.

Mrs. McQueen: Okay. Perfect. You know, it's a good question, and I appreciate the support that you've shown and that others have shown with regard to moving to the single regulator. When we moved to that regulator, we really did say that we wanted to truly be efficient and effective and to make sure that we had a system that could move from three regulators into one with the overarching principles of the environment still being protected. I think we've done that, to the credit of the regulator and all three of the departments and staff that have worked so hard to make sure that that could happen, and it has happened.

You're correct. We were paying before, in last year's budget, 30 per cent of the regulator, and now industry is paying 100 per cent of that. We did in this budget have a \$19.8 million start-up cost, and as I had spoken about, it really is to deal with a lot of the technology costs, so the information technology, some of the field

equipment, and a few new office costs but mostly around the information and bringing that forward together. It's certainly very important for us to do that, to start with the set-up of the costs. As we look at this, it's certainly something where we looked at other jurisdictions as well, that industry pays a hundred per cent of that cost, so we moved to that piece. After that, in the new year, what you'll see is that this is the transitional funding for set-up costs.

Mr. Hale: From the '13-14 budget to the '13-14 forecast was a \$34 million increase, so it's essentially taking \$54 million to complete that transition?

Mrs. McQueen: Yes. Certainly, that was the government's share of the set-up costs. As well, we had some costs. So some of the ESRD staff transfer costs of that as well we've reflected in our budget because, truly, to have an integrated single regulator, we wanted to make sure that we had the expertise of Environment and SRD and that staff members from my previous ministry of ESRD moved over there as well.

Mr. Hale: Okay. In my meetings with many of the stakeholders there were some bumps along the road in the transition, and I hear from some of the companies that it is getting better. I hear also from some that they're still frustrated with the way the process is in the regulator. You know, it has had an impact on this last winter's drilling program, so it's something that I'm sure you're going to continue to be aware of, and I may help remind you on occasion that there are some issues. Are there any regulations, or how is your department going to continue to work with the regulator to ensure that the costs stay within scope for the energy companies? You know, as we see, costs in the transition are rising. I guess: what measures are in place to ensure that companies don't continue to have to pay more and more and more as the AER progresses?

7:50

Mrs. McQueen: Well, certainly, the AER and the team – again I'll say that of AER but also ESE departments, Aboriginal Relations, and many GOA departments – have worked very, very hard to have as easy a transition as possible. As I said in some of the opening comments, the final piece just went through at the end of March. The Environmental Protection and Enhancement Act and the Water Act just went through. Truly, it's been April 1 with the entire new regulator, so what we've done is really worked with industry and with the departments and with the regulator to make sure that it be as smooth a transition as possible.

One of the things that we did and I had started when I was the SRD minister but also have certainly encouraged as Energy minister along with my colleagues in Aboriginal Relations and ESRD was to make sure that we get weekly updates. We were getting the weekly updates so that we would all know where we are at with the files, and I think that sometimes when you have weekly updates, it's an incentive to make sure that we're moving forward as well. I have to say that those numbers – we've kept a very close eye on them – are moving absolutely in the right direction, and industry has told us that.

I met very quickly with industry in becoming the Minister of Energy to make sure to know what, if any, issues there were. The one thing that some of the companies were doing – when we built up the regulator, we talked about the importance for a new single regulator to have completed applications. That was the one thing that industry talked about that would be very, very important. In the past you might have an industry, a company that would put an incomplete application in as a placeholder to get in the queue.

There was an influx, if you will, of everybody making sure that their applications got in, perhaps many not fully completed.

What we did in working with them when I met with them was to find out: what are your priority ones for the winter drill season? That's because we were in that. Very, very important. I have to commend industry as well for working with the regulator on that piece and making sure, "What are your priority ones?" and that the regulator and the partners will all work on that with you to get that. I think we've seen that be quite successful. I'm not saying that there haven't been hiccups along the way. This is quite the transition. But, overall, I think it's been very good from what we've seen and the feedback that we've heard from people, certainly when we look at the work that ESRD had done as well. Also, the Ministry of Aboriginal Relations, as we now have the aboriginal consultation office as well, has been something that has been helpful in us making sure that that piece is recognized and where we're at.

Finally, I really want to commend – we've had an outstanding team. When you talk about how government has changed, we look at our crossministries and how we've moved to integrated resource management and a crossteam of our deputies and the teams underneath them really moving towards this. I think we've really seen how we could be so successful. Other people, like in the Northwest Territories, now that they've moved to devolution, have asked us, actually, over the next year if we would help them, we being the regulator. Just recently the U.K. has also asked because they see this as a very progressive, forward-moving regulator that is really taking seriously the environmental concerns as well.

Mr. Hale: Okay. You mentioned the aboriginal consultation office, and I brought it up in those estimates with the minister. Right now they have to wait to get their adequacy letters before they can approach the AER to get their application approval started. One of the suggestions I had: would your office be willing to look at it? Another way to speed the process up is to put the application in at the same time, go through the aboriginal consultation office, and then while they're getting those adequacy letters, they can start the procedure through the AER, and that approval would be subject to them getting the consultation adequacy letters. That would be a good way to speed the process up.

Mrs. McQueen: That must be a great idea because I might have mentioned that as well. What it is: it's an ongoing discussion and dialogue as we're building that piece, making sure that on the environmental side, on the First Nation consultation we don't lose any of that, but how can we be more efficient and effective as we're building this up? When people have ideas, whether that be yourself or others or industry or whomever, we're open to discussion and dialogue with regard to that as we're building this up. The most important thing is that we get it right and that we can do this. The reason we moved to a single regulator was to become more efficient and effective without losing that piece. Certainly, we work very closely in our crossministry team, which includes Aboriginal Relations, ESRD, and others as well because that's a very important piece as well. So as we build that up, that's certainly something that we talk about as well.

Mr. Hale: Okay. Between the 2012-13 and '13-14 forecasts the revenue for the AER premiums, fees, and licences increased 45 per cent. Then between '13-14 and '14-15 the increase is only 22 per cent.

Mrs. McQueen: Sorry. What page are you on?

Mr. Hale: That's on page 73 under premiums, fees, and licences.

Mrs. McQueen: Thanks. Carry on. Sorry to interrupt you.

Mr. Hale: No, no. I'm just waiting for you to find it.

Why is that growth only half of what it was previously? Are there some predictions, I guess, that there won't be as much?

The Chair: Mr. Hale, I'm sorry to have to stop you there.

Mr. Hale: We'll just carry on back and forth, Mr. Chair.

The Chair: Fantastic, Mr. Hale. You have 20 more minutes. Please proceed.

Mr. Hale: Thank you.

It just seems that as we're expecting more investment into Alberta and expansion of our projected revenues off royalty revenues, we see less money coming in from the fees. If you have any thoughts on why the estimate this year is only half as big as the growth from the year before.

Mrs. McQueen: Sorry. While I was flipping and trying to find it, could you just repeat the first piece now that I've got the page?

Mr. Hale: Under 2012-13, premiums, fees, and licences, \$124 million.

Mrs. McQueen: Right.

Mr. Hale: And then the forecast for '13-14 is \$181 million, so it increased 45 per cent. But then when we go from the forecast '13-14 to the estimate of '14-15, it only increases 22 per cent. I'm just questioning why it's only half as much growth as in the previous year.

Mrs. McQueen: Perfect. Thank you for repeating that as I was finding the page.

I've just been informed that part of that is because of the amount, the 30 per cent, that we had paid with regard to it, and now we don't pay that piece.

Mr. Hale: Say that again.

Mrs. McQueen: The part is the transfer from the department that we paid. So on page 73 you look up on the first line where it says, "Transfer from Department."

Mr. Hale: Yeah.

Mrs. McQueen: We used to transfer those amounts over to that where now it's 100 per cent by the industry.

If you have something further that you want to talk about later for clarity, I'd be happy to sit down if that's helpful for you.

Mr. Hale: Sure. Yeah. That would be great.

We see the sunshine list that came out before. As another cost control for industry is there any thought of putting a sunshine list out for the AER to show the companies how much money they're actually spending on the personnel?

Mrs. McQueen: Well, the companies are aware of how much they're being asked to pay. They are a part of that decision-making. Part of the reason why you see where the AER has gone with regard to the staffing that they have staffed up with is due to the request of industry. Industry certainly wants to have applications move forward in a quicker, more efficient, effective manner. To do that, it's staff time, as you know, and time relates

to money, right? Quite frankly, this is an area that industry isn't really raising to us because they actually see this as an investment.

When we worked to build up the regulator, this was something that they brought up and said that they knew some of these costs, of course, if they're moving to 100 per cent. But for them it was important to be able to do this because although it's significant – and I'm not trying to undermine the significance of the cost – it's a smaller cost compared to projects not moving forward, so certainly it's something that we don't get and I don't get. I talk to industry a lot, as I do with all of my stakeholders.

8:00

I'm getting a look from our leader of the other party, the ND Party.

This is not something that they raise as a concern because – they certainly want the regulator to watch those costs. They'll have those conversations with the regulator, but it's something where they really want to make sure that they're also getting applications approved.

Mr. Hale: Yeah. And they do want value for money. They're very, very astute businessmen.

Mrs. McQueen: Businesspeople.

Mr. Hale: Businesspeople. Sorry. A generalization. You know, they watch costs.

Mrs. McQueen: Yeah. Absolutely.

Mr. Hale: It's just maybe something to think about for the future, that, you know, it's a control mechanism that may work.

I'd like to switch to the minister's office in the budget. Last year we saw a 2 per cent decrease, \$495,000 from last year's budget.

Mrs. McQueen: Page again, just for everybody more than anything?

Mr. Hale: Page 66, line 1.1, Mr. Chair, if you're following along.

We saw a \$495,000 decrease. This year we see a \$245,000 increase in that budget line. I guess if you could explain what that increase is for, why there was an increase this year.

Mrs. McQueen: Yeah. I know it was not intentional, but there wasn't a \$495,000 decrease, and I know that was just misspoken. The budget last year was \$495,000. Just for people that may be reading *Hansard*, for clarity, there was not a decrease of \$495,000 the year before.

Mr. Hale: Yeah. It was a 2 per cent decrease to \$495,000. My mistake.

Mrs. McQueen: Yeah. You bet. That's no problem, just more for clarity.

The reason we have that is – actually, as far as the department FTEs, that has stayed the same. What we did in the past: those in the minister's office, those were within the department, same staff. We have moved to be very transparent as we were in our Ministry of ESRD. The staff that I have in my office is reflected in here. It's not an increase in FTEs; it's FTEs that were previously in the ministry, supporting the minister's office, that are now being fully reported, as they should be, as working in the minister's office. It's two FTEs that would be in there.

Mr. Hale: How many FTEs did your department lose going to the AER?

Mrs. McQueen: Our ministry lost zero.

Mr. Hale: None from Energy.

Mrs. McQueen: Correct.

Mr. Hale: From the ESRD they all went. So your ministry didn't lose any?

Mrs. McQueen: Correct. Yeah.

Mr. Hale: Okay. We see the line item for the associate minister's office for \$250,000. Is that position going to be filled, or is that \$250,000 going to be allocated somewhere else?

Mrs. McQueen: Right. I'm not sure what the Premier will do with regard to filling that position. If the Premier chooses to fill it, then obviously the budget would be used. If not, then it wouldn't be used, because it was put in there for an associate's office. In addition to that, the same thing: it was previous staff from the Department of Energy; two FTEs were put there to support our associates. No new FTEs, just a transfer to show the transparency of what we're doing in the associate minister's office. No new FTEs, just being transparent on that piece. Again, those would revert if we do not have an associate, but I can't answer that question right now.

Mr. Hale: Okay. In the department's business plan, priority 1.1 talks about expanding the markets and, basically, the pipelines: Gateway, Keystone, and the east project. What is your plan with the LNG lines being proposed and the ones going to the west coast? In my discussions with industry I hear some of them say that it's going to be no issue having Alberta LNG in those lines. Some others raise concerns because they are in B.C. and a lot of the gas up in the Horn River and northern B.C. will be filling those lines. How's your ministry going to address that issue of ensuring, I guess, that Alberta gets space in those pipelines?

Mrs. McQueen: We certainly have been very supportive and will continue to be very supportive with British Columbia on LNG. It's a priority for them and for us. We'll be supportive because, certainly, Alberta will be able to add a large amount of gas to those projects as well. In addition, we certainly support our gas moving to the east as well. When we look at LNG, we see that as a way in when we look at the Canadian energy strategy and what's good for Alberta or what's good for Canada as a whole. For the Premier of British Columbia and the minister of energy in British Columbia that's a high priority, to move LNG projects forward. They've got a number that they would like to do. Alberta certainly supports that.

When we look at our Duvernay play and others, we will have a lot of gas to support that. As I said, as well, to the east they are very keen on us being able to supply gas to them as well. Again, I think this really speaks to the great discussion we've had about a Canadian energy strategy. It's important for Canada as a nation as well. So it's good for our province, good for the other provinces and territories, but good for Canada as a whole.

Mr. Hale: Yeah. I agree.

Talking about some of those fields, there is a lot of liquid-rich natural gas, and we hear a lot of talk about the petrochemical industry increasing in Alberta and some of the new opportunities besides LNG. Is your ministry looking at promoting some of those petrochemical projects, and if you are, how so?

Mrs. McQueen: That's another great question. Certainly, we're working with the Alberta Innovation and Advanced Education ministry as well as co-leading policy work on that, at attracting new investment in the downstream sector as well. We're doing policy development work with them because we know that that's a very important piece for us, whether we look at the fiscal policies or tax regime policies. We're just studying that piece right now. How do we make sure that that segment of the downstream really is moving forward in Alberta? We have examples of that that you'd be aware of. You know, we did Williams Energy, and we do all of those different ones, with the ethane extraction program, when we looked at that. That was just one project that we talked about. There are many, many others, and we could list them, but that's an important one.

As we're looking at this, working together with advanced ed and technology and, certainly, now with the Premier having that ministry as well, it's important that we do this. It's important policy work for us to have that value-added. It's so important that, you know, we reach other markets, but the value-added industry, as you know, whatever sector it is, whether it's ag or forestry, oil and gas – it's very important that we continue to grow that and have policies in place and review those policies. Alberta is already a great place to invest. But what policy drivers do you need to review so that we have the opportunities here in Alberta?

Mr. Hale: Yeah. I agree.

On page 138 of the fiscal plan we see the bitumen royalties increasing by \$800 million in 2014-15 from last year's estimate. Can you explain why this is? Is it because projects are reaching their payout stage, or is it new projects coming online? What led you to estimate that increase?

8:10

Mrs. McQueen: Yeah. Certainly, we've got more projects now that have been going on for a number of years, and we're starting to get to payout on a lot of them. You're going to see, of course, that we've got increased projects happening, so the trend should be very good as well. The other piece that increases as we look at it is the U.S. dollar versus the Canadian dollar. We certainly get a higher return there as well, which is good for us. Of course, more production is coming on stream as well. So it's a combination, not any one thing but a combination of many of those things.

Mr. Hale: How many projects do you estimate will reach their payout stage this year?

Mrs. McQueen: If you want, I could give you a little bit of an estimate as we look forward on the number of projects for post- and prepayout from 2013-17. I could quickly give you what we're thinking on those. On postpayout 2013 there were 62, in '14 there are 63, '15 – it goes on like that to 2017; you'll see 69 prepayout. You go from 39 to anywhere around 46, so you're seeing some of that increase as well.

Mr. Hale: Great. Thank you.

Now, if we look at the natural gas and by-products royalty, just a couple of lines underneath that, we see some significant decreases as we go from this year to next year, about \$163 million less. Can you explain why you're predicting such a decrease in that industry?

Mrs. McQueen: Certainly. Well, you know, one of the things that we have done so well in this province is the great technology on the extraction piece. Some of that technology has also helped on the shale gas piece in the United States. So we do see an influx in

gas development in the United States as well. What we are seeing here is, where we saw gas was at a few years ago, a reduction in the price of gas as well. The good news is that there is more gas available in North America. The bad news is that the technology to extract in North America has brought down some of the prices there as well.

Mr. Hale: Right now there's the current shale gas stimulus program that's in place. I know it is up for review in another couple of years. Is that something that you're going to continue with as we go along? Are there other, I guess, stimulus packages if we see this decline in shale gas? So many of our communities, especially in southern Alberta, are based around natural gas. Does your ministry have any plans to stimulate that drilling economy as you move forward? I know we talked about the LNG projects, also the petrochemicals, but it's fairly dry gas down in southern Alberta compared to up in northern Alberta. I guess I'd like to hear kind of what your thoughts are and if there are projects. As we went through the Resource Stewardship Committee, we talked about the monetization of natural gas and having, you know, vehicles. In my area EnCana has some natural gas vehicles. Are there any programs you are looking at to stimulate the use of natural gas?

Mrs. McQueen: Right. Certainly, we've met with industry a lot, talking about different things. One of the things last week or the week before – they kind of all blend together – was: the royalty structure is working; leave it alone. That was pretty clear. It's working with regard to the gas piece. I think it's 2018 that it's up for renewal. That's the time it comes up for renewal. There's no intent right now to be changing that, but, of course, we're in 2014 right now. Certainly, the message we've gotten is that it's encouraging development. The royalty structure that is in place since 2010 is one that seems to be working.

Mr. Hale: I agree. I'm glad to hear you say that you're not going to be restructuring the royalties. We saw what happened the last time that happened. I was a consultant at that time. I used to work in Alberta, and I quickly got switched to Saskatchewan. We're glad to hear that.

Goal 2(a) in your performance measures, Albertans' assessment of their energy knowledge, in 2011 was 63 per cent. We heard quite a bit in the Chamber in discussions with the previous Energy minister about our social licence to access other markets. I would hope that your department would have some plans in place to continue to improve the industry's social licence at home. You know, we see a lot of visitors coming to the province and touring the oil sands, that possibly aren't in favour of them, spreading some myths out there. I would like to see your department continue to improve or increase Albertans' knowledge to learn the facts, to learn from experts, maybe not take the advice of movie stars and rock stars over the experts. Does your ministry have any sort of plans for continuing this improvement of Albertans' knowledge of the industry?

Mrs. McQueen: Thank you. We certainly don't take the advice of movie stars or rock stars on that particular issue in the Ministry of Energy. We advocate . . .

The Chair: Minister, I am so very sorry, but I'm going to have to stop you there. Perhaps we can cover that territory with a further line of questioning.

I do want to thank Mr. Hale for his round of questions and for keeping the questions so very pertinent to our budget document.

Mr. Hale: I would like to thank the chair for his indulgence and not stepping in also.

The Chair: It's a two-way street. Very well done.

When we return, with the permission of our clerk – he's permitting us a five-minute break. Upon our return we will turn the table over to our Liberal critic. Folks, why don't we step away for five minutes? We'll resume when we get back.

Thank you.

[The committee adjourned from 8:17 p.m. to 8:27 p.m.]

The Chair: Folks, we've run over the time for our break. I believe our critic from the Liberal caucus is ready to proceed.

Mr. Hehr, Mr. Hale set a phenomenal example for all of us in terms of framing his questions within the context of our budget documents for 2014-2015 or the business plan. I trust you will do the same.

Mr. Hehr: Well, I doubt I can be quite the same as Mr. Hale – he led by example – but I will do my level best. The minister has assured me she will work very diligently to try to find me the line items for my questions, to help support me in this effort I'm about to undertake.

The Chair: On that constructive note, sir, I'll ask you to begin. Before you do, you have 20 minutes. Do you wish to segment your time or have a discussion?

Mr. Hehr: We'll go back and forth. If the minister respects my time and I respect hers, everything should be all right.

The Chair: Fantastic. Please proceed, sir.

Mr. Hehr: Well, thank you very much, Minister, and thanks to the people who work in your department. I understand things are often challenging, and I appreciate that it's not an easy job that you and your department do.

Now, I've been informed by the minister in our chat during the break that the line item I might find this under is ministry support services. The questions I'm going to ask are about urban drilling, primarily: what is happening on urban drilling, what is the development of our policy, and where are things on that file? It's my understanding that as of one week ago there was either an urban drilling task force, that I believe was initially announced, and then it may have become an urban drilling round-table. Have you decided upon a process for where this goes now?

Mrs. McQueen: Well, thank you. I look forward to the discussion back and forth and am glad to help you find the line items so that we can work co-operatively together. Certainly, we didn't really announce anything whatever week it was, but we are working with our caucus towards being able to have the opportunity, as a follow-up from one of our MLAs from Calgary on a motion, with regard to urban drilling, an important piece that we get the opportunity for. There's been some work in the ministry prior to my coming to talk about what that might look like, and then we want to be able to get some folks together to be able to go and talk, a round-table or whatever you want to call it. I'm calling it a round-table, a bit of a discussion that we can have with our stakeholders with regard to urban drilling.

I'll say to you, MLA Hehr – we can use names in here, correct? Yeah. Sorry. I had to think about that. I've said it in the House, but I'll say it here again for the record. When we look at an urban drilling policy or we look at drilling in this province, what is first and foremost are the safety issues in the regulatory process that we

have, whether we are in urban or rural Alberta. I have to say that we have, in my opinion, the best regulatory process and policies in place. So whatever we do will be something that works, whether it's urban or rural.

Mr. Hehr: Okay. Well, I thank you for that answer.

After reviewing urban drilling for more than 18 months, you know, we were told that an urban drilling policy was actually going to come from your department. Were you guys working on a policy? Was it close to being sent out? Why the change in direction from having your ministry produce a document, that you guys have been saying that you've been doing for two years, to then now going to this round-table? Have things switched? Are we now not going to see a policy on this, and you're just going to try and inform stakeholders about what is actually going on?

Mrs. McQueen: I'm going to only speak from my perspective, coming into the ministry in mid-December of last year, so a few months. Certainly, a priority for me is that we would look at this and we would be able, first and foremost, to educate people with regard to: what do we do now? That's been a lot of the discussion. What are the safety issues, the setbacks? All of those things are very, very important. What would be missing – and certainly from the perspective of urban and rural those are equally important no matter where we drill in this province. Since I've come on as the minister, we are going to work with our caucus to move this forward and have the discussion with stakeholders, first on the education piece, looking at the policies, procedures, regulations that we have in place that relate to all of the things I just spoke of, and find out: are there gaps? Or, indeed, when we look at this, how are we doing?

The other piece that I've asked my ministry to do and that they have done is a comparison with B.C. and Saskatchewan. So when we look at the New West Partnership – and we're working many things that we do across the three provinces – how do we compare and relate to that? I would say that we compare very favourably and in some areas are ahead on these, of the three provinces.

Mr. Hehr: Trying to figure out what you just said there, what I heard is that there will be no urban drilling policy delivered from your department over the course of the foreseeable future and that you will concentrate on an education and consulting piece and will continue on, essentially, with business as usual with regard to urban drilling in this province by allowing applications to go forward in various jurisdictions and not make a clear decision on whether your department is going to allow urban drilling or not.

Mrs. McQueen: We must have a miscommunication because that's not what I said. What I said, though: whenever you look at any policies, you want to make sure people understand where you're at today before you define if you need to make any changes. First and foremost, I know that as the Education critic, who believes highly in education, you would want to make sure that those stakeholders that we're talking to would be aware of what we're doing today with regard to the regulatory process. Then we will look at the need. If there's a need to make changes with regard to an urban drilling policy, that would happen.

Mr. Hehr: Well, you know, with deepest respect, your partners – I assume that you would consider municipal councils your partners – have spoken out on this issue, whether they be in Edmonton, whether they be in Lethbridge, whether they be in Fort McMurray, whether they be in Medicine Hat. Even though you've said they've allowed drilling, they've had a policy in place since 2005 that says that they no longer wish to have urban drilling in

that city. You must admit to me that you've seen these partners. They're pretty sophisticated people. They're elected – many of them have served for term after term – and they have hopefully communicated to you their sense. Are you going to go educate them despite their continued, I guess, persistence that they don't want this happening in their community? They want a policy from your government, not necessarily to be educated on it.

8:35

Mrs. McQueen: I've talked with different mayors in the province, including Lethbridge and Medicine Hat. Certainly, Lethbridge appreciated the fact that the department and the regulator actually went to the community and did the discussion with regard to the education piece. I met with the mayor and his team last week in Edmonton. They appreciated the update on that piece.

It's important that people understand where you are before you decide if you need to make changes. What I've said is that we are more than supportive of looking at an urban drilling policy based on what we have today. The mayor of Medicine Hat – I've met with him myself – has told me, certainly, that they are in support of drilling in their community as long as it's done under all of the safety and regulatory processes as well. It's something that we need to have the discussion on in the province. I'm open to that discussion. But people have also said that the education piece is important so we know where we're at and know where the gaps are, if any, so that if we do have a policy, we're building it upon the regulatory system that we have already.

Mr. Hehr: Okay.

Mrs. McQueen: I've spent time with the mayors. As a former mayor I appreciate the work that they do.

Mr. Hehr: Well, okay. I think I'll stand by my earlier comment. Despite your trying to teach me or tell me differently, I have a sense that there is no urban drilling policy coming forth from your department and that it will be status quo from here. But I look forward to that being different than what, at least, I've heard tonight. Maybe I didn't listen, but that's what I heard, hon. Minister. I know there's a difference between those two things.

I would like to ask a couple of questions regarding the role of the MSA and the like. I'm just wondering. From your perspective does the Market Surveillance Administrator have the ability to hand out fines as high as necessary to, I guess, dissuade market participants from some of the practices that are going on out there, that we've seen from various players in the marketplace and the like? Are those fines high enough? Do we have to beef up those fines to more appropriately, I guess, meet sort of some of the profits these companies can make when they do some of these trading practices?

Mrs. McQueen: Okay. I'm going to be high level in my answers. As we know with regard to the one that's before the AUC – so I'm going to stay high level on this one. Certainly, the Market Surveillance Administrator does a great job making sure that the markets are working and, if there are any issues within the market, that they are able to address them. They do have some abilities with fines, but the majority of that is done through the AUC. So if there are areas that they see of concern in the market, it is their role – and they do that – to raise them and bring them forward to the AUC, who then has an open process, that both the MSA and whoever – they may be challenging questions – have the opportunity to go before and to bring forward the discussion. If there are any issues outstanding, the AUC has opportunities for fines and other things.

Mr. Hehr: I thank you for that. I understand that answer and the like.

I'd like to just run something by you here, and I've sort of been working through this issue in my head, so please, bear with me. Hopefully, people at the table will be able to assist me if I'm not communicating this. My primary concern when it comes to electricity prices is the actual Joe and Jane Albertan, the average guy who's paying an electricity bill, what would be considered the consumer, the average consumer. I'm not concerned about the industrial players out there. I'm not concerned about commercial enterprises or any of that. I think they're sophisticated enough enterprises to ensure that they are very capable. I'm not so certain about our other players in our marketplace, whether the deregulated marketplace actually serves the average electricity consumer on the retail side of things very well.

Has the ministry considered something to this effect? You look at the spot energy price – okay? – and look at averaging that out from there for the retail consumers, having a small flow-through cost to companies who send out the bill on behalf of that marketplace and simply, then, average it out through the year so consumers are really out there paying the spot energy price plus whatever some administrative cost would be to send out the bill for this, average it out over a 12-month course to really smooth out the edges. You don't get the ups and downs in it. You can average this out over a 12-month period and do it a year behind to ensure that people are paying pretty close to the cost of energy in any given month and that people aren't being, in my view, roped into strange contracts or other things of that nature, and they're essentially protected.

Mrs. McQueen: Great question. We certainly, as you do, hon. member, care a great deal about the consumer, making sure that we have a very strong electricity market in Alberta but also that the consumer prices are looked after and that it's the best price possible, so it's a competitive marketplace but also cost-effective for consumers. When you see some of the work that we had done before with regard to trying to reduce some of that volatility as well and stabilize prices by extending the window when you can purchase power – we moved from I believe it was 45 days to 120 days to give a little more certainty with regard to that. Also, we have seen over the last three months – February, March, and April – that the retail residential prices have dropped.

The other piece that we've done over the last couple or three years is with regard to the contracts that customers can have. They can get easily in and out of a contract where before, in the early days, you had to sign up for a longer period. If they want to continue to pay the RRO, they can. They can have the fixed rate, like you were talking about, no uncertainty, balancing it by signing a contract so that they know with certainty: here's what it is. It balances, so you know what your monthly rate is, because it's certainly important for consumers to know that piece as well.

As you know, we also have the Retail Market Review Committee, the MLA committee, looking at different things for us as well. I think their work continues till the end of May. So there are a lot of things that we're looking at because, absolutely, consumers are very important to us and making sure that everyone can turn the lights on when they want but at a fair price.

Mr. Hehr: I think that's fair. Nevertheless, I'll leave it there. The spot energy price is essentially what the price of power costs, okay? You then develop something that you say, "All right; here's the cost of it flowing through, and you guys are going to send out the cheques," and simply do it that way for all residential users in this province. I think that makes some eminently reasonable sense,

and you can flow it out the other way. At least they're protected in that event.

Anyway, those are my comments. I have asked my questions, and I'll move it on to someone else.

The Chair: Thank you very much, Mr. Hehr.

Terrific. Well, at this opportunity, then, the next in line is Mr. Mason, from the NDP. Mr. Mason, prior to your beginning your line of questioning, I understand that you're tabling an amendment.

Mr. Mason: Yeah.

The Chair: That amendment has been tabled with the clerk.

For the record, as chair I'm obligated to read into the record our position on amendments, which is as follows. An amendment to the estimates cannot seek to increase the amount of the estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the total estimate to be voted on by its full amount. Vote on amendments is deferred until Committee of Supply on April 16, 2014. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. Twenty copies of the amendments must be provided at the meeting for the committee members and staff.

At this point, Mr. Mason, could you please read your amendment for the record?

8:45

Mr. Mason: Yes. I'm happy to do that. I believe it complies with all of the rules that you've cited. I move that

the estimates for the associate minister's office under reference 1.2 at page 66 of the 2014-15 main estimates of the Ministry of Energy be reduced by \$250,000 so that the amount to be voted at page 65 for operational is \$427,147,000.

I've provided you with copies.

The Chair: Yes, you have provided us with copies. Thank you, sir.

Now that we've managed the business of amendments, you have your line of questioning, which is 20 minutes. How would you wish to proceed with your questioning, sir?

Mr. Mason: I think we can go back and forth on the same basis. I don't get Kent's remaining time, do I? He didn't use it all.

Mr. Hale: It goes to the Official Opposition first.

Mr. Mason: Of course.

The Chair: That's a very good question. The time actually is rolled over and will begin again in our sequence. It's possible that Mr. Hehr's time will be fully utilized, but unfortunately, sir, it can't be used by you at this time.

Mr. Mason: All right. Thank you.

Mr. Chair, I'll start with the motion since you had me read it at the beginning of my time. The NDP opposition has prepared similar amendments dealing with all of the associate ministers, where they exist within existing budgets, and we've done that for the following reasons. We believe that the associate ministers are not an essential function of government. They don't have departments and are often not in a position to respond to questions, nor do they have their own estimates. It's no knock against the members who hold those positions or who have

formerly held those positions; they're often very fine people. In this particular case, obviously, this position is vacant, and we don't know whether or not the new Premier is going to fill that position. Our view is that these are political positions that were established by the previous Premier in order to consolidate support in her caucus. As such, they've failed, and we clearly need to deal with that. That's what the motions are for. We have done this wherever there's an associate minister, and that will be voted on in the main estimates.

I'd like to start by talking about bitumen upgrading. And, Madam Minister, thanks very much for your answers so far tonight. They've been illuminating and useful to me, so thank you for that. The government's own study noted that bitumen alone captures only about 35 per cent of the value chain associated with the full spectrum of products from the oil sands. With synthetic crude oil upgrading this figure rises to about 70 per cent. Optimization of the value chain of products from the oil sands can capture nearly all of the value but requires refining in addition to upgrading. So there's a clear and compelling case to be made for upgrading bitumen in the province of Alberta. I have other information here, which I can certainly share, relative to the economic advantages, the job creation, the types of jobs that have been created, and so on.

I guess the questions flow from that under bitumen. First of all, I'd like to know if the government has a target for the percentage of bitumen that would be upgraded here in the province and whether or not they have produced estimates on how that would affect the GDP of the province, the tax base, and employment. A second and related question – and I've got three under bitumen, and then I'll let the minister answer. I'd like to know if the government has assessed in any way the impact of the potential approval of the Keystone pipeline on subsequent efforts to increase the upgrading here in the province. In other words, if there is a major pipeline – and there could be another one, Northern Gateway – that is taking unprocessed bitumen down to be upgraded in Texas or potentially in China, how does that affect subsequent efforts by our province to have more upgrading done here, and has that been studied by the government? That's a question that I think is very important.

What methods has the government considered to increase value-added? It appears to us that the BRIK program is in considerable difficulty. This budget, I think, gives us reason to believe that. Are other methods; for example, making upgrading of a portion of the product a condition of the lease or adjustments to royalties or even to tax policy, being considered in order to encourage companies to upgrade more bitumen in the province of Alberta and, in effect, make it more economical for them to do that here rather than offshore?

Those are my questions relating to upgrading.

Mrs. McQueen: Okay. Well, thank you very much. Certainly, when we look at the upgrading in the province, it's something that with regard to value-added is important to us. I probably won't answer them in order, but I'll try to answer them anyway. When we look at the BRIK program, I think your words were – I won't quote you – that it wasn't successful. I would probably beg to differ with you on that. With regard to the upgrader it's an important project, the North West upgrader, that we have here in this province for a number of reasons, certainly with regard to having an upgrader that has carbon capture and storage attached. When we look our climate change initiative and reducing emissions, that's a very important piece of that as well. Although we saw the costs increase with regard to that upgrader, we still know that it's an important piece for us but also, as I had said

earlier in the estimates to another member, with regard to the diesel importance and having the value-added piece here in the province. I know you have advocated a great deal about that. So have we. It's important that we continue to do value-added here.

But in saying that, it's certainly not either/or. We can do value-added in this province, but with the resources that we have with regard to bitumen and the oil sands development, as we increase and double the production there, we know that we can be and are actively seeking markets, whether that be Keystone, whether that be on the west coast for the pipelines there, or to the east. All of those are important for us to get to, certainly, as we look east and west to tidewaters and to getting a higher value for our dollar. Those are important.

We do want to upgrade here. We do upgrade here. I don't have off the top of my head what that number is, but it has always been around 60 per cent that we've tried to look at. I'm not sure of the exact number for where we're at today, but it would be close to that. We'll continue to make sure that when companies make the decision to invest here in Alberta, they make the decisions based on economics as well. So when we look at upgrading, several upgradings have happened here, but certainly these are private decisions that they make and will continue to make, whether the economics work for them or not.

Oh, here it is. Sorry. Just so that we have the number, in 2012 we produced 1.9 million barrels per day of crude bitumen. In that same year about 54 per cent of the bitumen in Alberta was sent for upgrading. Our target is 60, so in 2012 it was at 54 per cent just to give you those numbers.

Mr. Mason: And it's expected to drop to 47 per cent by 2017.

Mrs. McQueen: Well, we shall see.

Mr. Mason: Okay. I have another set of questions. I'm not sure that some of my specific questions were answered there, but I do want to ask a little bit about royalties. In the 2012-2013 fiscal year the government only collected about 10 per cent of the value of oil and gas in royalties. Since 1997 the government of Alberta has averaged a capture of about 9 per cent in rents from the oil sands. Since 1986 industry has taken home \$260 billion in pretax profits while the public has received less than \$25 billion, or less than 6 per cent of the total value. During Peter Lougheed's tenure as Premier Alberta's royalty target was to collect 35 per cent of overall industry revenue. By not collecting this amount, Alberta has lost, by our estimation, \$11 billion a year, and the figure could rise to as much as \$56 billion a year by 2014. It's pretty clear that we are not hitting our targets. This was something that the Auditor General made clear repeatedly.

8:55

I guess the question that I have is: how does the government determine – and I'll just focus on oil sands because it's very complicated when you get into conventional oil and gas, the royalties and the incentive programs and stuff. Let's just leave that aside. I don't really need you to address that. I'm more concerned about oil sands royalties. How does the government determine how much of a share the owner of the resource should get? Is there a specific methodology or formula that is used? Why has the government failed to hit its own targets for royalties as the Auditor General has repeatedly pointed out? So two questions.

Mrs. McQueen: Certainly. Thank you for those as well. We'll stick to the oil sands, as you've suggested, with regard to that. You know that they're certainly very capital-intensive projects. How we make sure that we balance the need for a fair return on

our resources as well as making sure that, as you know, in these global energy markets, where capital can move wherever it chooses in the world right now, certainly in North America but throughout the world – it's important that we have those balances toward that. Under the oil sands piece it's R minus C, so revenue minus costs, as we work to prepayment and postpayment periods as well.

If you look at the investments that we've had and the economy that Alberta has achieved through the development of the oil sands in time over the last 40-plus years, we've had a strong economy in Alberta from that. We've also seen where we've not only had a strong economy in Alberta, but if we look at the nation as a whole, the contributions that the oil sands have certainly made are important as well. The bitumen royalty has increased dramatically, from \$197 million in 2003-04 to over \$4 billion in 2011-12. Certainly, this is primarily an increase to production and higher prices, but it certainly shows the growth and the investment from, as I said, \$197 million in '03-04 to \$4 billion. That is an important piece and, certainly has been important for us as well as we look at the balance of making sure that we're competitive but receiving a fair return on our resources.

Mr. Mason: Okay. A number of things have been deleted in terms of the objectives of your department from this business plan as compared to the previous year. I'm sorry; I don't have the page numbers. First, 1.3, to monitor and report on the effectiveness and competitiveness of Alberta's royalty system to incent development and maximize benefits to Albertans. That's apparently gone as is line 1.4, maintain and support Alberta's investment competitiveness within the natural gas, oil sands, oil, coal, mineral development sectors; 1.5, to ensure energy and mineral resource revenues are accurately calculated, collected, and reported; and 1.6, to develop policies and programs to encourage energy processing and petrochemical development in Alberta. I would ask why those have been removed from this year's business plan. [interjection] They're not? Are they still there? Well, then my research is wrong.

Mrs. McQueen: Mr. Mason, certainly, you flipped through those pretty quickly without having the pages. We're just looking through here. I'm trying to find that. So the last one that you talked about, 1.3 . . .

Mr. Mason: Number 1.6 is still there. It's now 1.3.

Mrs. McQueen: Yeah, 1.3.

Mr. Mason: The others are gone.

Mrs. McQueen: For the other members that are wanting to maybe follow, it's on the Energy business plan, page 31. It's the last one that was mentioned, "develop policies and programs to encourage energy processing and petrochemical development in Alberta." It is still certainly there.

I have to apologize because I was trying to write and listen at the same time, so I missed your other two, if you would like to repeat them.

Mr. Mason: Yes. Monitoring and reporting on the effectiveness and competitiveness of our royalty system and to incent development and maximize benefits to Albertans: that's the one most relevant to my line of questioning.

Mrs. McQueen: Okay. I'm just asking about that one because it's not on the page here for our department. It is a routine activity that

we continue to do. It's not in this business plan, but it's part of the routine work that happens within the ministry.

Mr. Mason: Shouldn't the business plan include your routine work? I'm sorry; I don't accept that answer. If it's an important thing for you to do, it should be in the business plan.

Mrs. McQueen: It's very important for us to do, and we continue to do it. It's the routine part of the work that we do.

Mr. Mason: Will it be in the business plan next time? Why was it removed?

Mrs. McQueen: We shall see, when we develop the business plan, what will come in there. I hear your thoughts on that.

Mr. Mason: Well, thank you.

Mrs. McQueen: Yes. It's important to hear each other.

Mr. Mason: I'm not holding my breath.

Mrs. McQueen: I don't want you to hold your breath for a whole year, please.

Mr. Mason: Really? Are you sure?

Mrs. McQueen: I'm positive. I quite enjoy the banter with you.

Mr. Mason: Okay. Well, thank you.

Mrs. McQueen: Just think how much you'd be missed in the House.

Mr. Mason: I don't know.

Kent Hehr asked my questions about urban drilling. I guess I would just ask if there's anything in this budget to support the development of an urban drilling strategy.

Mrs. McQueen: Certainly, as we talked about with the member of the Liberal Party with regard to the urban drilling strategy, I have said since I've come into the ministry that it's important that we review that. That was a motion that came forward. It's important to Albertans that we review that. We will do that. We're bringing forward together stakeholders so that they can have that discussion. As I had said earlier, when I've talked to people in Alberta and mayors and different people, what's important is that we actually know the starting point. Where are we today? We have a very good regulatory process in this province. People need to know that piece . . .

Mr. Mason: I'm sorry to interrupt.

Mrs. McQueen: Well, I'm going to finish, though. The education piece on that. When we look at an urban drilling policy, we have to know where we are today before we even consider what we might do tomorrow. Important for urban and rural are the safety issues. All of those things are important, wherever you live in this province.

Mr. Mason: Okay. The real question was: is there anything in the budget to support it? I take it – well, I'm not going to ask any more questions because I have to ask . . .

Mrs. McQueen: Well, certainly, I have staff in my department that support me on many initiatives, and we've said that that's one we're looking at. We have a department of staff that will support me in that.

Mr. Mason: Is there any study that has been done on the impact on electricity prices because of the changes in the way of calculating the regulated rate option? Have you looked at the impact of those changes? Have you got any projections or any estimates of what the impact on electricity prices will be?

Mrs. McQueen: We might do some follow-up with you on that, but what we are doing with regard to that – as I spoke about a little bit earlier, we have seen the electricity prices on the retail side over the last three months reduce. We do have the retail market committee there, too, because it's certainly important for us to have them come back with their recommendations. There is a lot of work that they're doing. Certainly, from our perspective, as I've said before, this evening and other times, the consumer is always very important for us, to look at that piece, so we're reviewing that. A piece that we're seeing with the investments, with regard to our electricity markets, where we have no debt with regard to the build-out: certainly if you look at Alberta's model compared to other models, it's seen by others as very good market-based electricity system.

Mr. Mason: If such a thing exists.

Mrs. McQueen: And it does.

Mr. Mason: I don't think so.

I just wanted one last question, having to do with coal-fired electricity. Our coal-fired electricity sector produces approximately as much CO₂ as the entire oil sands at present. Ontario has just eliminated the use of coal for electricity generation. Nova Scotia has made major strides, and it strikes me that if we want to be serious about climate change, and reducing our carbon footprint, the low-hanging fruit is not the oil sands, but it is in fact the coal-fired industry generating our electricity. So I'll just leave that thought with you.

9:05

The Chair: Mr. Mason, thank you. Thank you for that thought. Perhaps further on in our line of questioning we may cover that ground.

We now turn to Mr. Allen and Ms Kennedy-Glans, who represent the independents. I understand that there are 20 minutes, and you have the opportunity to split those 20 minutes, and you are taking that opportunity.

Mr. Allen: Yes, we are, Mr. Chair. Thank you.

The Chair: Very good. Have we established who is going first in the line of questioning?

Mr. Allen: I believe that for the purpose of tonight we decided that it would be appropriate to go alphabetically.

The Chair: Well played. Never a bad idea.

Mr. Allen: As opposed to being – I am gender-neutral.

The Chair: All right. As our others have done a very capable job of making sure the questions fall in line with our budget documents of 2014-2015, I have no reason to believe that our independents will not follow that practice. Mr. Allen, you may proceed. How do you wish to use your time?

Mr. Allen: Thank you, Mr. Chair. Considering my 10 minutes, I'd actually like to go five and five. I only have a few questions for the minister. Many of the other questions that I had were asked and answered very much.

At the risk of sounding like the hon. Member for Edmonton-Centre, I'd like to say how proud I am to be representing the dynamic constituency of Fort McMurray-Wood Buffalo, which is, of course, home to the single largest industrial nexus in the developed world right now.

I wanted to sort of expand a little bit on what the minister was just saying when we were talking with Mr. Mason there. Some of the other numbers that I was going to bring up tonight were from CERI, or the Canadian Energy Research Institute, that estimates that about \$350 billion in royalties and \$122 billion in municipal taxes are going to be generated across Alberta, specifically by oil sands. That doesn't account for any of the corporate taxes and personal taxes that are going to be paid as a result of all of the jobs that are created not only in the oil sands but with all of the complementary jobs: manufacturing, service sector, et cetera. This is an industry that is now estimated to contribute about 10 per cent of Canada's GDP. It's significant. It's the reason why Alberta is growing at a population increase of 100,000 people a year, and I am very proud to be living in what is probably the most exciting region in the country right now.

I also want to thank the minister and all of your dedicated staff for being here tonight. It's a late evening in the middle of the week, and I know you have worked very hard to put this all together. But as the MLA, while we are largely focused on industrial development, and I think it's important to note that over 55 per cent of my constituents are either directly or indirectly employed by the oil sands, the vast majority of those also want to ensure that they are developed in a safe, efficient, and sustainable fashion that also helps to protect our environment as we go along. We have a lot of First Nations and Métis groups that want to ensure that they're heard as well. So we're pleased to represent those.

As I go on, the first question I had was related to the Canadian energy strategy, and, Minister, I've only got about five questions. I'm going to just throw them all out there, and if you have time to answer them, great. If not, I would appreciate an answer in writing later if possible.

My first question is related to the Canadian energy strategy, and as we know, we are all aware that as we're increasing – a decade ago we were producing a million barrels a day in bitumen. This year it will hit 2 million, and in another decade we're expected to hit about 3 million. I think estimates will go up to 7 million. We need to get that product to market. We all know how important the market access is. The Canadian energy strategy was something that was very heavily touted by the former Premier, and she did receive a lot of support from other provincial leaders. Given the events last month with the Premier's resignation, I just want to see if you can confirm: will the government continue to focus on the Canadian energy strategy? Because we do see that as very important to our production levels, and in this current budget I don't see any resources allocated specifically to the strategy. So where will the money come from to implement it? Is it even fully developed yet?

LARP. I was pleased to be there when LARP was introduced, and much work went on in the background, and it is now an active, guiding document. Last year your ministry had budgeted 30 and a half million dollars for settlements for projects that were in affected lands, and this year there's nothing budgeted. So my question is: are all of those settlements completed, concluded, and finalized?

The third question is related specifically to oil sands leases in Wood Buffalo itself. We heard other members talk about the urban drilling. Of course, that's not a concern in Wood Buffalo. We don't have drilling rigs in Wood Buffalo, but what we do have

are oil sands leases that occur on every square inch of Wood Buffalo with the exception of those that have just been bought out under LARP. I live in the downtown core, and there's an oil sands lease right where I live. We anticipate that that will never be developed, and the owner of that lease is quite likely just looking to have it on their balance sheet. But as we go through, there were a significant number of oil sands leases that were impacted last year when the urban development subregion was created in your ministry. My question is regarding those mineral leases. Have they been paid out?

The Chair: Mr. Allen, thank you.

Mr. Allen: Boy, that was quick.

The Chair: That was right on time.

Minister, the floor is yours for five minutes.

Mrs. McQueen: All right. Thank you very much. Great questions. I do want to say as well that we certainly are very supportive and work very well with MLAs in the region, yourself and Don, but also with the municipal council of Wood Buffalo and especially Mayor Blake. I think all of you collectively are working very hard in a very important development for our province and our nation, and it's something that we all consider extremely important. So I'm glad you've raised these items.

As far as the Canadian energy strategy, certainly it's very important. It's job one for our ministry and for our government and certainly our Premier, Premier Hancock. That is something that will continue. As I have said and made sure that our stakeholders know and as the Premier has said as we met the stakeholders his first week into the job, that work will continue. Myself, our Premier, Minister Dallas, and others will continue to do the work of the Canadian energy strategy. Of course, you know that it's being led as well by our Premiers, but there are three provinces – Manitoba, Newfoundland and Labrador, and Alberta – that are leading with that. In August we're hoping to be able to bring forward the next steps of that to the Council of the Federation. That will happen in August. So we continue to do that.

When we look at market access and what you talked about: extremely important. The Canadian energy strategy really opened the dialogue so we could have the discussions. When we look at the work – and I've met with ministers in British Columbia to continue that work as have our departments. I've met with the Premier of Ontario. I've met with the Minister of Energy in Ontario and the parliamentary secretary, with the minister from Saskatchewan, with the minister from Newfoundland and Labrador. I remember a few others. We continue the discussion, and that's been over the last three weeks that we've done that and met with them and talked about this.

What's really important about the Canadian energy strategy is that each one of these other provinces is now hosting sessions on it. So it is truly about a Canadian energy strategy when you have, you know, British Columbia, you have Ontario, other places hosting that because they believe in it and they see the benefit for them as well. That work will continue because it's great work, and it won't be about any one of us individually but collectively what we can achieve with that.

I'll try to move quickly through these. The LARP settlement: you asked about last year's budget and the \$30 million. That money has not been spent with regard to that. So, no, the money hasn't been spent at all, and it's still there to be used. No future money was put in because that's it for those, and it hasn't been used to date.

9:15

With regard to the UDSR certainly that's been extremely important for us with regard to working with the region and the municipalities. As you know, on January 23, 2014, precancellation letters were issued to five companies for 10 oil sands agreements. The total compensation for these agreements could be \$2.69 million, but we're still working with regard to the work on UDSR. Much like the work on LARP, that negotiation still happens.

I think what I would like to say with regard to UDSR, the work that we've done that you led and that Minister Scott led and that certainly your municipality led, the amount of development that's happening there, is that it's also important for us. We talked about the lower Athabasca regional plan. With UDSR it's important for us to set aside, for certainty with regard to industry, areas for development. It's important for us to set aside habitat land for conservation and recreation, but it's equally important for us, especially in a region like yours, to make sure that we're setting aside lands as well for municipal growth. We've tried, I think, to balance a lot of that work, and I think that we've done a very good job of collectively coming together to do that work.

I know that you might have had a couple of other questions. If you want, you can ask those right now. I'll leave you that time.

Mr. Allen: Thank you very much, Minister. I appreciate that.

Regarding our standard misrepresentation of the industry internationally, you know, last year we had a little visit from Neil Young, and my community started a social media campaign with #myhiroshima. I'm wondering if the ministry has any additional plans this year or any budget there for communications and developing partnerships to continue that.

The Chair: Mr. Allen, I'm very sorry to end your line of questioning at that particular question. Perhaps the answer might reveal itself later on as we continue on through the line of questioning.

At this point in time the table is to Ms Kennedy-Glans. How would you wish to use your 10 minutes?

Ms Kennedy-Glans: I will go five and five as well, please.

The Chair: Very good. Please proceed.

Ms Kennedy-Glans: Thank you.

Again, as Mike has suggested, if I've got questions that you're not able to answer, if you would answer them in writing later, I would appreciate it.

I first want to start by thanking the ministry for my brief sojourn in your ministry. I enjoyed it a lot, I learned a lot, and I feel much better about electricity than I ever have in my entire life. In particular, Mike Fernandez and David James, I applaud the work you're doing, and I'm really, really excited about it coming to life. I'm doing everything I can outside your ministry to support you in that, and I will continue, as will many others.

I do have some questions. You know, I always have questions. The A and R framework: in your business plan you do address it, but it does seem to focus on greening of the grid. The A and R plan, that I know has been talked about in public, is one that includes heat and transportation fuels, and Mr. Hale addressed the CNG and LNG question. I also think that it's not clear to all that it will include heat. I think that how this framework will be funded, how underlying initiatives will be funded, and the timing are some things that are essential for Albertans to understand.

The second thing is electricity. The energy public awareness piece is really, really important. I think telling that story is

something that AESO does, but also the ministry has a responsibility to do that and has assumed a responsibility. I would like to understand what the budget is for that objective.

I also can't help but note that in your strategic plan, your electricity strategy 2020 – and I'd love to know more about that and the budgets associated with it – you mention hydroelectricity, which this committee actually reviewed. I'm not sure why that's there, but I'm curious about it.

[Mr. Anglin in the chair]

The third thing that I want to note is natural gas and natural gas liquids, NGLs. Again, Mr. Hale has addressed many of these things. I note on page 70 of the budget that your numbers for natural gas royalties don't go up very much. I'm really wondering what your assumptions are on our ability to smooth the way forward – I'm not a fan of incentives, so I'm not going to say incentivize – to move forward a goal of value-added to natural gas in the province of Alberta. I would like to see what money has been budgeted to move that forward.

Equally, what I would like to understand in greater detail – you've addressed it a little bit, and I've asked the same question to the innovation minister; you mentioned about policy development with innovation – is the question about whether tax incentives work best for this work or other types of incentives on an individual project basis, just understanding what works, in your mind as an Energy ministry, to make these things happen in a more effective way so that we can have more royalties for Albertans, your tracking and analysis of that, and the role of government in all of that. Some of that comes out of the results-based budgeting work that has been done in many ministries, including yours.

I also assume from everything I've read of yours here that you do not assume that Alberta gas will be going into British Columbia LNG facilities for the short term, obviously, because there's no LNG moving, but I would be interested in what you're doing with that on a budgeting basis.

The other thing I wanted to address was the new Alberta energy regulations that were issued. I would note that I don't think they were issued with consultation, and I've got two in particular that have a budget implication. One is the means testing for intervenors' recovery of monies. That's a big change. Whether I'm for it or against it is irrelevant. I'm just curious about it and whether there was public consultation or industry consultation on that question and if we could look at that, because I'm quite interested. I think it would be indicative of other people's attitudes towards means testing, and I wonder about the thinking around it. I'm just curious.

The other point is the mandatory alternative dispute resolution that's in the AER regulations. I'm curious about that because it's been inserted. It's a bit of a funny thing to think about, alternative dispute resolution. Normally as lawyers we think of that as being an option; you have said that it's a requirement. I'm wondering about the time and the cost implications for the insertion of that particular mechanism in the new regulations for the AER.

I'm going to stop there.

The Deputy Chair: Thank you very much.
Minister.

Mrs. McQueen: Thank you.

Thank you very much. First, I'd like to say that we as a ministry appreciated the time, Donna, that you were in our ministry as well. As you've said tonight, you have a number of questions, and you usually do, and I think that was one of the first things that I

certainly got to know about you. You had a lot of questions. Certainly, they were a lot of good questions, as they are this evening. I thank you for the time as well with regard to that.

I think you started off – and I'm going to try and just do as many as I can, and we'll see where we go from there – with regard to the alternative and renewable framework, a very important framework, as you know, for this province. It's a commitment that we have made to move forward with that. Looking within our energy market system, how do we make sure that we can continue to bring alternative and renewables forward? I think we've done a very good job. If you look at the amount of wind and biofuels and natural gas and certainly hydro, although a small amount, that we have in the province, it is very important.

How do we continue to do that? I've asked to move that framework forward. We just sent out invitations for round-tables to those that would be stakeholders that could provide input on that to me, as they have requested, so that I could hear from them first, within the market system that we have, on how they might see an A and R framework moving forward. I'm quite excited to be able to work on that project with our ministry and to move that forward with stakeholders. I know they're quite an innovative group. When they're given the challenge of "Here's the box we can play in" and to come back with ideas – many of them have been contacting me over the last couple of weeks. Though I've met with them before, with yourself and otherwise, they're very excited, as I am, as we move forward on these round-tables, that we'll start to get some good input so that as we develop an A and R framework, we actually have developed it even further from a draft into something that I've been able to get more feedback on from those stakeholders.

9:25

With regard to the education piece of electricity I believe that's the energy electricity market. That's extremely important and certainly something that we are looking at doing as well. It's important that people know where we've come from with regard to the last 20 years that we've had a deregulated market: where we are, the amount of transmission that we've brought on, letting people know that certainly there is no debt with regard to that. We've seen that it's a system that does bring on more investments in the province while making sure that the public is not having to pay for that and that it is not subsidized by taxpayers. It's very important for us to do the education piece. I know it's something that I've talked with my colleagues about and am very excited to bring forward to them and to Albertans as we discuss that.

On the LNG question that you had, with regard to when we'll be doing that: as soon as possible. As you correctly said, the LNG plants in British Columbia haven't been built yet, but certainly it's something that I've talked with their minister about. Certainly, our Premier has talked with their Premier as well with regard to making sure that they are aware. Alberta is very supportive of B.C.'s LNG markets because there will be a lot of gas that we can supply to that. The sooner they can bring those on, how we can support them to do that and support them with the federal government as well: that is always very important for us.

[Mr. Khan in the chair]

With regard to the mandatory alternative dispute resolution, that you asked about, with regard to the AER, that has been something that the regulator has been doing, alternative dispute resolution, for a long time. Now what they've been doing is saying that we're now going to make that mandatory. It's something that is working. It's working very well. It's been going on for a number of years,

so they want to make sure that it is mandatory. I think that's good as well.

With regard to natural gas – I'm trying to get through all of them – it's certainly important that we move forward on that. We've had lots of discussion. I believe the report that the standing committee and you worked on is on the monetization of natural gas: how do we make sure that we do more of that work? We're currently reviewing that piece in the ministry as well.

The Chair: Minister, unfortunately, we're going to have to stop you there.

Thank you very much for that round of questioning from our independent colleagues.

At this point in time we return to the PC caucus. It's my understanding that Linda Johnson will be leading the round of questioning, possibly supplemented by Dr. Brown and perhaps Ms Calahasen. Should we get to it?

Ms L. Johnson: How much time do we have?

The Chair: You have your 20-minute time allotment, Ms Johnson. How would you wish to proceed?

Ms L. Johnson: We'll will go back and forth.

The Chair: Okay. Please proceed.

Ms L. Johnson: Well, thank you very much.

Thank you very much, Minister, and thank you to your ministry staff and your office staff for being here. We're winding down. Half an hour to go, and this committee will have completed their estimates.

When I was reviewing the material, what I was intrigued about is that your department is actually an income centre. It's a profit centre. In all our estimates we've been talking about costs, costs, costs. When you go to page 70 and the four royalty lines, the calculation of royalty income is volume times the price times whatever the royalty rate is, isn't it? Pretty straightforward. How do we make those numbers go up? Let's have more income come in.

Mrs. McQueen: Well, thank you, hon. member. I couldn't agree with you more. Thank you for recognizing that we are that ministry, and maybe you can help out, through other different discussions we have in caucus and throughout the year, with regard to reminding people of that piece. It's certainly very important. I'm teasing you about that, but this ministry is very important to the Alberta budget but more important to Albertans to really fund all of those things, whether it be health care, education, our seniors, infrastructure, human services, all of those things that are so important, why we love being in Alberta, the quality-of-life issues. We're more than happy in this ministry to see those revenues increase.

As I talked about earlier, market access is going to help us to do that. That's really a lot of what we talk about: developing the resources; getting a higher return rate; certainly opening up new markets; continuing, as our MLA for Fort McMurray-Wood Buffalo talked about, to increase the output and double the output in the oil sands. It's extremely important for this province and for our nation.

Ms L. Johnson: Okay. Thank you very much.

Now I'm going to go to the business plan on page 32, line 2.3, enhance awareness and understanding of existing and emerging trends. My colleague Mr. Hale was talking about education and

making sure that Albertans understand how important this industry is and how we allow neighbours in other jurisdictions to understand what we do here in this province. Can you tell us what the plans are for that awareness and what resources are tied to achieving that goal?

Mrs. McQueen: I certainly can do that. The resources are our staff and ourselves as the ministry, so it's the human resources of our team. What's really important – and I'm really glad that you asked this question because we were not able to finish off the answer. I think it's extremely important that people understand how much work we are doing, you are doing, all of us collectively, in making sure that people are aware of our responsible energy development. We take that very responsibly in this province.

When we look at an integrated resource management system, we look at making sure that as we develop the resources, we're taking care of the environmental issues, whether that's through solid land-use planning; whether it's through independent monitoring agencies so that we're getting facts with regard to air, land, water biodiversity; making sure that the climate change policies are there, the first jurisdiction in North America to have that; and making sure that water reuse or recycling is done. We do this, and we talk about those and many other things.

We talk about them here in Alberta first. We talk in Canada and, certainly, in the United States. You saw that reflected with regard to the environmental assessment that has come forward regarding Keystone, the reflection of the work that we've done with regard to climate change and with regard to the land-use planning and monitoring. It's very important. That has now been part of that paper and recognition. That goes to a lot of work our previous Premier, myself, and other ministers, especially Minister Dallas of IIR, have done with regard to making sure that people know the facts about responsible energy development in Alberta.

As well, in Europe, when we look at the fuel quality directive and the work that Minister Dallas and I have done – when I say us, I mean our departments as well – talking about the fuel quality directive, we were able to move those files by educating people and making them aware. As you know, when you've seen other elected officials from other parts of the nation or the United States or Europe come here and we show them the development and we tell them what we're doing, they're quite astounded because they say: that's not the story we're being told. So what we want to make sure of is that people get the whole story and that they really are understanding the importance of responsible energy development for this province and about achieving the social development. We are doing a great job of that with industry to make sure that we can achieve those markets.

Ms L. Johnson: Okay. Thank you very much. I thought maybe you used communications staff to do that. I'll just leave that.

On page 32 of the business plan there is a reference to micro-generation. Is there a plan to support targets for growth in microgeneration and supplement other energy sources?

After the answer to that, I'll pass to my colleague Ms Calahasen, and if there are no more questions from her, I have a couple more.

Mrs. McQueen: Thank you very much. The microgeneration regulation was renewed and then extended to December 31, 2015. We wanted to have the opportunity, as we're doing our A and R policy, to be able to look at that. Certainly, the regulation enables consumer choice and supports the use of A and R energy. Very important for us. The policy with microgeneration must fit within

Alberta's competitive electricity market, but in saying that, we're seeing lots of opportunities arise from people that are very interested in bringing microgeneration forward. It's been something that we've certainly seen a lot of advancement in.

The regulation, just so you know, has been in effect since 2009. As of March 2014 there were 917 microgeneration sites, with a total capacity of 4.7 megawatts in Alberta to date. So it's still very important for us, as we renew that regulation and also renew our A and R policy, that that still has the opportunity to grow.

9:35

Ms L. Johnson: Okay. Thank you very much.

Ms Calahasen: Thank you very much. Thank you, Madam Minister, and welcome to your team. I know how hard they work. I really appreciate what they do. As you know, my constituency has a lot of activity in it. With approximately 80,000 square kilometres it's a pretty high, heavy use of energy and electricity as well as all the energy development.

I have a few questions. One of the questions has to do with – I've been looking for it in your business plan as well as in the government estimates to figure out where it would fit – the pipeline spills and the leaks that have happened and that continue to happen, which has created not only fear within the communities but has also created, I would say, an environmental concern. I'm wondering: firstly, how are you intending to ensure the safety of pipelines; secondly, how are you working with Environment to make sure that the cleanup happens as quickly as possible; and thirdly, how do we communicate this to the people so that they do know that we are taking care of business?

Mrs. McQueen: Well, thank you very much. They're very important questions. The development of the resources is really important, but doing them in a responsible manner is extremely important for us. On average, when we look at the safety of pipelines, they're extremely safe in Alberta, 99.99 per cent safe, but we always want to look at, "Can we do better?" because that's important. Every incident that happens, whether a drop spills or anything happens, has to be reported in Alberta. A pipeline safety review was done in Alberta that really showed Alberta being a leader in pipeline safety regulations, but we want to make sure that if there's room for improvement, we always need to look at that and look at that seriously.

I think what's important for us to note is that if we look at the pipeline performance rates, they have been improving in Alberta, with the rate of incidents declining from 5.0 incidents per 1,000 kilometres in 1990 to just now 1.15 incidents per 1,000 kilometres since 2010, so a really good decline as well. But, certainly, we look to the integrity of the pipeline system. The Auditor General with regard to our pipeline safety review is also looking at the report to see if there are any other further actions that we need to take. That's important, and we'll wait for that as well.

Then with regard to what we do to ensure the safety of pipelines beyond the review, as you know, all the pipelines operating inside Alberta are regulated by the Alberta Energy Regulator, and pipelines that cross provincial boundaries are regulated by the National Energy Board. We continue to work with the AER, and in their role they evaluate a company's compliance with these requirements prior to and following the commencement of pipeline operations. Certainly, it's very important. When we look at 2013, the AER conducted more than 1,400 pipeline inspections and investigations, including over 270 construction inspections. The AER also requires pipeline operators to report all pipeline incidents, as I said, including breaks, failures, all of those things.

So we take it very, very seriously. We have a very good record, but we want to make sure that if there are areas that need improvement, we need to do that.

Ms Calahasen: Thank you.

You know, one of the greatest fears for my constituents is the derailment of trains. As you know, Lac-Mégantic was a huge concern as well as Gainford, which was closer to home. I'm just wondering: what are you doing about rail shipment, and what is being done to ensure Alberta's safety as these products roll across our province? I think that's an important thing. It certainly makes a difference in my constituency. The rail goes right by the lake, and the people are very concerned about that.

Mrs. McQueen: Absolutely. I couldn't agree with you more, you know, with two tragic events, especially the one in Lac-Mégantic. I mean, it's very, very tragic what happened there. You speak about the Gainford incident that happened. I spent two days with the team out there in my former ministry, making sure that we were looking after the environmental issues that happened.

Certainly, Alberta has taken quick action and implemented the Transportation Safety Board's recommendations that came from the Lac-Mégantic investigation for railways under provincial jurisdiction as well as the recommendation addressing uncontrolled movements by unattended locomotives and tanker cars carrying dangerous goods. To also ensure compliance, Alberta Transportation – as you know, this falls with them – railway safety officers and dangerous goods inspectors have conducted 80 compliance reviews of industrial railway facilities, nine track inspections, three locomotive inspections, and 22 automated crossing inspections in the past year. So we take this very, very seriously.

The two major Canadian railways are moving also to phase out older tanker cars and move to cars built to higher safety standards. It's important that we work together with Transportation and across the nation. We're certainly working very closely with Canada on this and with the federal minister in charge of this as well.

Ms Calahasen: I think that's important for people to hear because that's certainly an area of concern.

The other question that I have is on page 70 of the government estimates, general revenue fund. When you look at the bonuses and sales of Crown leases, it appears that in 2013-14 we have a slight increase, but from '13-14 we have a significant decrease, from that time on. I'm wondering if the decrease would have anything to do with the fact that people are complaining about a lack of quickness in terms of the permits that are supposed to be given for leases. Can you tell me what you're doing to make sure that we can increase our revenue even better by making sure these people who are going out to invest get their lease permits quicker than they have been?

Mrs. McQueen: Well, thank you very much. I just want to make sure that I've got the right answers here for you. With regard to that, if we look at the bonuses and sales of Crown leases, in 2012-13 we saw a billion-plus dollars in there, and then in the '13-14 budget \$1.148 billion, in the '13-14 forecast you saw \$557 million, and now in the '14-15 estimate it's \$623 million. So what we saw was a number of the Crown leases that have been up for bid and have been purchased as well, and the volumes there as well have decreased. The P and NG hectares sold were at \$3 million and down to \$1.4 million, and the price per hectare has actually averaged from about \$335 to \$424. So we're receiving more, but fewer hectares have been sold.

Ms Calahasen: There's a real concern about the slowness in the way that we do permitting. Can you tell me if that has impacted our revenue source?

Mrs. McQueen: No, it hasn't. And just to add to the last piece, it was pointed out to me, just so that you know, that the land sale revenue is expected to decrease in 2014 due to fewer hectares being sold. That's why I was talking about the difference in the hectares there. It is thought that much of the prospective land that we have in those plays has been sold, thus reducing the number of hectare sales. That's why you see a reduction in that, because so much of the land has already been sold.

Ms Calahasen: Thank you.

Mrs. McQueen: Is that helpful?

Ms Calahasen: Yeah, it is. I'll deal with the other stuff with you later, corridor issues, the specifics.

Mrs. McQueen: Yeah. Absolutely.

Ms Calahasen: Thank you.
Thank you, Linda.

Ms L. Johnson: Oh, well, thank you.
We have some time left?

The Chair: Yes.

Ms L. Johnson: Wonderful. So my questions are on behalf of our colleague Hector Goudreau from Dunvegan-Central Peace-Notley, and if we run out . . .

Dr. Brown: Go ahead. No, no. Go ahead.

Ms L. Johnson: Okay. Transloading facilities: I actually have family members that work in them as well. So we're moving product. We're moving it from a field through town, we're moving it to a facility where it moves off a truck, and then it moves on to the train car. What are the regulations and rules in place to protect the safety of local residents in communities through all those transfer points?

Mrs. McQueen: Good question. It coincides, really, a lot with what the Member for Lesser Slave Lake talked about as well, and it's certainly important. As we look at the safety, I know Hector has talked to me with regard to transloading facilities in his communities and the importance of safety with that as well. Again, it really is about, generally, the Transportation Safety Board recommendations, making sure that we take action on those, making sure that more training and information sessions are held for stakeholders, including industry, municipalities as well as other key stakeholders.

We're working with Transport Canada, Alberta Transportation, and, of course, our Alberta Energy Regulator to track information on volumes of crudes that are being shipped by rail but to also make sure that if there are incidents that do happen, those are reported as they must be.

9:45

As I talked about with pipeline movement, rail movement is extremely safe as well. But, again, there are always things that we can learn from incidents, and how do we make sure of that if there are areas that we can improve on, whether it's provincially or nationally. That's very important to us as well. Together with industry and all levels of government we want to make sure that as

we move more crude by rail, it continues to be as safe and reliable as possible and that we continue to work with municipalities so that they are aware of what we're doing as well. It's that collaboration and co-operation of working together.

Ms L. Johnson: Thank you very much.
Now Dr. Brown – oh, sorry, Mr. Chair.

The Chair: You're doing a fabulous job.

Dr. Brown: I'd like to ask a question about the business plan, page 31, the combined tax and royalty rates for our resources. It's mentioned that the targets are to have Alberta in a combined royalty and tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions. Can you please provide the data showing that we, in fact, achieved that target?

Mrs. McQueen: Sure. Can you just share what page you're on. Sorry.

Dr. Brown: Page 31.

Mrs. McQueen: Okay. Perfect.

Dr. Brown: As you've got it there now, it's a rather nebulous statement, that we're trying to have a combined royalty and tax rate that's in the top quartile. I guess I'd like to know where we are with respect to other jurisdictions and what the percentages are in those other jurisdictions for the natural gas and the conventional oil.

Secondly, I would like to know why there aren't any targets in there with respect to the royalty regime with respect to the oil sands production. I recognize that it's a highly capital-intensive development process, so we have a preferential royalty in there until the time of payout, but what I'm talking about is the royalty and tax regime after payout.

Mrs. McQueen: Thank you. On the first part that you're talking about, the combined tax and royalty, when you mentioned the bitumen and why that isn't in there as well, the other jurisdictions don't have that, so when we look at that, we're comparing it with regard to natural gas and conventional oil production. The measure that we have here is to measure government's share in the competitiveness piece as well. Certainly, for the government of Alberta it enables us to monitor and evaluate whether or not Alberta has a competitive royalty regime in place, which attracts industry investment and . . . [A timer sounded] Sorry.

Dr. Brown: Well, I asked you to provide that.

The Chair: Thank you, Minister. Thank you, Dr. Brown.

We now proceed to the portion of the budget estimates where we have 10-minute segments. The Wildrose is first in order, and my understanding is that our deputy chair, Mr. Anglin, will lead the next round of questioning.

Mr. Anglin, how do you choose to use your allotment of time, sir?

Mr. Anglin: Five and five, please.

The Chair: Very good. Please proceed.

Mr. Anglin: Thank you very much, and thank you, Minister. I just need some clarity on an answer you provided earlier, and I think it was to – well, it doesn't matter who it was to. You were referring to debt and that we don't carry debt anymore. I've heard this argument with generation, but I think you just applied it also to

transmission. If that's the case, I would like you to clear that up. Are you making a comment that we don't carry the debt for transmission? If that's so, what does the transmission charge on the utility bill pay for? I would like to know because if that's all operational costs, then the next question would be: how do these companies pay for their huge debt if they're not charging us consumers for the transmission lines?

Also, on page 30 you have the strategic context. It's not numbered, but it's under strategic context, second-to-last paragraph. "To address the needs of electricity consumers, the ministry has implemented increased scrutiny of transmission costs." Now, you have a transmission cost monitoring committee. Did you change the mandate? How did you change the mandate of that committee? As it stands right now, the committee does not have access to all the financial information. The mandate specifically says that they can be prevented from getting access to all of the information. They have to ask for it, and it can be denied.

The second thing is that the committee doesn't have any leverage to get information. They can't even delay or step in to use enforcement. Without those mandates changing, I don't know how you're going to strengthen it. If you did strengthen it, how did you strengthen that, and could we see the adjustments you made to that mandate?

On page 31 you have priority initiative 1.1, talking about developing opportunities to expand Alberta's access to key global markets. Does that include electricity? I presume it does. What kinds of markets are you trying to access with electricity, and how do you plan on doing that?

I'm going to speed up a little bit. I apologize if I'm going to go real fast, but I'm watching my clock here.

On page 32, assessment of their energy knowledge. That's a huge issue with retail electricity. Does that figure you have on that page, the 63 per cent, which I assume is a knowledge rating, include the knowledge of electricity consumers? A big part of the market is that consumers are educated. The big thing with that 63 per cent is that I don't understand how it can be measured unless I see the survey. I don't know what questions are asked. I don't know if the 63 per cent is good, bad, or indifferent without the survey. Could you table that survey or provide us a copy of that survey so that we can look at it?

The second thing: that's supposed to be a biennial survey, and it's dated 2011. Do we have a 2013 one that is going to be forthcoming, and can we have a copy of that?

Going down further, encourage greater microgeneration in the province. Under your regulations that were extended, basically, under section 7(5) of the regulations you have in there a situation where the small microgenerators – and I'm sure you're aware of this – had their business contracts eliminated. The regulation says, "Unless a micro-generator and a retailer agree in writing." So that tells me that if they had a written contract, that would somehow be valid. Yet those contracts were eliminated by a single ruling based on the interpretation of this regulation. Do you plan on reversing that ruling so that we can go forward with these microgenerators? How do we go forward with microgenerators to be consistent with the policy if we're putting them out of business? There's a real contradiction there that needs to be addressed.

The Chair: Ten seconds.

Mr. Anglin: Ten seconds, so I can't get down to transmission losses. Too bad.

The Chair: Thank you very much.

Minister, you have five minutes to respond.

Mrs. McQueen: Well, thank you very much. Thank you, Member. I think you did very good for your five minutes, getting a lot of questions out. I'll try to do my best to answer them. The first one, I thank you for the question. I will clarify that with regard to the public debt. The clarification – and I appreciate you asking – is on public utility debt for generation. So thank you for that question.

Page 30 and – I'm sorry. I'll let them find that, and I'll come back to that one.

You asked about page 31 with regard to energy expansion. Would that include electricity into global markets was your question. The answer is no. That does not. I think we've had that conversation before, but I'm glad for you to ask the question as well. I'm sure we'll continue to have lots of interesting discussion on that one moving forward.

9:55

Page 32 was with regard to energy knowledge, very important with regard to us making sure that energy knowledge is shared in all aspects, whether they be with market access and social licence to develop but also people understanding. Your question referred to energy knowledge with regard to electricity and increasing that knowledge. Certainly, something that we've talked about as well is making people aware since we've been deregulated, providing the information with regard to that, providing the information where A and R has gone as well and how that's increased, and providing information so that people know that there's no public utility debt for a generation, those kinds of things, certainly, with regard to making sure that people are very much aware of the strong electricity market that we've had, the increased capacity of electricity through megawatts that have been added but also the increase that we've seen with regard to things like natural gas cogeneration, a 28 per cent increase; with regard to wind, an 8 per cent increase, and that's since 2013; hydro, 6 per cent; and biofuels sitting at 3 per cent. So it's very important, I think, for us, when we look at that, that we're providing information for people so that they realize where we were and where we've come and, certainly, where we're going with regard to energy literacy, whether that be all forms of energy. Certainly very important for us.

Page 30, getting back to that one, the increased scrutiny with regard to transmission costs. I think you referred to the Retail Market Review Committee that we have. We can also follow up with you, I think, in a written response so we can give you more because the clock will not give me an opportunity. Certainly, there's some work that we can follow up with you on that.

What else did I miss? Oh, microgeneration. Sorry; I kind of missed the question when you were talking about it. When we look at microgeneration, part of the reason why we actually extended that regulation into December of 2015 was to make sure that we could actually take the time to review that with our alternative and renewable framework that we're looking at. Within that framework, within the system that we have, the market system here, we would have the opportunity to review that, to look at the microgeneration. I think I mentioned earlier to one of our other members, Linda Johnson for Calgary-Glenmore, with regard to her excellent question around microgeneration, where we've come and the number of projects – I think I said 917 or 947; I don't have the number in front of me – but how much we've grown with regard to microgeneration, an important piece for us. As we look at the extension of the regulation and we look at the work that we're doing with regard to alternative and renewables, it will be important for us to be able to continue to look at that piece as we move forward.

I certainly appreciate the questions that we've had here. Oh, you did ask – and I knew there was one missing there – with regard to the survey, if the 2013 survey was available. I believe that was your question. Yes, it's available in the annual report, so we are happy to provide that to you.

The Chair: Thank you very much, Minister. A voluminous round of questions for the 10-minute segment.

We have one minute. I will pass it quickly to Linda Johnson from the PC caucus. Please proceed. The final question of budget estimates for our committee.

Ms L. Johnson: The final question is on the actual cost of electricity. Even though the per-megawatt-hour prices are going down, people's bills are going up. Can you help us understand that, Madam Minister?

Mr. Anglin: I can answer that.

Mrs. McQueen: I would like to do justice to your question, so I will start. Certainly, for the last three months – February, March, and April – we've seen where the prices have dropped.

The Chair: It's so very unfortunate that we will not hear the answer to that question, but I'm sure the department would be happy to provide a written response.

Minister and your team, thank you very much for a very fulsome and informative round of budget estimates.

Folks, this concludes the consideration of estimates for the ministry.

Mrs. McQueen: Mr. Chair, if I could just interrupt you for a moment, I think on behalf of all of us I'd like to say what an

outstanding job you have done as chair. I've only been to these estimates, but I've heard that through all of them that you've held. I'd like to congratulate you as well because your estimates are done.

I would really like to thank everybody. I think the decorum back and forth was very good.

Thank you very much to the deputy chair for the work he did as chair. For the brief moment you left the room, which was very brief, the vice-chair stood in for you.

The Chair: Minister, thank you for those remarkably kind words. And I agree with you; our deputy chair did a remarkable job all through the estimates.

I'll just get back to the script very quickly. This concludes our consideration of estimates for the ministry falling under the mandate of the Standing Committee on Resource Stewardship. As was mentioned earlier, voting on the estimates and any amendments that were raised will take place in the House as part of the Committee of Supply on April 16, 2014.

I strongly concur with part of the minister's statements. I'm very proud of this group, this committee, the decorum, being able to ask very, very hard questions in a very, very smart and concise way. I want to thank you all.

I want to thank also our staff who fed us and watered us – we couldn't have done it without you – our security who stood stalwart by, our very talented pages, and last but certainly not least, Chris Tyrell, our committee clerk, who did outstanding work for all of us.

Folks, team, I would like to adjourn this meeting. Thank you all very much.

[The committee adjourned at 10:02 p.m.]

