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Standing Committee
on
Resources and Environment

Department of Energy
Consideration of Main Estimates

Tuesday, February 16, 2010
6:30 p.m.

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[Mr. Prins in the chair]

**Department of Energy
Consideration of Main Estimates**

The Chair: Well, good evening, everyone. I'd like to call this meeting to order. We'd like to start this meeting. The committee has under consideration the estimates of the Department of Energy for the fiscal year ending March 31, 2011.

What I'll do first is go around the table and have everyone introduce themselves. My name is Ray Prins. I'm chairing the meeting. I'm the MLA for Lacombe-Ponoka.

Ms Blakeman: My name is Laurie Blakeman. Of course, I am delighted to welcome everyone to my fabulous constituency of Edmonton-Centre. I am the deputy chair of the committee this evening. That's probably all you need to know.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. Jacobs: Bryce Jacobs, Cardston-Taber-Warner.

Mr. Dallas: Cal Dallas, Red Deer-South.

Mrs. Leskiw: Genia Leskiw, Bonnyville-Cold Lake.

Mr. Thompson: Barry Thompson. I'm with the Department of Energy.

Mr. Liepert: Ron Liepert, Minister of Energy.

Mr. Watson: Peter Watson, Department of Energy.

Mr. Borland: Douglas Borland, Department of Energy.

Mr. Taylor: Dave Taylor, MLA, Calgary-Currie, and Official Opposition critic for Energy.

Mr. Mason: Brian Mason, MLA for Edmonton-Highlands-Norwood.

Mr. Mitzel: Len Mitzel, Cypress-Medicine Hat.

Mrs. McQueen: Good evening. Diana McQueen, Drayton Valley-Calmor.

Mr. Drysdale: Wayne Drysdale, MLA, Grande Prairie-Wapiti. I'm sitting in for George VanderBurg tonight.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you very much. Actually, I would give the minister an opportunity to introduce his staff after we start, but I think he's already done that.

Mr. Liepert: Actually, if I could, Mr. Chairman, I'd like to introduce two other individuals who we have here tonight.

The Chair: Certainly. Go ahead, please.

Mr. Liepert: The chief operating officer of the Energy Resources

Conservation Board, Trevor Dark, is seated – if you could just stand, Trevor – and also the chairman of the Alberta Utilities Commission, Willie Grieve. I think that's all we've got.

The Chair: Well, thank you very much, Minister. With the members' concurrence we would like to take a five-minute break after the Official Opposition has had their one hour to comment.

What I'll do now is go over some of the process, review the process with the committee members. Standing Order 59.01(4) prescribes the sequence as follows:

- (a) the Minister, or the member of the Executive Council acting on the Minister's behalf, may make opening comments not to exceed 10 minutes,
- (b) for the hour that follows, members of the Official Opposition and the Minister . . . may speak,
- (c) for the next 20 minutes, the members of the third party, [Wildrose Alliance] if any, and the Minister . . . may speak,
- (d) any Member may speak [after that].

With the concurrence of the committee the chair will recognize the members of the fourth party, the NDP, if any, if they're here.

Mr. Mason: I am.

The Chair: Okay. Thank you.

Following the members of the third party, for the next 20 minutes the members of the fourth party and the minister may speak.

Committee members, ministers, and other members who are not committee members may also participate. Department officials and members of staff may be present but may not address the committee. Members may speak more than once; however, speaking time is limited to 10 minutes at a time. A minister and a member may combine their time for a total of 20 minutes. Members should advise the chair at the beginning of their speech if they plan to combine their time with the minister's time.

Three hours have been scheduled to consider the estimates of the Department of Energy. If debate is exhausted prior to three hours, the department's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn. Otherwise, we will adjourn at 9:30 p.m.

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

Regarding the vote, the vote on the estimates is deferred until the Committee of Supply on March 18, 2010, in the Legislative Assembly Chamber.

Regarding amendments, 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 estimate by its full amount. Voting on amendments is also deferred until Committee of Supply, which is March 18, 2010. Written amendments must be reviewed by Parliamentary Counsel no later than 6 p.m. on the day that they are to be moved. Now, that's probably too late to tell you tonight, but that's for future meetings. Seventeen copies of amendments must be provided at the meeting for committee members and staff.

I would at this point invite the minister of the Department of Energy to begin his remarks. I will be keeping a list of the members that want to speak afterward, but I think that first we'll go to the Official Opposition for the hour. After that I will be keeping a list.

Go ahead, Minister, please.

Mr. Liepert: Well, thank you so much. As you said, we're here tonight to consider the Ministry of Energy's business plan and

budget for the year 2010-11. Like the government of Alberta's budget, which was released last week, the Ministry of Energy intends to strike the right balance, even as we make our way through the toughest economic recession since the '30s. Our budget and plan reflect optimism for economic growth in the future, at the same time underscoring our ongoing commitment to environmentally responsible energy development.

This year's plan and budget reflect our Premier's highest priority, that is ensuring that our resources are developed in a sustainable and environmentally responsible way. Our plan and budget will also enable us to further build on our energy resources, ensuring that Alberta remains economically competitive and that Albertans continue to enjoy the prosperity and high quality of life that comes with living in Canada's energy province. I know that we can achieve both.

Earlier this month I received a new mandate letter from the Premier. It highlights actions we will take in this coming year. Our business plan and budget will create an environment in which we can reach those goals. For example, we will further advance our commitment to the environment by taking the lead in supporting the implementation of large-scale demonstration projects through the carbon capture and storage fund. We will also develop policy to ensure that carbon capture and storage is deployed and commercialized in a safe and effective manner.

The new mandate letter also directs us to work with ministry partners to promote innovation and value-added economic development, to create highly skilled and sustainable jobs for Albertans, encourage economic diversification, and strengthen the province's fiscal resiliency. This includes continuing to implement strategies to increase upgrading and refining capacity in Alberta, including implementing the bitumen royalty in kind, or BRIK, as it's known. We'll strengthen our economy by working with ministry partners to enhance our province's economic competitiveness, attracting new investment, and keeping Albertans working.

We'll soon release the results of our competitiveness review, which will include recommendations to improve our province's competitiveness within the natural gas and conventional oil sectors. Obviously, the competitiveness review will have an impact on our core business goal 1, which ensures that Alberta has a competitive and effective royalty system that incents development and maximizes benefits to Albertans.

One of the game changers, however, is natural gas. These markets have changed fundamentally since 2007. The North American market has gone from a scarcity of resource to a surplus in natural gas. So now more than ever Alberta must compete for investment with other jurisdictions, and we need to make Alberta more attractive to investors.

On the other hand, the fiscal regime for oil sands is working well. Projects that have been delayed are starting up again, and investment is returning to this critical sector. Our intent is to be in the top quartile of investment options. After finalizing the competitiveness review and making decisions, we'll review this target to ensure that it remains sound. Recommendations in the competitiveness review will also guide us as we lead the long-term streamlining and rationalization of the natural resource regulatory system and as we identify improvements that promote environmentally responsible clean energy development.

I'd like to just take a few minutes and talk about our direct operating budget. Spending for the Ministry of Energy for 2010-11 is \$457 million, a \$50 million, or 12 per cent, increase over the '09-10 forecast. Of this approximately \$457 million \$246 million is allocated to the Department of Energy, \$175 million to the Energy Resources Conservation Board, known as the ERCB, and \$36

million is allocated to the Alberta Utilities Commission. The increase in funding for the ministry is due to our expanded responsibilities and the priorities outlined in my mandate letter.

The budget also includes \$198 million for energy and utilities regulation, including \$162 million for the ERCB and \$36 million, as I said, for the Alberta Utilities Commission, or the AUC. The ERCB is funded by both government and industry, and the AUC is funded entirely by an industry levy.

6:40

Within our Department of Energy spending for 2011 is \$246 million, an increase of \$54 million from the forecasted spending of '09-10, which was \$192 million.

This budget confirms Alberta's investment in large-scale carbon capture and storage, with \$100 million allocated this year and \$500 million over three years for CCS projects.

This year's funding will support engineering and design work on four projects which were chosen last year and also commits \$43 million in this budget for biofuels initiatives to support the development of renewable energy. This is funding for projects that have already been committed to and does not include any new projects. This investment adds to more than 1 and a half billion dollars invested by the private sector over the last three years to grow a commercially viable bioenergy industry.

This budget also includes a decrease of \$30 million for the support for well abandonment and reclamation program, which was a one-year incentive program that is now expired.

Our department's nonrenewable resource revenue forecast considers many factors when being developed, including supply and demand, world economic growth, and non-OPEC supply growth. Resource revenue budget sensitivities change from year to year as they are based on price, production, and a number of other factors. Last year we experienced increased budget sensitivities rising from the global economic slowdown and the implementation of the new royalty framework.

While forecasting prices in a market as volatile as oil and gas is a challenge, the Department of Energy based its forecast on assumptions regarding factors such as economic growth, demand trends, and expected supply levels. This forecast is compared to forecasts made by a number of other industry analysts, including banks, investment dealers, and forecasting agencies. As Budget 2010 shows, the price forecasts are equal to or slightly below the average of other forecasts. Budget 2010 also shows that for Budget 2009 the department's forecasts of oil and gas prices were closer to the actual than the average of the other forecasters.

In Budget 2010 we are budgeting natural gas prices to average \$4.25 per gigajoule and oil prices to average \$78.75 U.S. per barrel, which is west Texas intermediate. Budget 2010 estimates that nonrenewable resource revenues will increase over the next three years, forecast to increase by \$1.3 billion, or 21 per cent, to \$7.3 billion in '10-11, and it's forecast to grow by \$9.3 billion by '11-12 and \$10.4 billion by 2012-13.

As I said, this business plan and budget strike the right balance between furthering economic growth and strengthening our commitment to environmentally responsible development. I thank you for the opportunity to share this bit of information this evening and would be happy to answer questions.

The Chair: Thank you very much, Minister Liepert.

Before we go to the Official Opposition, I will ask two members to introduce themselves that weren't here at first.

Mr. Berger: Evan Berger, Livingstone-Macleod.

Mr. Anderson: Rob Anderson, Airdrie-Chestermere.

The Chair: Thank you very much.

I presume it'll be Mr. Taylor asking questions, so go ahead, please. I presume also that you will alternate your one-hour time asking questions and receiving answers.

Mr. Taylor: Thank you, Chair. The minister and I had a very, very brief discussion beforehand, and he's willing to do that. We will approach this in 20-minute chunks if that's how it works for you.

The Chair: Yeah. Whatever you like. Go ahead, please.

Mr. Taylor: We'll do a back and forth. Thank you for that, Minister. I appreciate that because the experience I had last year in these committee hearings on budgets is that we can get a pretty good conversation going over the space of an hour. It is helpful to us in the opposition to delve into the thinking behind some of the numbers and get a better understanding of the philosophies and the underlying thinking that went into the budget. I think that's always helpful.

I'm going to ask for a definition, though, or an explanation, right off the top, if I could. You said that your goal is to be in the top quartile of investment options. What exactly do you mean by that?

Mr. Liepert: Well, I guess you could have any number of goals. You could have a goal which says that under no circumstance is anywhere going to be a better place to invest than Alberta. You know, I think that's a desired vision, but I don't think it's an achievable goal. What we would envision is that if you can be in the top quarter of investment opportunities in the world, you're probably going to get more than your fair share of investment dollars. So that's our objective. If we can be at the upper end of the top quartile, then that's even better. I think you have to be realistic because circumstances change on an ongoing basis, and you can't be continually changing the rules, so what you try to do is put a set of rules in place that will keep you in that top quartile.

Mr. Taylor: And you are looking globally? This is in a global context?

Mr. Liepert: Yes.

Mr. Taylor: Okay. Now, on page 96 of the business plan – and this is performance measure 1(a) – the target for '10-11, '11-12, and '12-13 is that "Alberta will have a combined royalty and tax rate that is among the top three lowest/most competitive compared to similar jurisdictions." I have got a couple of questions around that. One is: how do we line that up, and how does that line up with the goal of being in the top quartile of investment options? Take as long to answer that question as you want.

The other is more of a philosophical question, which is the notion that while we try to be as competitive as we realistically can – and I imagine the minister will agree with me on this – there's a little bit of danger in here that we can get ourselves inadvertently caught up in a race to the bottom. We don't want to do that, right?

Mr. Liepert: Agreed. I think that's right. One of the things that you have to do is strike the right balance. You know, I don't think that with other industrialized countries or jurisdictions – let's put it that way because we're also competing against other states and provinces – you're going to find that there's going to be a race to the bottom. I do believe that over the last couple of years as we've experienced more difficult economic circumstances, my gut tells me

that there have been adjustments made in the area of job creation that under normal circumstances may not have happened. So you may have, as an example, a jurisdiction implementing an interim measure to try and stimulate jobs. I mean, that's been happening all over the world.

Mr. Taylor: Well, we've done that here.

Mr. Liepert: That's right. Well, we have done that but less maybe than some other jurisdictions. I think that all things being equal, jurisdictions have to take a look at what is a reasonable return to the owners of the resource but at the same time ensure that the investment climate is such that you're going to attract global investment.

Mr. Taylor: Okay. So some of the incentives that we have, I guess, are the drilling incentive, the \$200 per metre drilled royalty credit; the one-year program to incentivize new wells, a 5 per cent maximum royalty rate for the first year of production. Both those incentive programs have been extended to 2011, correct? Then there was the deep oil well incentive, the deep natural gas and oil incentive, which I gather are done now. Are you intending to extend them? I mean, to what extent do these incentive programs function to create employment? They certainly are intended to create activity, right? How successful have they been?

Mr. Liepert: Well, obviously, with increased activity comes increased employment. The general sense is that they have met what they were designed to do, but the fact that they're interim, short term, doesn't give industry a lot of confidence and certainty into the future. So an awful lot of what we've been working through in our competitiveness review is to provide that certainty and predictability. Whether that longer term certainty will be making permanent some of those interim measures, whether it will be taking some of the successes from the interim measures and designing other longer term programs, we'll just have to wait until the report is released. I would say that, by and large, the temporary measures have done what they have been designed to do, but they have not provided the long-term certainty for what I would say would be a longer term investment.

6:50

Mr. Taylor: So the big question, of course, is: when are we going to see the competitiveness review? The short answer from question period, I believe, was to stay tuned.

Mr. Liepert: No, it was to a different supplementary question when I told you to stay tuned.

Let me put it this way. I believe that we have to have our competitiveness review completed and released in early March.

Mr. Taylor: Okay. Is that going to have an impact on some of what we are talking about here tonight? Is that going to change some of the numbers that we are talking about tonight?

Mr. Liepert: Well, the irony of it is that because this department is such a large part of our provincial revenue, as you see from quarter to quarter, when we release our quarterly reports, you know, sometimes the quarterly report in six months doesn't necessarily reflect what you budgeted at the start of the year. So it may, but at the same time it's also hard to predict what impact one would create if you provide that certainty and predictability. I don't think anyone can predict that in drawing up a budget or completing a competitiveness review and releasing it. We will have to determine as we move

forward whether or not industry responds accordingly, invests in this province and creates jobs.

Mr. Taylor: Is the competitiveness review going to bring about a change to the royalty framework?

Mr. Liepert: I need to be clear. We brought forth in Alberta a new royalty framework – I guess it became effective January of '09, so within the last couple of years – an overarching royalty framework.

Mr. Taylor: Which the industry hated.

Mr. Liepert: No, not necessarily. The industry in some instances disliked parts of the royalty framework. But let's be honest here; the oil sands part of the royalty framework has worked very well.

Mr. Taylor: Agreed.

Mr. Liepert: So the royalty framework is much more than just, you know, royalties as it applies to certain natural gas specific royalties or to certain conventional oil wells. It's an overarching framework. The framework itself is in place and will stay in place. We need to take a look at some of the – I'll call them payouts, if I might, that exist within that royalty framework. I think there are some instances where industry has felt that it hasn't left us in as competitive a position as maybe some other jurisdictions, and that's what we are looking at. I can't go any further at this stage in talking about this particular review until it's completed and released publicly.

Mr. Taylor: Understood, but I'm going to try one more line of questioning along this area, and it's designed to tie the royalty issue together with the issue of certainty. You and I both know, because you and I have both heard from plenty of people both in the oil and gas industry directly and those who would invest in the oil and gas industry, that this industry needs certainty and that the new royalty framework, while it may have worked in some areas and not so much in other areas, upset the certainty that was there before. Then the various patch jobs that have come along since have created, I would argue and I think a number of people in the oil and gas industry would argue, more uncertainty.

So give me some indication, give us all some indication if you can, please, that at the end of the competitiveness review, if the NRF stays there as the overarching royalty framework, the changes that you make to pay out or whatever are going to carry with them some kind of message that telegraphs to the industry and to investors that now this is the way it's going to be for a good long time to come or that this is the process we will follow if we need to discuss changing them and that that process is clear and the principles are clear so that industry and those who invest in it have that certainty of how the system will work.

Mr. Liepert: I think you hit on probably the most important element of what will come out of the competitiveness review to ensure that there is ongoing partnership with industry, as was said to me by an industry leader: no surprises. I think I can give you the commitment tonight that that is a desired outcome of the work, and I would commit to that sitting here tonight, that we need to ensure that as we move forward. I think one of the things that we have to recognize – and industry accepts this – is that there are changing circumstances, and you have to be flexible enough to adjust to changing circumstances. We're not going to be so rigid as to say that that can't take place. What industry is saying is that if you need to make

those adjustments, let's talk about it first, and my commitment is there to do that.

Mr. Taylor: Okay. Thank you for that, Minister. I appreciate that.

Can we talk for a moment about your price projections for 2010-11 of \$78.75 U.S. a barrel for oil, \$4.25 Canadian a gigajoule? As I look back, I think you did not bad on oil in the last fiscal year in your projection. You came out to the good. But the price that you projected or that your predecessor projected or that the current finance minister's predecessor at finance projected for gas was \$5.34 a gigajoule, and the actual average turned out to be closer to about \$3.99. It bottomed out, I believe, at \$2.48 Canadian. You spoke to the volatility in your opening remarks, and it is a seven-coupon kind of amusement park ride trying to project oil and gas prices, but do you have a sense that you're more in the ballpark this year than you were last year?

Mr. Liepert: Well, you know, only you and I will be able to answer that question a year from now. You take the best forecast that we have; you compare them to the forecasts by just about every other international entity, from investment dealers to industry analysts, banks. If you took a year ago, probably two years ago now, no one would have projected where gas would be today. I mean, a couple of years ago we were in a position of gas prices continuing to rise because of scarcity of supply, and then all of a sudden things changed.

One of the real game changes is the whole area around shale. I mean, all of a sudden the projections are that gas supplies – I don't have it in front of me – are significantly enhanced relative to what those supply projections would have been a couple of years ago. It's game changing, but all I can say is that our review of how close we came was as close or better than other international prognosticators. So you make your best effort.

7:00

The one thing that we have done in this province and will continue to do is we do quarterly updates. So if we see that we're heading in a direction that is obviously no longer attainable, we can adjust. That's why we come out with a revised budgetary forecast on a quarterly basis, but I think asking to do any more than that is nearly impossible.

Mr. Taylor: Well, perhaps the most significant thing that you've said about natural gas and the price of natural gas and the supply issue around shale gas and tight gas and unconventional gas is that for the first time ever the government of Alberta will take in more in revenue from bitumen than it will from natural gas. The game has changed.

Mr. Liepert: Yeah. That's both good and bad news. I mean, one of the reasons why we're projecting that our royalties from bitumen will exceed natural gas is not only because of our increase in oil sands production but the decrease in the price of natural gas. You know, it's good news on the oil sands front but not necessarily good news on the natural gas front.

The other thing is the whole shale situation has – you know, our market isn't Alberta. Our market is in the U.S. Our industry is faced with I think it's a buck transportation charge that they don't have to pay a large part of in the U.S. to get to market. So, clearly, when you start to come upon large shale deposits in places like Pennsylvania, all of a sudden it tips that investment climate somewhat not necessarily in our favour.

Mr. Taylor: Sure does. It tips the export climate not necessarily in our favour. I'm looking at an ERCB graph, disposition of Alberta natural gas, that projects that by 2013 domestic use and the amount that we're exporting will be just about dead-on equal. Now, is that the new reality going forward? Is that the new reality for 2013 and maybe '14?

Mr. Liepert: Well, I think that's one part of the reality. But I do believe that as we move into a more environmentally sensitive global environment, gas is clearly one of the cleaner burning forms of hydrocarbon, and I think that you're going to have opportunities. I know a number of fleets have moved to natural gas. There are strong initiatives under way by several industry leaders to get our gas to the west coast. Once we get our gas to the west coast, it's closer to Asia than many of Asia's other markets. There are opportunities to displace oil burning with gas. You know, I think what we need – we can't just sort of say, "Well, that market south of the border is starting to dry up," so we kind of hunker down and accept it as reality. We have to look at other markets.

Mr. Taylor: Adding value, perhaps, as well.

Mr. Liepert: Yes, definitely. But an alternate use for sure.

Mr. Taylor: Well, talking about adding markets, it seems to me that that's kind of an important thing for us to be doing as far as our bitumen is concerned as well. It would help us all one heck of a lot, if for no other reason than it gives us a better bargaining position with the United States, if we've got a pipeline down which we can send whether it's raw or upgraded bitumen or perhaps a combination of both to China and markets in Asia. What are you doing about that?

Mr. Liepert: Well, that's a lot easier said than done. If it were as simple as just going out and investing the dollars, I can tell you that there would be several companies that are in the transmission business that would build a line tomorrow. But the reality of building a line from Alberta to the coast means incredible obstacles related to land, a number of issues around aboriginals and aboriginal land. It's not quite as easy as one might think it is, but those kinds of consultations and discussions and early work are happening.

Mr. Taylor: And British Columbia would have to sign off on all the environmental assessments, right?

Mr. Liepert: Yeah. Sure, it would.

Mr. Taylor: Yeah. Are we working as closely with B.C. as we should in promoting this pipeline or these pipelines?

Mr. Liepert: It hasn't been something that has been at the top of the agenda. That doesn't mean to say that maybe a greater effort couldn't take place there. I think the difficulty is that before Alberta and B.C. actually start having any discussions, transmission companies have to be in a better position, to be further along in being ready to go before those discussions probably have to occur.

Mr. Taylor: In what sense?

Mr. Liepert: Well, with their consultation, with their ability to get access, all of those kinds of things that they are now engaging in. It's a slow process.

Mr. Taylor: Well, you spoke about the need for partnership earlier. Is this something where Alberta Energy should be taking a more active role in partnering with the transmission companies to move this along and perhaps to make a very clear impression on the federal government, the National Energy Board, that this is something that's not only in Alberta's interest but in the national interest?

Mr. Liepert: Okay. I'll take that as sound advice.

Mr. Taylor: And I'll make a note of that.

Mr. Mason: Me, too.

Mr. Taylor: Mr. Mason says that he's going to make a note of it, too.

Back to natural gas for a second if I can. Again, I may be treading on territory that needs best to be explored in the competitiveness review, which I wish you'd called something else because that's darn hard to say. Do you contemplate, either before the competitiveness review is finalized and just thinking about the issue right now or in terms of actually taking action after the competitiveness review is out, doing much specifically to incentivize drilling activity for natural gas, to incentivize activity in that area? There is a school of thought that says that, you know, we'd all be better off if we locked in some of that production. I know that it's a darn hard thing to do when you're a producer, but there is that school of thought.

Mr. Liepert: Well, my thinking would be to put the right incentives in place that are part of the royalty framework, that are permanent in nature, and then let industry determine whether it's worth drilling, whether it's drilling and capping. Let industry make those decisions, but let's ensure that we've got the right incentives that are, as I say, permanent in nature. I wouldn't see us bringing forth the competitiveness review with a series of recommendations and one of the recommendations being to continue ad hoc incentive programs. So I think it has to be part of the permanent structure of the royalty framework, and then industry will determine whether it's incentive enough or not.

Mr. Taylor: Okay. In the 2009-2010 estimates – I don't have them in front of me right now, but I believe it was on, the note that I have here, page 170 of the '09-10 estimates – \$842 million was set aside for the energy industry drilling stimulus program. By the end of the year about half of that amount had been used. This year \$732 million is set aside for it. Could you please break down the \$732 million into each of the drilling incentives? What do you read into the fact that only half of the budgeted amount of drilling stimulus was used last year? Is it going to be different this year?

Mr. Liepert: I'd have to get the breakdown. I'll provide that to you. I don't have it handy that I can go for it.

Mr. Taylor: Thank you. If you could provide the breakdown and at the same time sort of an analysis of why it was.

7:10

Mr. Liepert: Yeah. I don't have that right at the tip, but I'll get that to you.

Mr. Taylor: Thank you. And the other thing I'd be interested in knowing is your thoughts on this year, if it's going to be different this year, and if so, why, on that subject. I'll take those answers from you soon, hopefully.

Mr. Liepert: Yeah. I'll get them to you in the next few days.

The latter part of your question, though, is – we make our best projections. There are a lot of factors that come into play in whether those particular programs are going to be accessed or not, not the least of which is the price of natural gas. So my best answer to why the take-up wasn't as high as we may have anticipated is likely because, as you said in your comments earlier, natural gas prices fell to two bucks, three bucks. It doesn't matter how many incentives you put in place, you can't make any money at that rate. I really think a lot of it will depend on – and I think the indication I'm getting from industry is that industry has kind of settled into the fact that they anticipate gas prices to stay right about where they are now. So there seems to be a settling of price, and I think industry, with a more firm price, one that they can kind of bank on . . .

Mr. Taylor: Even if it's a low price.

Mr. Liepert: Well, low price, but not as low as it was a year ago. I think that there would be a higher take-up on it this year because the price is better.

Mr. Taylor: Okay. A very open-ended question here. Talk to me a little bit about conventional oil. We still have a conventional oil business, but sometimes it seems as though we don't pay that much attention to it, that it's mature, its best days are behind it, et cetera, et cetera. What does conventional oil activity look like going forward for the next year or so?

Mr. Liepert: Well, I wouldn't agree with your preamble. There may very well be more opportunities in conventional oil than in the gas business over the next couple of years because of new technology with horizontal drilling and a whole different way of getting at the oil reserves and, again, industry sort of comfortable that the price has settled at a level that is a decent return. So I would not in any way look at the conventional oil business as something that is kind of from the '50s. It's still a huge part of our resource revenue. It's a job creator. Indications I have are that if the right plan is in place, we could see significant pickup on drilling, especially as it relates to new technology.

Mr. Taylor: I'm glad to hear you say that, Minister, because – and maybe I need to clarify my own remarks – I was referring more to, I think, a perception that's out there sometimes that conventional oil is yesterday's game. I think it could very much be tomorrow's game.

Mr. Liepert: Yup.

Mr. Taylor: We've gotten out of the ground much if not most of the easy oil, but there's a lot of oil still down there.

Mr. Liepert: Well, I would say the easy oil with the old technology.

Mr. Taylor: Yeah. The new technology makes a lot of the oil easy again.

Mr. Liepert: Well, I'm led to believe that by no means have we exhausted the basins. There is significant oil in the basins. They just haven't had the technology to get the majority out.

Mr. Taylor: Agreed. I'm led to believe that for every barrel we've got out, there may still be as many as two barrels down there.

Mr. Liepert: Yup.

Mr. Taylor: And that's huge. That's huge. I wanted to make sure that you were looking at that.

Mr. Liepert: Well, I'm not, but industry is. I can tell you that.

Mr. Taylor: Oil sands are doing well? There's renewed activity there?

Mr. Liepert: Well, if it weren't for people spreading falsehoods about the oil sands, they're doing exceedingly well.

Mr. Taylor: I think he's looking at you.

Mr. Mason: Shame on those people.

Mr. Taylor: Okay. So here's a question. I'd love to have you and the Minister of Environment and maybe a couple of other people around the table at the same time. I don't, so I'll just put it to you. What are you doing to counter the increasingly negative reputation that the oil sands are getting at least in some quarters around the world? This is very important to our future. It's also important that we find cleaner ways, continuously cleaner ways of developing the oil sands. It's important that the story get out there.

Mr. Liepert: My answer to that question is two words: not enough. If there's one thing that I've committed to over the next period of time, it's to do a much better job of that, not just the government of Alberta but, I believe, industry. I also believe that it's the responsibility of leaders in our labour movement. I would also put in there municipal leaders.

You know, I just find it absolutely fascinating that we would have the Premier of Quebec sort of leading a mission to Alberta so that Quebec companies could capitalize on opportunities in the oil sands and then the same government of Quebec pulling the stunt that it jointly pulled with their Liberal brothers out of Ontario in Copenhagen. I would ask you as a western Liberal brother to help straighten your friends out.

It's just like your friend to the right there when I was in health care. A one-second lie takes a week of truth to refute. That's what we have out there. I'm not suggesting that any particular member is telling a lie. I said one lie.

Mr. Mason: Point of order, Mr. Chairman. He clearly was referring to me when he made that comment. It's unacceptable. I'm just sitting here, you know, trying to learn something from the minister. All of a sudden he's gone off on the Liberals, and now he's accusing me of being a liar.

Mr. Liepert: I will withdraw that remark if it offended the member.

What I will say is that you've got groups who continuously without fact raise issues about the oil sands that we need to do a much better job of countering. So stay tuned.

Mr. Taylor: Now, I won't raise a point of order, but I will respond. It's not about what political party you belong to. It's about one province trying to get a leg up on another province or in this case maybe two provinces trying to get a leg up on another province. I think that if the province of Quebec had oil instead of an awful lot of water, they might view things in an entirely different way, but because they have the potential to develop a tremendous amount of hydroelectric power and that's seen as clean, they're going to ride

that horse for all it's worth. I would simply point out to the minister that I'm pretty damn sure we would do the same thing if we were in that situation.

Mr. Liepert: You asked what I'm going to do, what the government is going to do. I think as Albertans if you have, let's say, like-minded thinking governments in other provinces, I would encourage you to use some of your MLA allowance to communicate to your like-minded thinking members of the Legislature in Quebec and Ontario about what a wonderful province this is and what a great resource the oil sands are and how many jobs are created in Ontario and Quebec because of the activity in Alberta.

Mr. Taylor: I would be happy to make your job easier by doing exactly that.

Mr. Liepert: Good.

Mr. Taylor: That is essential, and you and I agree on that. It is essential that we tell a different story and not through a \$25 million, quote, unquote, greenwashing campaign – and I use the term because it's been used before, not to be pejorative about it – not through a \$25 million ad campaign or marketing campaign but through something much more sustained that tells the story of what's really going on in the oil sands, that tells the story of how much that means to the rest of this country.

Mr. Liepert: Right. I agree. I think that what we need to do is to talk directly to all of those people that are negatively influenced by the *Toronto Star*.

7:20

Mr. Taylor: Mr. Chairman, something tells me I should call a point of order on that, but the *Toronto Star* isn't present, so I'll let it pass.

The Chair: Keep asking questions.

An Hon. Member: It is a Liberal paper.

Mr. Liepert: It is that.

Mr. Taylor: Whatever. I don't read it most of the time. When I want my news from the east, I read the *Globe and Mail*.

As far as the oil sands are concerned, we've got a few issues there. We've got the issue of creating another market, which you and I have talked about. We've got the issue of adding value through upgrading. Your government has a target. The government has stated on a number of occasions that it's looking for somewhere in the neighbourhood of perhaps as much as 70 per cent of bitumen to be upgraded in Alberta. You know as well as I do that industry has been resistant to that target over the last few years, that with the spread between bitumen prices and conventional oil prices being somewhat narrower than it traditionally is, from their point of view it makes more economic sense to put the raw bitumen into a pipeline and ship it south to a refinery on the Gulf coast that is already equipped to upgrade the stuff because they've been upgrading Venezuelan and Mexican oil for many, many years.

I have a sense that maybe the tide is turning a little bit. The projections that I've looked at suggest that the spread will widen a little bit between bitumen and oil prices in the next year or two. What do you see as possible on upgrading?

Mr. Liepert: Well, again, in terms of predicting the future on where the price will land, it's not easy, but I think it's fair to say that as

long as you've got capacity in the existing refineries that need to keep those refineries operational, the price of bitumen will stay high. We have taken a major initiative in our BRIK plan, but we are not going to start to build upgraders in this province. That has to be a decision that industry has to make. If there's money to be made, industry will build them, and if there isn't money to be made, then why would government build them? It is a market force driven decision. Obviously, we would like to see more refining and more upgrading take place in the province, but it can't be artificial, and it can't be a subsidized initiative. That's really where we're at today.

Mr. Taylor: Okay. So now that the final RFP process for BRIK has fairly recently finished – I think January 27 was the closing date, wasn't it? – can you speak to the applications that you've received?

Mr. Liepert: No. I can say that we've got several applications. We are in the process of assessing them, and my recollection is that we would be in a position to speak publicly, I think, by May.

Mr. Taylor: Can you talk about the criteria that are being used to evaluate the applications?

Mr. Liepert: I believe the criteria are public in the RFP. I don't have it in front of me. I have a copy of the RFP that I'd be happy to make available to everybody, but I think it is public.

Mr. Taylor: Thank you. Okay. Do you see increasing your target this spring for BRIK, which is currently at about 75,000 barrels? Too soon to tell?

Mr. Liepert: Yeah. That's not something that I can add anything to.

Mr. Taylor: Okay. This is a pretty speculative question, but I want to get it on the record. Do you think there's still the possibility of achieving a 70 per cent target for local upgrading in the long term?

Mr. Liepert: Well, I guess that depends on what you call the long term. I mean, it's a goal that is certainly worthy of trying to achieve, but clearly with the market conditions that exist today, if they continue to persist for the long term, it's going to be very difficult to meet.

Mr. Taylor: Yeah. Okay. So if we can't add value by upgrading – I'm not saying that we can't, but I understand what you're saying, that the industry is going to build the upgraders if it makes economic sense for them to do so, and they're not if it doesn't. But if not upgrading, then what other added value tricks do you have up your sleeve?

Mr. Liepert: Well, I'm not someone who can pull rabbits out of the sleeve. We have taken the initiative around BRIK. That was very creative. I would suggest that it's the responsibility of our department to continue to try and be creative. There is nothing that I can elaborate on at this time, but I would say that we are continuing to monitor, and as I said, if the current condition persists for some period of time, we would have to look at what some of the other options might be.

Mr. Taylor: Okay. Let's move on to carbon capture and sequestration. Let me ask you whether it concerns you just a little bit that we have put too many of our climate change eggs in that one basket. Or is there a lot going on that perhaps we don't all know about?

Mr. Liepert: Well, I'm not quite sure how you would come to that conclusion of too many eggs in one basket. I mean, our commitment in this budget is a hundred million dollars. We have significant other commitments both through our department and through Environment to climate change and other environment initiatives, so I wouldn't agree with your assessment. I know everybody focuses on the \$2 billion, but the \$2 billion is spread out over a number of years.

Again, I think that what we're doing here is not just simply an environmental initiative. There are, clearly, long-term economic benefits from it, but I think the real benefits could probably come from the technology development of CCS. You know, it's a bold undertaking to make the kind of commitment we have. I guess we will have to wait and see whether the boldness will pay dividends, but I think we as a government feel very strongly that it's still the right initiative.

Mr. Taylor: You said that you had four large-scale CCS projects coming down the pipe this fiscal year, correct?

Mr. Liepert: Uh-huh.

Mr. Taylor: Okay. What about other technologies that speak to trying to reduce the amount of CO₂ emitted at the source as opposed to saying: "Here is the CO₂ we're emitting; now we're going to capture it, and we're going to put it someplace. Maybe we'll do something with it like inject it down wells to assist in tertiary recovery projects of more conventional oil; maybe we'll just store it underground somewhere." What we're doing with CCS is taking the CO₂ that we're producing now, grabbing it before it gets into the air, theoretically, and we're going to put it someplace. What if we didn't make it to begin with? What kinds of initiatives is your department supporting on that?

Mr. Liepert: Well, I'm not trying to duck the question, but those kinds of questions are more appropriately put to Environment. Those would be monitoring and areas that I would think would be more in Environment.

Mr. Taylor: Even if they involve technology around energy production?

Mr. Liepert: You know, it is a combination, but certainly our focus most recently has been on CCS. I mean, that's where we focused on. I think that you can take a number of instances with industry. A lot of work is going on because – let's face it – industry knows that it needs to ensure that it's becoming more compliant because it will cost industry money.

Mr. Taylor: I'm thinking that there are some powerful – incentives is not the word I want to use although it's the word that comes to mind – powerful motivators, if you will, to try and push the envelope on clean energy, specifically clean oil sands development technology; for instance, an in situ project that burns less natural gas because you don't need as much heat, so you don't get as much energy wastage or CO₂ emitted. You know, if you can bring the cost down.

7:30

Mr. Liepert: Well, I think the approach that we've been taking is to work with industry. We have budgeted, again, the climate change fund I think through Environment and the innovation fund through advanced education. Those are all funds that government has put in

place to work with industry to develop the technology. Keep in mind, you know, that it's industry that develops this technology, not government. Our way of operating will be more along the lines to create the incentive and work with industry to I guess enhance and commercialize that technology.

Mr. Taylor: And then you want to make best practices as widely available as possible.

Mr. Liepert: Yeah.

Mr. Taylor: What's your view on legislating best practices or on government saying, "This is how thou shalt develop the oil sands from this point forward" or something like that?

Mr. Liepert: That's not terminology that I'm very comfortable with.

Mr. Taylor: Okay. Is enough, then, being done? I appreciate carrots are better than sticks.

Mr. Liepert: Always.

Mr. Taylor: Almost always unless you're training a Labrador retriever. In that case the stick works much better than the carrot.

But is enough being done, in your view, in terms of cross-ministry co-operation between Energy, Environment, and Advanced Education and Technology in this area? Is that something you should work on?

Mr. Liepert: Well, could it be improved? Obviously, it always can be improved, but I think that there are good initiatives under way. Keep in mind that much of this has sort of evolved over the last two or three years. We haven't had a long history of dealing with climate change, you know, maybe more in the last few years. I don't get a sense that that's an issue, but if there are specific examples of maybe where it could be done better, I'd certainly from our department standpoint be prepared to look at it.

Mr. Taylor: Okay. Let's talk about electricity for a bit. Let's talk about goal 6 in the ministry business plan. On page 102 strategy 6.3 reads: "Promote smart metering, smart grids and better consumption measurement to help Albertans better understand and adjust their [energy] consumption patterns and adopt greener practices." While a smart grid and smart metering are good ideas, please assure me that you're not calling this gold-plated, massive transmission project that Bill 50 enables a smart grid.

Mr. Liepert: No.

Mr. Taylor: Because at its cost it looks like a pretty dumb grid to me.

Mr. Liepert: Well, I think we disagree there. But we're not talking about the same thing there at all.

Mr. Taylor: Okay. So what are you talking about with a smart grid and smart metering, and how does it tie into that massive AESO-led high-voltage transmission grid that Bill 50 is set to enable?

Mr. Liepert: Well, it kind of ties in like a highway and a tire shop. I mean, they're in the same ballpark, you know, but they're not tied together. When you're talking about smart grid and metering, you're talking about the consumer end of the business. Transmission is just that. I mean, I don't quite get the connection at all.

Mr. Taylor: Well, it seems to me that the transmission grid, the big one, the multibillion-dollar high-voltage one, is designed more to carry an awful lot of electricity from someplace like a power dam just over the 60th parallel in the Northwest Territories or perhaps a nuclear power plant in Peace River, just speaking hypothetically, of course, on down through Calgary, across the border, down to Vegas to keep the slot machines going 24/7. I mean, when you look at the map, that's one inference you can draw.

Mr. Liepert: Yeah. You could draw that if you're . . .

Mr. Taylor: And by the way, I have no problem with exporting electricity as long as you're not making me pay for the lines that are going to send the electricity south so that whoever produced it can get rich off it. I want a piece of that action.

Mr. Liepert: Okay. Was there a question in there? I had some trouble finding a question other than the fact that if you don't have a transmission line, you're not going to have much to measure at the other end. I don't know how to respond to your rant other than to say that I think you're spending a lot of time laying awake at night worrying about something that you and I both will no longer be on the face of the earth before it's going to happen.

Mr. Taylor: There's so much I could say in response to that, but I won't.

Mr. Liepert: Go right ahead.

Mr. Taylor: So the smart grid, though. I mean, a smart grid speaks to people being able to generate a small amount of their own power if they so choose and put the excess power, if they're producing more than they need, back onto the grid, right? And, yes, you need a grid. But here's the question. I'm trying to get you to explain to this guy, who would not pretend to understand electricity other than I flip the switch up, the light comes on, and Enmax sends me a bill that's more than I would like to pay, but I pay it anyway every month.

Mr. Liepert: Well, you should look at the options out there. The retail market is deregulated. If you don't like your Enmax price, look around.

Mr. Taylor: But my EPCOR price in my apartment here in Edmonton is much the same. You know, it's deregulated, but it's not very darned competitive. It's kind of like the cellphone industry: you overpay no matter who you're with. That goes to a question that I wasn't going to ask, but your rant has gotten me off on another one. When are retail power consumers going to see the benefits of deregulation, and what's that going to look like? I understand that the generators, the people who make the stuff, are very happy with the system. It's working well for them.

Mr. Liepert: Well, I think part of the issue is that when government deregulated the retail business, I believe government underestimated the power of incumbency. I think that with incumbency – and you've seen it for years in telecom, and you're seeing it today in electricity – there's no real compelling reason to switch, or there's no real compelling reason to even look around. I personally think that most people, by and large, accept their power bill for what it is, pay their power bill, and, you know, go out for a beer.

Mr. Taylor: If they can afford it.

Mr. Liepert: I think they can afford it. If power bills were as astronomical as a few people sitting around this table would try to relate – and I'm talking about at the individual retail consumer level. There's no question that with business and industrial and irrigation and those areas it is a significant amount of cost. But I would suggest that if the cost of the individual residential power bill was seen to be exorbitant, people would look around, and the retail market probably would have been more successful. The combination of, I think, Alberta's still very reasonable electricity rates, the power of incumbency, and the existence of two very large retailers in the province has led to a situation where the deregulation at the retail level has not been as successful as we would have liked it to have been.

7:40

Mr. Taylor: And that means what going forward in terms of the impact, positive or negative, on smart grids, smart metering, the ability of consumers to produce a little of their own electricity through one means or another and put the excess back onto the grid, the brave new world where we have so much more choice because we have so much more that is possible technologically than we did even 10 years ago?

Mr. Liepert: Well, first of all, there is no initiative by government today to introduce into the marketplace advanced metering and smart grid. This is at a discussion stage. It's at a consultation stage. I think it would be wrong for government not to explore all of these options, but to leave the impression somehow that this is going to be available tomorrow would not be correct. But I do believe we need to start to engage in those discussions with consumers and always be looking at opportunities wherever it may present itself.

Mr. Taylor: Is that an opportunity to green the grid?

Mr. Liepert: It could very well be, yeah. Sure.

Mr. Taylor: So should we be considering maybe pushing it a little harder than that in terms of meeting some of our climate change challenges? It's a question for Environment again, I realize, in a sense.

Mr. Liepert: Yeah. But you're right. I mean, I would suggest that if it were something that Albertans really took to, that would probably be the upshot of it. Certainly, in the near term it is negligible relative to, to use your words, greening the grid.

Mr. Taylor: Okay.

Mr. Chairman, how am I doing for time?

The Chair: You have two minutes.

Mr. Taylor: I have two minutes left. Let me squeeze in a question about biofuels, and then I'll pass this on to whoever is up next. You're cutting program funding, I believe, by \$12 million. I'm reading on page 160, line 2.0.4. You're cutting \$12 million out of biofuels program funding. Why?

Mr. Liepert: I didn't believe we were cutting money out of that. I'm going to have to get an answer for you after the break, and I will do that.

Mr. Taylor: Thank you.

Okay. I'll leave it at that, Mr. Chairman.

The Chair: Okay. Thank you very much. You have one more minute, but I think what we'll do is take a six-minute break, then. We'll reconvene at 7:50, and then we'll go directly to the Wildrose Alliance.

[The committee adjourned from 7:43 p.m. to 7:50 p.m.]

The Chair: I'd like to reconvene the meeting. We'll start first with Mr. Anderson. He'll start with his questions. He's got 20 minutes to go back and forth. I believe you'll agree to just alternate like we did before.

I just want to mention one other thing, and that is that the minister has indicated that he will respond in writing to some of the questions. When you do that, you should send the responses back through the clerk. Thank you very much.

Mr. Liepert: I will do that, Mr. Chairman. For the one question, around the breakdown on the drilling incentive programs, I could have the information here, but it would probably be better supplied in writing.

I just wanted, if I could, to supplement the answer to the last question from the member relative to the \$12 million reduction in the biofuels program. That program is expiring at the end of I guess it's this current budget year, and the money that we have allocated will complete the projects that are under way. Until a decision is made whether we extend the program or not, we did not budget for any new additional projects in this budget year.

The Chair: Thank you very much.

Then we'll go directly to Mr. Anderson. Go ahead, please.

Mr. Anderson: Thanks. Thanks, Mr. Minister, for being here. I wanted to start off talking a little bit about the revenues that are coming into this province from royalties and specifically about Alberta's competitiveness in the oil and gas world. There was a report that came out recently from the Fraser Institute. What they did in that is that they surveyed oil and gas executives from across the world about: where was the most competitive region, where was the most attractive region or regions to do business in the world? They based it on criteria that were investor confidence, investor certainty, return on investment, regulatory framework, impediments like that, and other externalities. They found that we had the most uncompetitive regime for doing oil and gas exploration in all of Canada and among the worst in all of North America and one of the worst in the world, certainly in the industrialized free world. I guess that first I would ask: would you say that that's a fair analysis, or are those CEOs and CFOs, et cetera, not correct in that assessment?

Mr. Liepert: It's probably a fair analysis considering who conducted the survey, the same way that I think you could probably have a survey conducted by certain groups that feel that we should be taking a significantly increased amount of royalties, and that would maybe not be any more reflective of reality.

What we are doing is we are working with industry to finalize our report. I believe that when the report is released, it will be well received by industry because we've been working with them right along. Then I guess I would let you judge whether or not we are in that upper quartile of being the best places to invest, and then the real validation of that will come when decisions are made whether or not to invest in Alberta.

Mr. Anderson: Okay. I guess it would be fair to say that you don't think that that's a fair analysis, that we are a much more competitive place than dead last in Canada to do business.

Mr. Liepert: Again, I don't know the accuracy of the particular report, but I think what is more accurate will be the work we've been doing for six months with industry to come up with some recommendations that I believe will put us in that upper quarter, and then the proof will be in the pudding.

Mr. Anderson: Okay. Do you feel that currently we are as competitive as, say, B.C. and Saskatchewan, our two closest neighbours? Are we as competitive as they are?

Mr. Liepert: Are you referring to oil and gas specifically?

Mr. Anderson: In oil and gas specifically.

Mr. Liepert: That is the information that is currently being compiled and will be addressed specifically in our report. For me to make any comments in advance of that would be unfair to the work that has been under way for some six months, so I would ask you to just be a little patient. As I said, we should be in a position in early March to answer that question.

Mr. Anderson: Okay. Fair enough.

Let's talk about the competitiveness review, then, for a bit. The first review that was done by the royalty panel, back before the 2008 election: do you feel that there was adequate industry input into that panel?

Mr. Liepert: Well, you know, I could spend a lot of time here reflecting on what may have been or may not have been. We could spend a lot of time sitting here this evening talking about what should have been or shouldn't have been. I'm more interested in talking about what the future holds, and part of the future is the work that's currently taking place as part of our competitiveness review. As I say, we will have those recommendations shortly.

Mr. Anderson: I do like the idea of looking to the future, and I think, you know, point taken on that. I guess my only concern would be for the Albertans that haven't been so lucky, who don't have much to look forward to because they've lost their businesses or they've lost their jobs in the oil industry.

It is important that we see what the track record of a government is. When they're saying that they've got a new competitiveness review, I think we need to look to their old track record to see how things have gone. Why would we do this competitiveness review after we meddled with the engine of the Canadian and Alberta economy? Why would we do this after and not before? Why would we not bring industry in before we decided to change all the rules and have the consequences that have occurred happen? I mean, how does something like that get missed by a government?

Mr. Liepert: Well, for starters we have to make sure that it's on the table that a lot of factors have contributed to individual and business successes and failures, so to isolate a particular situation may or may not be fair. I wanted to just make sure that that's on the table and clear.

Secondly, as I said earlier, we can relive the past, or we can fix the future. If what we're doing is fixing the future, then I want to concentrate on doing that and not trying to live in the past.

Mr. Anderson: For sure. I agree that we shouldn't live in the past. I guess my only concern is that I think we shouldn't live in the past, but we should learn from the past, or else we'll just make the same mistakes in the future. I guess I'm a little worried that as we go

forward, we make sure that we remember the mistakes that were made with regard to not consulting with the industry enough or effectively.

You mentioned earlier the shale gas plays that have changed the picture. Industry knew about those in 2008. Many of the MLAs in the government caucus knew about that prior to 2008 or during 2008, yet it got missed. Again, are you totally sure that the consultation process that has occurred on this next round, this sixth rendition, this sixth change that has occurred since the initial new royalty framework came out – has enough consultation been done here? Are you completely confident of that?

Mr. Liepert: Well, you're going to have to ask industry when we release the report whether they're satisfied with it or not. All the indications I have in meetings with industry is that they have felt fully engaged. As recently as yesterday, in discussions with a senior official in Calgary talking about some of the directions we are prepared to look at, the response was very positive. You know, I can only say that you can make that judgment. You can talk to industry after the release of the report, and you can see for yourself.

8:00

Mr. Anderson: Okay. You mentioned earlier that you didn't foresee the overarching – correct me if I'm wrong. I'm not quite clear on what you said earlier with regard to the royalty curves. You seem to be implying that the overarching framework will stay the same, and there might be changes, different incentive programs, et cetera, et cetera, that become permanent in nature. Is that fair? Was that what you said?

Mr. Liepert: That's fair. Yup.

Mr. Anderson: Okay. So if the whole industry, I guess, has changed with regard to oil and natural gas, non oil sands oil, conventional oil and natural gas, and some of the new unconventional ways apart from oil sands, why would we not be open to changing or altering the royalty framework? I mean, if it's changed that much and we didn't see this coming, and that's how the new royalty framework got put in place, why wouldn't we want to look at possibly changing the actual overarching framework, which obviously has been flawed?

Mr. Liepert: Parts of it need to be addressed, but I believe that we can address the issues that need to be addressed within the overarching framework as a start. The overarching framework is a piece of legislation. We don't need to bring in new legislation. The legislation is there. It's framework legislation. If there are some changes that need to be made within that, that's where we're going. All I can say is that industry has indicated to me numerous times in the short period that I've held this post that they're satisfied that we're heading in the right direction. They are clearly engaged, so I would suggest: let's let the work conclude and then assess it.

Mr. Anderson: Okay. Because investor confidence has been so badly affected over the last couple of years by the new royalty framework, even if you get it right – and I sure hope we do. I sure hope you do. I sure hope for the sake of Alberta that we get it right this time. How do you plan to restore – I mean, there's lag time here. Capital has been allocated by various companies. There's no on-off switch in the oil and gas industry. How do you intend to restore investor confidence? Is there some sort of advertising campaign? Is there going to be some sort of outreach? I don't know. Just enlighten me as to how we're going to tell Wall Street and communicate to Bay Street and communicate just to the average

investor that Alberta is now open again for business in the oil and gas sector.

Mr. Liepert: Well, first of all, Alberta was never closed to investment in the oil and gas sector. There has been and continues to be significant investment in the oil and gas sector in this province. But it's not the Alberta government that goes out and seeks capital. It's industry that goes out and seeks capital. And industry has indicated to me that if we come forward on the time frame we're planning, it is totally adequate for them to do their planning for the fall drilling season. I have to take industry at their word.

Obviously, there are initiatives that have to take place in terms of the promotion of this province and this province as a place to do business. That's an ongoing thing, but we live in a day and an age of pretty instant communications. My guess is that if we meet our goals, people will find out about us pretty fast.

Mr. Anderson: Yeah. Okay. I guess my only concern would be, you know, that we have to communicate that message and that it has to be credible. It's not just enough to communicate it. Would you agree that we've lost some credibility with oil and gas investors across the continent with what we did in 2008?

Mr. Liepert: There are certainly people in the investment community that would always want to get the best return on their dollar. I would say that in some cases the investment community has been somewhat critical in the oil and gas sector. Our goal and objective is to ensure that they are recommending Alberta as a place to invest or, actually, if they are in a position to do so, invest their own dollars into this province. But again, a lot of that is based on what industry is telling them. As I said earlier, it's industry that goes out and seeks capital dollars. It's not the Alberta government that goes out and seeks capital dollars. If industry is satisfied that the investment climate is one that is competitive, it will get that message out.

Mr. Anderson: Okay.

How am I doing on time?

The Chair: You have four minutes left.

Mr. Anderson: Okay. I don't have enough to touch on that other subject, so I guess I'll move on to BRIK, bitumen royalty in kind. Are you familiar with the upgrader in Lloydminster and kind of the government's involvement in that? Is that something that you personally are aware of?

Mr. Liepert: Well, that's a different situation than we are in today. I'm going from memory here, but my recollection is that government was a partner in the investment there. The difference here is that we are committing a supply to an upgrader. We are not part of the investment in building the upgrader. That's a significant difference.

Mr. Anderson: Well, I did definitely see some of the proposals that came forward from the various players that have an interest in pursuing some of the money for BRIK or pursuing a partnership or a stable supply of feedstock. It did look to me that what they were proposing, what I saw, was very much a partnership arrangement. It would almost be a guaranteed fee-for-service contract, where we would essentially provide them with the feedstock, and they would upgrade it for us, and we would still have the risk. If the differentials didn't work out at the end of the day, we'd still hold onto the risk. That's what I saw prior to January 4. Has that changed since January 4?

Mr. Liepert: No. Well, you saw the RFP, which is precisely what I just said it was. That is not a capital investment in the project. What it is is a policy decision that this government has taken. The only commitment that we are making to the successful applicant is to be the processor of our bitumen. That upgrader would not be making any more off our commitment than any other upgrader would make. The only thing they would have is a secure source of supply for a period of time. The end result to the Alberta government is no different whether it's part of that project or whether it would be a regular upgrading process. So it's a very different situation than Lloydminster.

8:10

Mr. Anderson: Okay. The only thing is that you're going to have to clarify it a little bit more, then, because if it's a strict agreement to provide them with bitumen at the market rate or whatever, if that's what we're guaranteeing them, that's one thing. I agree that it's different. But if what you're doing is saying: we are going to provide you with a certain set feedstock of bitumen; we will pay you to upgrade it, and we will guarantee a rate, a fee for service, that we will pay you to upgrade the bitumen into synthetic crude or whatever . . .

Mr. Liepert: I would have to get clarity on that, but my understanding is what you said first.

Mr. Anderson: Okay. Well, then, I think that that is a good idea and something that will be helpful.

Mr. Liepert: I will get clarity on that.

Mr. Anderson: All right.
Are we almost done?

The Chair: One minute.

Mr. Anderson: Okay. I don't have time for this last piece. Are we going to come around again?

The Chair: Ask the question, and you can get an answer.

Mr. Anderson: No. That's good. I'm good for now.

The Chair: Okay. Thank you very much. That'll conclude this section, then.
We'll go over to Mr. Mason, please.

Mr. Mason: Thanks very much, Mr. Chairman. Mr. Minister, thank you very much for being here. I had really hoped that we would be able to get off on a new foot here in your new ministry, and I still hope that we can. But since you raised the question, I want to just clarify something about what we've been saying about the oil sands. I notice that you noticed today in question period that we call it the oil sands.

Mr. Liepert: Yeah. What's the change?

Mr. Mason: It's been a change that's been there for about a year almost, actually. The position that we've taken is that the biggest threat to Alberta's prosperity is that the reputation that it's gained around the world may lead to a progressively increasing boycott of the oil from Alberta, so the best thing to do is not shut it down, as some would like to do, but to clean it up and to clean it up in a real

way, not simply spend money on public relations or advertising and so on. From my perspective the way that Greenpeace has worked on this is typical of it. They spend about 10 per cent of their effort here in Alberta rappelling down and hanging banners, and they spend 90 per cent of it talking to our customers and potential customers. I'd like to just read something here from the *Globe and Mail* last Thursday. It says:

Whole Foods [a company] and home furnishings retailer Bed Bath & Beyond Inc. have signed onto a campaign by environmental group, ForestEthics, in which they commit to reduce their reliance on fuel that is produced from Alberta's oil sands bitumen.

ForestEthics expects to sign up other Fortune 500 companies, and says it is currently negotiating with 30 companies, as it looks to increase public pressure on Canada to impose dramatic emission reductions on the oil sector.

That was from the *Globe and Mail* last Thursday.

If I can just deal with, I guess, the competitiveness review, I'd like to ask what the numbers in the budget are based on. Are they based on estimates of prices for oil and gas at the current royalty rates? What do you anticipate changes as a result of the competitive review might do to the numbers in your budget?

Mr. Liepert: I need to break those two questions down because I do want to respond to the first comments that were made. First of all, I absolutely applaud the member for after many, many years and, I would suggest, probably a lot of phone calls from the labour movement finally recognizing that this is an Alberta resource and that by calling it nasty names, we aren't doing any justice to Alberta. I applaud you for that, member.

I want to also say that when I made the earlier comment, I did not intend to link you, member, with my comment. It just happened to come out that you were closely associated with it. That was not my intent. As I said, I withdrew that.

As you can see by what you just read, the fact that you've got organizations out there, and many of them well funded, who don't always necessarily tell the truth, it takes a lot of effort to clarify those untruths, but I think that there is nothing greater than the power of the consumer. I know that you read a story from a Friday newspaper – I've been reading them all weekend – where there's been, you know, a new Olympic sport that was invented this past weekend. It was called backtracking. And Bed Bath & Beyond has just won a gold medal this weekend in backtracking. My guess is that there's someone who made a decision in the purchasing department at that particular organization who is probably no longer employed there and is probably working for ForestEthics these days. So that's all good.

Anyway, now that I've finished that rant, I will try to answer your second question. Our budget is based on the current estimates. What will come out of the competitiveness review is still to be determined, and any adjustments that need to be made would be made throughout the year and reflected in quarterly reports the same way we would adjust based on a differential in price that would have occurred internationally.

Mr. Mason: Okay. It sort of leads to my next question with respect to the competitiveness review. There seemed to be a disagreement which you clarified in a letter to the editor. There was an apparent disagreement between you and the new finance minister with respect to whether or not there were going to be changes to the royalty regime that would affect our revenues. I'd like to give you an opportunity to say whether or not there will be a change to royalties as a result of the competitiveness review.

Mr. Liepert: I can't say there will be for sure, but there are likely to be some adjustments if for no other reason than that some of the

programs that are in place are interim and temporary in nature and are due to expire at varying times in our three-year budget projections. You know, I can't say anything more than that, but I would say this: whatever adjustments may or may not be made, there are a whole bunch of factors that go into the end numbers in a budget. Sometimes you make an adjustment that might on paper look as though it's impacting the number one way or another, but the spinoff factor of making that decision may impact the budget in the opposite direction. The numbers that we have in front of us are our best forecast when the budget was prepared, as they are every year. As we move through the year, we'll adjust accordingly if, in fact, there are changes.

Mr. Mason: Okay. Thank you. Now, one of the things that was contained in the government's decision following the royalty review originally was a cap on royalties at \$120 a barrel. I'd like to know if you envisage that remaining. If so, what's the rationale for capping royalties at \$120 a barrel?

Mr. Liepert: I'd have to do some research on the rationale at the time, but clearly \$120, you know, may be deemed to be a number by which a sufficient return to the province was attained. I'm not going to get into whether or not that particular part of the royalty structure is up for discussion, because if I do, you'll start asking me questions on every other part of the royalty structure, and before the night is over, you'll figure out what may or may not be . . .

8:20

Mr. Mason: I've only got 10 minutes. There's only so much damage I can do, Mr. Minister.

I want to ask about how this review is progressing and, you know, particularly why it seems to be a matter of discussion strictly between the industry and the government and that there is no transparency in terms of what's going on or, apparently, any representation into the process from groups other than the industry, who, of course, benefits directly from the resources, which we all own.

Going back to 2007, when the Our Fair Share report was brought in, their report, it was estimated, would bring in an additional \$2 billion in revenue. Since then the government on October 23 brought in its own plan, which included changes that reduced the royalty, the increase in the take, brought the caps in at \$120.

Then negotiations with Suncor in January of 2008 brought in some increase in royalties, but it's all on the bitumen basis, so the total amount brought in went down about 60 per cent. Then in April of 2008 there was another reduction for deep resource programs to promote high oil and gas, and that cost another \$37 million a year. In November Syncrude signed on, but because of them going to bitumen, their royalties dropped to about 50 per cent. Then there were changes that went in November 2008, transitional royalty rates, that cost us \$172 million a year. March 3 there was a three-point incentive program that dropped it even further and then June 25, 2009.

Basically, we've seen a position where the owners of the resource were going to get somewhat more, \$2 billion more, that there has been probably six or seven points where the government's take has been eroded from that point altogether. Now we have the royalty review, and it seems to me that, basically, what's going on right now with the royalty review is that the oil and gas industry is being allowed to write its own ticket. You know, if you can provide me with some compelling argument why that's not the case, I'd love to hear it.

Mr. Liepert: Well, I wouldn't expect any other position from you, so I'm not shocked, but when I sat and listened to you ask the question, I believe you answered your own question: why don't you involve Henry and Martha in this process? After about a minute of what you just talked about, Henry and Martha would be so lost that they wouldn't . . .

Mr. Mason: Don't underestimate them.

Mr. Liepert: Well, the Henry and Martha I know, that I'm referring to, would be lost.

This is a highly technical, complicated business, and this is not something that, you know, town hall meetings are going to resolve. It has nothing to do with industry writing its ticket. It's all about ensuring that as a place to invest money – and keep in mind that capital can go wherever it wants, and capital will leave if the environment isn't competitive with other opportunities to invest, so we want ensure that what we're going to have is one of the most competitive environments to bring capital into the province. There is no other answer I can give you.

Mr. Mason: Okay. Will there be any public discussion about what's going on in the discussions with industry as part of this competitiveness review prior to a final decision being released?

Mr. Liepert: Well, I can tell you the public discussion that's going to go on. The public discussion is going to go on in the coffee shops and the restaurants because they are going to be talking about jobs, and this is all about jobs. If you don't believe that, then I'd ask you to travel this province.

Mr. Mason: I do.

Mr. Liepert: Then if you have, I'm sure you're hearing from some of your members who are employed in the trade unions that this is about jobs and nothing more and nothing less.

Mr. Mason: Okay. Well, let's talk about jobs and talk about what I hear from working people. They certainly want to see the activity continue, and they want to be employed, but they certainly don't think that they have to give away the farm or that the government of Alberta has to give away the farm in order for that to take place, especially with respect to oil sands activity as opposed to conventional drilling activity.

Let's talk about jobs, Mr. Minister, and the jobs that are being created in the United States by the wholesale export of bitumen. Of course, we've got the Alberta Clipper, and what's the name of that other one?

Mr. Liepert: Keystone.

Mr. Mason: Keystone pipelines that are exporting massive quantities of unprocessed bitumen to the United States. Plenty of jobs are being created there at the end of those pipelines and at the end of existing pipelines, building refining capacity and upgrading capacity using our bitumen. The member to my left here seemed to agree with you that there wasn't much we can do about that. But it seems to me that it's a matter of government policy to create a framework under which industry makes its investment decisions. I'd like to ask you if there are not alternatives available to the government of Alberta to make it more expensive to build refining and upgrading capacity in the United States and less expensive for those companies to build it in Alberta. Therefore, hopefully, the jobs would stay here.

Mr. Liepert: Well, what you're not acknowledging is the fact that the refineries already exist in the United States. They're not building them in the United States; they already exist. They're underutilized. So the capital investment isn't required, and unless the margin exists – and as we discussed earlier, it's not there today – you're not going to have private capital going into building upgraders in this province to any large extent. This government is not going to build upgraders; we're not going to subsidize the upgrader business just for the sake of pleasing you who happens to be upset because we're using capacity in the United States.

Mr. Mason: It's not a matter of satisfying me, but it's a matter of real jobs and where they're created.

Mr. Liepert: At what cost?

Mr. Mason: I take issue with your claim that there is not major capital investment in refining and upgrading capacity in the United States to take advantage of the bitumen that's being currently delivered and will be delivered when these two pipelines are finished. I don't think that's a correct statement, sir.

Mr. Liepert: Well, then, if there is a margin, it's the same investors in the U.S. as they are in Canada. Why would they not make the same decision to build in Canada?

Mr. Mason: Well, because they're closer to market in the United States.

Mr. Liepert: That could be one of the reasons why.

Mr. Mason: So you've got to provide some incentive for that investment to take place in our province. Otherwise, in my view, you're not meeting your responsibilities as a government.

Mr. Liepert: Well, but you're suggesting we should use taxpayers' dollars to subsidize . . .

Mr. Mason: No, I'm not suggesting that. I'm not.

Mr. Liepert: . . . a private investment or that we as government form a Crown corporation, build an upgrader, and lose money.

Mr. Mason: Or you can provide some export tax of some sort to make the upgrading in the United States more expensive than doing it in Alberta. You don't have to subsidize anything.

Mr. Liepert: I'd have to check, but I don't know that we have the ability to apply an export tax as a province.

Mr. Mason: Well, there certainly are solutions.

Mr. Liepert: Well, I'd like to hear them from you, outside of going into debt.

Mr. Mason: One of the things you can do is that when you give them their licence, you can stipulate that a certain percentage of the bitumen must be upgraded in this province or you do this at your sufferance.

Mr. Liepert: Well, okay. You can do that, and the investor says to you: well, your rules are too tight; we're not going to invest money and create jobs in your province. You can't have it both ways.

Mr. Mason: They're not now.

How's my time, Mr. Chairman?

Mr. Liepert: Well, what do you mean, they're not now?

Mr. Mason: How's my time?

The Chair: Just about two minutes left. Less than two minutes.

Mr. Mason: Two minutes. Let me switch to electricity. I wish I had more time with you, Mr. Minister.

Mr. Liepert: Well, we can go have lunch one day.

Mr. Mason: I'd actually like that, believe it or not.

The whole question of the electricity grid that's being proposed. I know that the government estimates that the total capital value of this is \$8 billion, but Mr. Holden said – and we looked at his math, and we agree with him – you know, it's closer to 14 and a half billion dollars. But even if it's \$8 billion and the current value is \$2 billion of the existing electrical transmission infrastructure in our province, one of the things I struggle with is how we could go to something that's at least four times more expensive than everything we currently have and why we would require that. One of the senior planners from AESO came at my request and gave us a briefing on it, and I began to realize what exactly the situation is. You set up a competitive, deregulated market on the generation side so that there's no longer system planning for where the generation is going, so you can't match the transmission to the new generation. What you have to do is build a generation system that is so robust, to use his words, that no matter who builds what where, you've got transmission capacity to get it either to the border or to major sources of use. Is it really worth it to have this deregulated competitive model for generation?

8:30

The Chair: Thank you very much. That concludes this section of the estimates, and we'll go directly to Mr. Len Mitzel.

Mr. Mitzel: Thank you, Mr. Chairman and Mr. Minister. It's great to be here tonight. I'm going to switch gears a little bit and go from a different angle on this. I want to talk a little bit about the ERCB and the AUC. Now, in Cypress-Medicine Hat – and you mentioned this earlier when we talked about the oil and gas industry down there. In fact, probably 60 per cent of the natural gas royalties for the province have come traditionally from southeast Alberta, from that area. I mean 60 per cent of the royalties to the province, which are made up because of the natural gas. That's what I was trying to say. Also, you made the point with regard to the low price of gas and the fact that oil is actually taking over the lead with regard to royalties, and I understand all that.

I speak with a lot of my constituents down there, and they're either in the oil and gas industry or certainly in the service industry for the oil and gas. The comments that come out are: your government organizations. That's what they call them. I try to explain that they're technically not a government organization, but I have a little bit of difficulty because maybe I don't understand it, and that's what leads to some of my questions as well.

There are a couple of things. The first is that when I talk with them, they talk about the red tape that is involved in order to get some approvals, applications done. They talk about trying to be competitive with other jurisdictions. You know, you mentioned that business should be enabled and not held up and that things should be

streamlined. I know that we've got an excellent reputation, but there was a time when – and this is with regard to competitiveness – applications sometimes took six months. This is anecdotal, but I have to think that there's something involved in this. There has to be some basis of fact to this. It was just a matter of practice that an application sat on a desk for a set amount of time, say six months or something like that. It was obligatory that it sat there before it was moved forward. Well, this isn't really streamlined. This isn't streamlining at all.

Of course, we've got to look at the competitiveness review. We've got to move things forward. If there's nothing wrong with the applications, then why are they being set aside for such a long period of time? I guess the point is that you talked about government-led regulatory streamlining initiatives, and I would like to hope that the AUC and the ERCB are onside with all of this. I just wanted a comment on that.

Mr. Liepert: Well, clearly, as much as any longer term royalty changes come as a result of the competitiveness review, I get the sense from industry that industry would be most pleased if we could streamline our regulatory process. As I introduced those in the room earlier, I introduced Mr. Dark, who's the relatively new COO at the ERCB. I have had the opportunity to meet with him and his team. I've met on several occasions with Dan McFadyen and the board. As you know, Mr. McFadyen is, again, fairly recently the new chairman of the ERCB. I was incredibly impressed on Friday, when we had a meeting. The ERCB has released its new strategic plan. That plan and the goals that are there in black and white will go a long way to addressing many of the concerns that your constituents are expressing.

I think that we all recognize that, you know, we have a very mature industry in this province. We all know that over time, unfortunately, when new regulations come in, they rarely replace a regulation that is being removed. Generally, it's layered on top of an existing regulation. I think that part of our problem in this province is that we have a very mature industry, and we have over the years allowed it to build layers. I'm confident that the board and the new management team is going to tear down some of those layers. It's not going to happen overnight.

I guess one final comment is that, you know, you said that some of the comments you heard were anecdotal, and that is so often the case, but we have to ensure both through government and through the ERCB that the perception of industry starts to change, that industry perceives the ERCB as more of an enabler to get things done than a barrier to getting things done. Until industry perceives that, then it doesn't matter what we do. We have to change not only the culture internally but the view of our organizations as they are viewed from the external world.

Mr. Mitzel: Okay. Thank you. Getting to the funding for ERCB and AUC, you mentioned that there's a shared funding with ERCB and that AUC is wholly funded.

Mr. Liepert: Yes.

Mr. Mitzel: I guess what I don't understand – and probably, as you mentioned, it isn't quite clear to the general public as well – is the independence or the relationship, going back to what I was talking about before, between the ERCB and the AUC, between the industry and the government. It isn't really very clear. Why is the ERCB not wholly funded by the industry?

Mr. Liepert: I'm not sure that I can answer why it's not. It's historical, I suppose. We have to remember that it's still govern-

ment's role to set policy. It is very much the role of the ERCB and the Alberta Utilities Commission to ensure through the process that that policy is followed. I guess the view of government is that, at least in the ERCB's case, it's a joint initiative, that industry does have a role to play in the funding of it. I guess I'd have to do a little research into the history of the funding.

Mr. Mitzel: Okay. How does the industry fund the ERCB? Is it through a levy or what?

Mr. Liepert: Yeah, it is. I guess "levy" is the right word. The exact mechanics of it I can't get into, but we could supply a written response.

Mr. Mitzel: Thank you. I'm switching gears again now and moving on to page 103, to your goal 7, energy-related infrastructure built and sustained to support government of Alberta initiatives. I want to just touch on that first sentence. "Alberta's electricity system requires a robust, reliable and efficient transmission system to meet increasing demand." This certainly talks about something that's very close to where I live, and that's the whole southern reinforcement. I fully agree with this, and it is moving ahead.

8:40

There's a point there in 7.4: "Adopt and implement a policy to build transmission, as part of the Alberta interconnected electricity system, to zones of renewable or low emission electricity." That's exactly what I'm talking about with regard to my area, that has the potential for a whole lot of wind generation, wind turbines, wind farms. There's a lot standing in the wings. This leads me back to the point I made earlier about the AUC and maybe applications waiting in line, the time it takes to move things forward, the environmental assessment standards that have to be duplicated, you know, over and over and over again with regard to not only wind farms but certainly the transmission lines as well. I know they're moving ahead. They have to move ahead. I didn't have a question there. It was mostly a comment. All right?

Mr. Liepert: Okay.

Mr. Mitzel: I want to jump over to goal 10, that regulation of energy and utility development is fair, responsible, and in the public interest. It's all tied together. Strategy 10.5, improve the processes for hearing transmission facility applications: they're doing that. They're doing that right now. But the point is that there is an issue, and that is with regard to compensation. I just learned this lately because I'm being inundated with calls from my constituents, landowners who are concerned about what is considered by I guess it would be AltaLink as fair compensation.

I do hear – and I see the notes – that in other areas of the province the compensation numbers are different. The whole idea is that when you've got a transmission line, no matter where it is, the footprint is the same. I don't know whether the compensation is tied to productivity of the land. You know, the question is: should it be? A footprint is a footprint no matter where you are. So it's not being fair.

I just wanted your comments on: why is there such a discrepancy between the southern Alberta reinforcement compensation factors with regard to transmission, compensation to the landowners, and, say, the central?

Mr. Liepert: Well, it's my understanding that the actual compensation agreement is between the proponent and the landowner. Where

the Utilities Commission comes in is a determination of how much of that compensation should be placed on the consumer. I would assume that some of the factors that go into that compensation would be things that you described: is it highly arable land, or is it grazing land? Does that make a difference? You know, I guess it's also a question of: what is the value of that land? All of those factors would come into play at such time as the proponent and the landowner were negotiating compensation. To the best of my knowledge there is no entity in place that goes out and says: okay; you, proponent, must pay this much or can't pay that much for a particular piece of land. It is strictly a negotiation between the landowner and the proponent.

Mr. Mitzel: Well, I agree with you, but there is an upper value, and that value in the southern reinforcement is half of what it is in the central area. That's why I asked the question earlier about productivity, whether the whole thing was tied to productivity or not. Of course, grassland as compared to cultivated: there's another half split there as well. The arguments that I'm getting are that, as I mentioned, in that area a footprint is a footprint. You're taking that transmission line from a major line. The links are to a station at a particular wind farm. That electricity is being used across the entire province, and the determination of what that tower should pay on a yearly rental is half or less than half of what it is in another area of the province that's doing the same type of negotiation. This is an issue that comes up because when the question is asked to the people, they're saying: well, AUC is dictating the upper limits on this.

Mr. Liepert: Well, I would offer, Mr. Chairman, that if there's anything further I can add that would add clarity for the member's question, I will respond in writing.

Mr. Mitzel: Yeah. Don't get me wrong. You know, all the landowners understand the need for transmission lines. They understand the need for power, electricity, and everything else. They just feel that there should be fair compensation, and that's the issue that they have.

Mr. Liepert: Okay.

Mr. Mitzel: I've got lots of time left, but those are the questions I had. Thanks.

The Chair: Okay. Thank you very much.
The next questioner will be Mr. Guy Boutilier.

Mr. Boutilier: Thank you. Your mandate letter; that is, for the Ministry of Energy. I'd like to know who wrote it.

Mr. Liepert: It was given to me by the Premier. You'll have to ask him who wrote it.

Mr. Boutilier: My next question is in terms of who he consulted with. Did he consult with industry and with Albertans before the letter was written?

Mr. Liepert: Well, again, you'd have to ask him.

Mr. Boutilier: Well, you're the Minister of Energy. It's your mandate letter. I need to understand the context of the mandate letter. What is your understanding of your mandate letter?

Mr. Liepert: My understanding is that I work for the Premier, and if I'm mandated to do certain things, then it's my job to carry them out.

Mr. Boutilier: Do you agree that you work for the people of Alberta also?

Mr. Liepert: We all work for the people of Alberta.

Mr. Boutilier: You just said you work for the Premier.

Mr. Liepert: Well, ultimately we all work for the people of Alberta. I am appointed by the Premier to this portfolio, but as an MLA I work for all the people of Alberta.

Mr. Boutilier: I have nine other questions in my 10 minutes, so about a minute a question to the minister.

Industry is seeking capital all the time. You made that comment. I think it's relevant. Government ministers can help or hinder that process as they send signals of confidence and unconfidence. Now, in fairness to you the *Globe and Mail* had you commenting on the front page, saying that you wanted, I quote, to slow down the oil sands in my backyard. This was even before you were sworn in as the Minister of Energy. Was this true or not, based on what was reported in the *Globe and Mail*?

Mr. Liepert: You will not find any quote of mine that says I want to slow down oil sands development.

Mr. Boutilier: It's my understanding, further, in speaking with the *Globe and Mail*, that you said you want to in fact ensure that the infrastructure is in place. That's why the oil sands could be slowed down. Is that correct?

Mr. Liepert: No. What I said is that I believe we have an opportunity now with somewhat of a hiatus in large development to ensure that we take a look and make sure that the infrastructure has an opportunity to keep up with development. I'm sure you as the representative of that constituency will acknowledge that during your earlier years as a member of the Legislature that always didn't happen.

Mr. Boutilier: I'm still a member of the Legislature.

Mr. Liepert: And you probably need to acknowledge that during those early years infrastructure had difficulty keeping up with the pace of development, and it caused a lot of issues in your constituency. In my role representing all Albertans, including those who live in your constituency, I don't want to see that repeated again.

Mr. Boutilier: Do you find it hypocritical that in your previous ministry the very infrastructure you speak of that is required in my community was, in fact, infrastructure under goal 3, responsible actions, that you actually slowed down?

Mr. Liepert: That was a government decision. We've gone over that ground on many occasions. I think you know the answer to that. If you want to pursue that with the minister of health when his estimates come before the committee, feel free to do so.

Mr. Boutilier: So you don't want to answer the question.

Mr. Liepert: I did answer the question.

Mr. Boutilier: Do you find it hypocritical or not?

Mr. Liepert: Do I find what hypocritical?

Mr. Boutilier: That you actually were slowing down infrastructure when your goal 3 . . .

Mr. Liepert: I don't agree with you that . . .

Mr. Boutilier: Let me finish, please, Mr. Chair.

Mr. Liepert: I'm answering your question.

Mr. Boutilier: I have the floor.

Mr. Liepert: Go ahead.

Mr. Boutilier: Goal 3 says energy and mineral resource. It talks about responsible actions in the oil sands. In that very report, which I went through, it talks about infrastructure, the social, economic infrastructure for the people in the Fort McMurray area. You slowed it down. You're saying now that it's a government decision, not yours.

8:50

Mr. Liepert: Of course it was a government decision. As you well know – you sat in caucus – all government decisions are discussed in caucus.

Mr. Boutilier: Do you find it hypocritical?

Mr. Liepert: Do I find what hypocritical?

Mr. Boutilier: The Minister of Energy now saying that the very responsible action that your goal is to achieve now is basically undoing what you did in the previous ministry.

Mr. Liepert: Well, you can make that claim.

Mr. Boutilier: Next question. In terms of your mandate letter you indicate that you work for the Premier. I'd like to understand that for the comments you're suggesting were maybe, perhaps, miscued by the *Globe and Mail*, who did you consult with? I've spoken to industry, and not one of them said that you spoke to them prior to you providing comments to the *Globe and Mail*, which, in coming to your other point about hindering the raising of capital, people on Bay Street and Wall Street and my friends that I talked to said sent a shock wave to the financial markets in trying to attract further capital for industry. Was that your intent?

Mr. Liepert: That very day when I did the interview with the *Globe and Mail* was after a lunch with the particular individual who leads the company that has been the largest investor in your constituency and the longest investor in your constituency, and he fully concurred. We agreed on exactly what was said.

Mr. Boutilier: Which was?

Mr. Liepert: That this is a good time to ensure that we have the appropriate infrastructure aligned with the development that's going forward. He said that, clearly, going forward, industry will be wiser in terms of how it makes its investments on an ongoing basis so that inflation isn't ramped up. So there's no disagreement there.

Mr. Boutilier: The actual person you speak about, the investor, doesn't even live in the community of Fort McMurray.

Mr. Liepert: I didn't say that he did.

Mr. Boutilier: I'm saying that he didn't.

Mr. Liepert: And I didn't say that he did. I'm saying that he's the largest investor in your constituency. I didn't say that he lived in your constituency.

Mr. Boutilier: Oh, I know.

The next day the Premier of Alberta, the leader, basically came out very strongly, saying that it's full speed ahead regarding oil sands development. The people I've spoken to on Bay Street and Wall Street are saying that this is a contradiction. The leader says: full speed ahead. The Minister of Energy says: well, we better speed up, but we better not speed up until we get the infrastructure in place. Based on raising capital, do you see this as being difficult in helping industry raise capital in the markets for the important investment dollars of the future?

Mr. Liepert: I would say that since I've taken over this portfolio, I think there have been five separate announcements about new development in the oil sands area, and if you want to call five announcements in the last several months slowing down development, well, then, go ahead. I would say that's a large measure of confidence in the Alberta economy. I'm not making those decisions. You're not making those decisions. The investment community is making those decisions.

Mr. Boutilier: Mr. Chairman, the next question is under the issue of private forecasters. Please explain to me the difference between a private forecaster versus public forecasters based on the assumptions you make in your 2010 budget.

Mr. Liepert: Well, there are all kinds of organizations and agencies that forecast what future prices might be for commodities. Those would be ones that we would be using.

Mr. Boutilier: You're using, though, not public forecasters. You're saying private forecasters. Can you elaborate on private forecasters?

Mr. Liepert: I talked about a private forecaster. I didn't talk about a public forecaster.

Mr. Boutilier: Right. Can you give more detail on the private forecaster?

Mr. Liepert: Well, okay. Do you want me to read them to you?

Mr. Boutilier: Sure.

Mr. Liepert: Conference Board of Canada, Global Insight, Centre for Spatial Economics, BMO Capital Markets, Credit Suisse. How much longer do you want me to go on?

Mr. Boutilier: You can put it in writing to me. That'll be fine.

Mr. Liepert: I'll do that.

Mr. Boutilier: Thank you.

Next is relative to the key assumptions: U.S. \$78.75 per barrel and natural gas, based on the assumptions of the private forecasters,

\$4.25. At what point is the trigger where you have to begin to alter? This is an average for the year, but obviously within the ministry you must have different benchmarks to follow. Is this quarterly? Is this semiannually? I'd like to know your thinking in terms of what triggers if, in fact, these dollars are not met based on the private forecasters. There are many private forecasters, for the benefit of everyone, who are unemployed today based on what we've witnessed over the last two years in terms of what private forecasters thought would happen versus what really happened.

Mr. Liepert: It's done on a quarterly basis and reported out quarterly with our budgetary updates.

Mr. Boutilier: Could you elaborate within your budget relative to certainty, if, in fact, the forecasts are not achieved, what are some of the contingency plans you have in place for budgetary purposes?

Mr. Liepert: Contingency plans?

Mr. Boutilier: Yes. Specifically, for the benefit of the minister, if, in fact, it is below the \$78.75 per barrel, what contingency plan is the Ministry of Energy endeavouring to take?

Mr. Liepert: Well, didn't you live through the last two years?

Mr. Boutilier: I'm asking, relative to the Ministry of Energy, what contingency plan do you have in place in your ministry, which you're responsible for?

Mr. Liepert: The contingency plans are that we can only report out what we actually receive, and it's accounted for in the budget. It's reported quarterly. You can look at the numbers for yourself.

Mr. Boutilier: Are you familiar with the oil sands task force?

Mr. Liepert: Is that the one that Heather Kennedy leads?

Mr. Boutilier: No. So you're not familiar with it?

Mr. Liepert: I'm not familiar with it at this stage. You'd have to explain it a bit more.

Mr. Boutilier: Okay. I will. The oil sands task force was a combination of stakeholders coming together from my community and other parts of Alberta to develop the generic fiscal regime. Any more familiar?

Mr. Liepert: No.

Mr. Boutilier: The generic fiscal regime. Are you familiar with that?

Mr. Liepert: No.

Mr. Boutilier: The generic fiscal regime.

Mr. Liepert: What are you talking about, the generic fiscal regime? What has that got to do with the budget?

Mr. Boutilier: The oil sands generic fiscal regime is what launched the over \$100 billion of investment in my community over the last 10 years based on actions of the federal government, provincial government, and stakeholder industries coming together to set a road

map of rules, similar to what is happening in the competitive review, I assume, that you're doing now. The purpose of my question is relative to the competitive review and if you were familiar with the generic fiscal regime, that launched a hundred billion dollars of unprecedented development in my community.

Mr. Liepert: Okay.

Mr. Boutilier: So you're not familiar with it. My question was: are you going to learn from the oil sands fiscal regime, the generic fiscal regime, from that task force of stakeholders, that could enhance the competitive review?

Mr. Liepert: My guess is that industry folks that were involved in that particular review would have significant impact on the competitiveness review if they were, in fact, in conventional oil and gas. The competitiveness review has nothing to do with oil sands; it's everything to do with conventional oil and gas.

Mr. Boutilier: But you do agree that oil sands developments are trying to attract new investment, regardless of what comments are being made.

Mr. Liepert: Well, it may be the case. However, at the same time it's a different investment that you're trying to attract.

Mr. Boutilier: My final question.
How much time, Mr. Chair?

The Chair: Actually, seven minutes. Each party has 10 minutes, so there's a total of 20 minutes. You have seven minutes left.

Mr. Boutilier: Seven minutes. Okay. Thanks.

My next question is on the oil sands secretariat. This is not a budget item, but you did mention the name of the oil sands secretariat. Since you did mention the name, can you explain the additional million dollars that is going into the oil sands secretariat, and why?

Mr. Liepert: I think you'll have to ask the question of the President of the Treasury Board. That budget falls under him.

Mr. Boutilier: Yeah, I'm familiar with that, but you mentioned the name of the oil sands secretariat, so I thought you might know.

Mr. Liepert: I asked you a question, if that's what you were referring to. You said you were not, so I didn't pursue it.

9:00

Mr. Boutilier: Okay. There's \$3 million that is being spent in the oil sands secretariat. What dollar amount of that is connected back to the Ministry of Energy?

Mr. Liepert: I can't answer the question, the connect back. All I know is that the budget rests in the department of Treasury. I don't know of any direct connection between the two other than the fact that the Treasury secretariat was established, continues to operate to ensure that government initiatives that are required in your constituency are being met, and they have. In fact, I think that out of all the constituencies in the province that have had the most per capita capital invested in them is the one that you represent.

Mr. Boutilier: I think you mean not the Treasury secretariat; you mean the oil sands secretariat. Is that correct? You called it the Treasury secretariat.

Mr. Liepert: No. I said that the oil sands secretariat reports to Treasury Board.

Mr. Boutilier: Oh. I thought you said Treasury secretariat. On that, I'm trying to understand how it is interconnected as it is a cross-ministry initiative, which means that other ministers such as the Minister of Environment, who I spoke with, do have some knowledge of the oil sands secretariat. Your ministry, you may not be aware, is one of the ministries that is interconnected to the oil sands secretariat. In terms of goals from the oil sands secretariat what do you perceive as the goal? What goal do you see as the clearest one of the goals listed in your budget pertaining to the integrated, inter-cabinet, and inter-ministry approach of collaboration? Because what we've seen in the past is that one ministry wasn't talking to the other ministry.

Mr. Liepert: Well, in this particular government, as you probably know from your vast experience as a member of this caucus in the past, departments do work co-operatively together, and to suggest otherwise would be false.

Mr. Boutilier: My question is: relative to your goal what role does the Ministry of Energy have relative to the interconnectedness of the other ministries working with Environment, working with SRD, working with Infrastructure regarding the social, economic, and resource and environmental and cumulative impact effects relative to your goal 3, which is responsible actions? Please help me tie the oil sands secretariat into this responsible actions.

Mr. Liepert: All of our goals are to ensure there is sustainable development of the oil sands.

Mr. Boutilier: Sustainable goals yet at the same time being sensitive to the environment, correct?

Mr. Liepert: Of course.

Mr. Boutilier: Can you expand on sustainable goals?

Mr. Liepert: To ensure that there is sustainable development in the oil sands and to ensure that the community is part of that development, has input into that development, and that's exactly what's happening through the secretariat.

Mr. Boutilier: On what basis do you come to that assumption?

Mr. Liepert: On the basis of interaction with other departments and with a good number of constituents in your constituency.

Mr. Boutilier: Well, actually, you visited my constituency a couple of days ago. I've spoken to people who indicated you actually spoke to, in fact, one stakeholder in the entire time you were there, and the community was wanting to meet with you. I understand that you had the members for Drayton Valley-Calmor and also for Athabasca-Redwater with you, and actually you met with Syncrude, Don Thompson and the many other stakeholders. I'm wondering when you're going to come back to be able to speak to real people that, shall I say, are directly or indirectly impacted by what is going on in the community that I call home, Fort McMurray. Would you commit to that here?

Mr. Liepert: Sure. I'm not going to give you a particular date, but I'm open to travel anywhere in the province. The phone is always there as well.

Mr. Boutilier: Okay. Thank you.

My final couple of questions. History is a good teacher. That was in previous questions asked. We can learn from history. You're absolutely right. We want to be not only down the road; we want to be around the corner. I say that with a two-and-a-half-year-old son that breathes the very air in Fort McMurray. In doing that, when you reflect back, and maybe not deliberately, could you see how financial markets get jittery when sometimes there appears to be a contradiction? I had asked questions last week on what is being said versus perhaps what is meant, and you deal with the media such as the *Globe and Mail*. Can you see the sense of uncertainty that evolved even before you became the minister in terms of, quote, unquote, musing about slowing down to help with infrastructure, yet the headline was on the front page: slowing down. Then the Premier actually had to come out the next day and say: no, we're moving ahead. Is there a sense of frustration from you in dealing with media when those messages, as you know and you mentioned earlier, do impact financial markets when it comes to industry trying to raise dollars?

Mr. Liepert: Well, I go back to my answer earlier. Since the last couple of months there have been five major announcements of progress in oil sands development. I can hardly call that uncertainty and confusion. I would suggest that maybe you should spend a little time talking to those five proponents of the oil sands projects and ask them why they made the decision to proceed at this time. I think what you would find is that they would say: because this is a good province to invest in, and there are opportunities.

Mr. Boutilier: Well, your comment suggests, Mr. Chair, that I did not speak with them.

The Chair: We'll move on directly to Mrs. McQueen. Thank you.

Mrs. McQueen: Thank you, Mr. Chair, and thank you, Minister, for the dialogue. It's been very good dialogue this evening. Minister, as you know, in the constituency that I come from, Drayton Valley-Calmor, the Cardium play is certainly very important to us. Decline in conventional oil and gas production has been talked about by some this evening. I quite frankly – if you look at the document that was recently released to me and shared with me by one of our oil company sectors in the area called the Cardium play and how the play actually will be advancing and enhancing the conventional oil and gas in our area, can I get you just to perhaps expand a little bit on that? You did talk a little about the horizontal technology in those kind of areas. Can you expand on that? We know that the Cardium play goes all the way from Calgary into Edson and that, so could you just spend a little bit of time on that, talking to us, please?

Mr. Liepert: Well, I think the real essence of the competitiveness review is to ensure that that play that may not have been necessarily their first choice becomes their first choice. I'm certainly no expert in the oil and gas business in terms of the drilling and the technologies related to it. All I can do is tell you what folks have mentioned to me in the past few weeks, that if the environment is right, there is tremendous opportunity in that particular part of the province. I'm told that the new technology is such that we will have significant expansion of our production out of existing basins, but we have to get the front end of our royalty structure correct, and that's what we intend on doing. I think ultimately there is no other part of the province that's going to be a bigger benefactor of getting our competitiveness royalty structure correct.

Mrs. McQueen: Thank you. I would agree with that.

Minister, as well, I know there is lots of conversation about the investment that we're making in carbon capture and storage, and I see two positives out of it: one, reducing through technology our greenhouse gas emissions but also the return on the investment. We'll see over time a \$2 billion investment but, industry is saying, as much as a \$20 billion return on that investment with royalties. Can you talk a little bit about that for us, please?

Mr. Liepert: Well, as I said earlier, I think that we can't just look at this as somehow a \$2 billion expense over time. We have to look at it as having the potential to unlock oil reserves. Currently we're using other methods to make that happen and sometimes not necessarily the most environmentally friendly methods, so I think there are almost two positive environmental impacts out of this initiative.

But I think equally as important is the development of the technology. As I said, it's a bold move. We have an opportunity to be a leader here, and the potential to market this technology internationally, I think, is huge. So I think it's really too early to start putting dollar numbers at the end of the day of what this could mean, but I think we have to look at it as more than just a one-time expense.

9:10

Mrs. McQueen: Thank you. The other part, for our constituency, in Drayton Valley-Calmar, is the other part of the CCS, and that's the enhanced oil recovery. I know that certainly in the Pembina field it would play a long way to add many additional years of life into that field, and certainly the folks out my way are spending a fair amount of time talking positively with me about that. Can you just expand a little bit, as it relates to enhanced oil recovery, on how you see that affecting our province?

Mr. Liepert: Well, again, I think that we have tremendous potential, and I'm not even sure that we today can have a fair assessment of what that potential holds for us down the road. The biggest challenge is always about extracting those resources in both an environmentally sound way but also in a way that, you know, has the least amount of investment. I mean, we talked earlier about the whole shale gas play, and drilling a traditional well in central Alberta is significantly less expensive than what companies are going to be faced with in shale. However, at the end of the day the belief is that the return, the quantities, are going to offset some of those upfront costs. Those are the kinds of, I think, balancing acts that you have to do to get your playing field appropriate, and then investors will make the right decision as to where they can best realize their returns.

Mrs. McQueen: Thank you. You talked a little bit earlier from one of the other members' questions with regard to the key energy developments in the future of this province. Where do you see that going? You talked a little briefly about the oil sands. It was interesting, and if you could expand on that but also expand on the fact that today gas prices are low. How do you see that changing in the future, and what kinds of timelines out there are you looking at?

Mr. Liepert: Well, it's really a great unknown. I think that's one of the reasons why I would venture to say that maybe some of our greatest returns are in the area of in situ. Clearly there are environmental concerns around, whether they're real or seem to be, the open mining. I think we've got an opportunity to kind of – maybe we need to start to sell our Alberta oil sands separate from our in situ development because, you know, in situ is a huge part of the future.

The actual open-pit mining is a very small part of our development, but so much of it comes back to communications and how we actually bundle this stuff, if you might.

Maybe it's time we looked at unbundling and started selling this province's resources. We have – and I don't know who actually draws up the map – a map that has a big part of oil sands. So when those who want to bring us down show open-pit mines, somehow the thinking is that it's that whole area that has open-pit mines when it's not even close. I really think that there are some tremendous opportunities in in situ but a lot of undiscovered and untapped opportunities, as we talked earlier about conventional oil, in things like shale gas.

Mrs. McQueen: Thank you. Just one of my favourite topics as we move forward with the Alberta Competitiveness Act, our Bill 1, can you talk about what you see as Minister of Energy as to where you would like to go, not necessarily specifically but you certainly can be, with regard to regulations and to make us competitive?

Mr. Liepert: Well, I know in the discussions I wouldn't repeat what I said to the Member for Cypress-Medicine Hat. I really think, though, that on occasions the ERCB bears the brunt of angst relative to unnecessary regulations, but those of us on the government side of the Assembly I think really have to take a hard look at: are we doing everything we can within government to streamline regulations? My bet is that the answer is no, maybe not even close.

You know, again, I'm sure that over time a regulation has been piled on top of another regulation rather than getting rid of one to bring in a new one. I would suggest that we should look at how we can develop a more streamlined approach within government through the various government departments. As I've been meeting with folks in industry, I can tell you now I think I'm up to seven or eight departments that have been specifically identified where barriers exist. If we can't figure out internally how to make our processes better, how can we expect those who access us from the external world to be able to figure their way through the processes? I really think that's the challenge, for our government caucus to take on that challenge and make it better.

Mrs. McQueen: Okay. Just to switch over to the provincial energy strategy, I'm wondering, Minister – it's a very good strategy and a very ambitious strategy – how you see moving forward the goals of that strategy in the coming year or years.

Mr. Liepert: You know, typical of a strategy document, there should be nothing that you are doing on a day-to-day basis that doesn't fit within that strategy. Just about everything we talked about here tonight in one way or another fits our provincial energy strategy, whether it's the upgrading of our resources in this province, whether it's finding new markets, whether it's on the electrical side in making Albertans more aware of the cost of electricity and the ability to have a better handle on electricity. I mean, I just really think that if there's something that we're doing in our department that doesn't align with our strategy, we'd better just take a breath for a minute and ask why we're doing it. I would hope that everything we're doing aligns with our strategy.

You know, we've got a lot of initiatives. We've discussed a lot of things here tonight, from CCS to BRIK to our electricity transmission and generation. There is a lot going on. We haven't really touched on things like biofuels and other initiatives. There's a lot going on, but at the end of the day this industry is still the backbone of the province, always will be, and we shouldn't apologize for that.

Mrs. McQueen: Good. You read my mind because my next question to you is on bioenergy. As I've talked to many of my colleagues around here, certainly I commend the department on the direction that they've had with regard to the nine-point energy plan and the resources that have been put there. I know my community has worked very, very hard in Drayton Valley to engage folks within a bioenergy plan and have been successful in that. I guess, Minister, I certainly would like to know: as a new Minister of Energy how do you feel about bioenergy as it relates to our forest and ag communities, and how do you see that working as a whole with the Energy department?

9:20

Mr. Liepert: Well, I guess one of the things that I've learned is that there are sort of conflicting views on bioenergy going forward. Clearly, I think in the areas that you mentioned, whether it's waste products in the forestry industry or whether it's waste products out of agriculture, those are kind of no-brainers.

There is concern on the ethanol side from some parts of the community, so what we have done is that we are taking through the process fairly quickly a decision on whether this program gets extended beyond the end of this budget year. Hopefully, we've got something we can be public on with that fairly quickly because we have reached a bit of a juncture point here. As I said earlier, we have allowed in this year's budget for funding to complete those projects that are under way. We haven't allowed for additional funding for new projects, and I know there are a number of them out there that are waiting for a decision relative to extension. It is a significant allocation of dollars going forward, so we have to balance that off with our ability to have the dollars to make that commitment. That's kind of the decision tree that we're on right now.

Mrs. McQueen: Okay. My final question just with regard to carrying on with that. I would like to know: as our new Minister of Energy are you supportive of renewable energy strategies as they relate to bioenergy?

Mr. Liepert: Well, I'd better be because it's kind of foolish not to be. As I said earlier, certainly when it involves waste products and the creation of energy, that's a no-brainer. But there are some other concerns out there relative to using some other feedstocks, if you might, to create bioenergy and whether or not that is viable. I guess those are the kinds of discussions that will take place very quickly.

Mrs. McQueen: I guess just to finish off on that, the application that one company in Red Deer county and surrounding area has with regard to municipal waste. Plasco is one; there are many like that. How do you feel, going forward, dealing with municipal solid waste, about projects like that? Do you have any concerns about that?

Mr. Liepert: Well, I'm not sure I understand. Do I have concerns about . . .

Mrs. McQueen: Do you think it fits into the energy strategy with regard to renewable energy?

Mr. Liepert: I would certainly say that it does. I don't know why it would be any different than any other initiative around waste products. The fact that it's municipally driven wouldn't cause me any concern. Again, you have to have a program in place that treats everybody equally and fairly, and then the proponent of the project will end up making the decision as to whether or not it's economically viable. I guess that's where we're at today.

Mrs. McQueen: Good. Thank you, Minister.

The Chair: Thank you very much. We have about five minutes left. To be consistent with my rotation, I'll defer again to Mr. Taylor.

If you want to question, you can. Otherwise, we'll go back to one of the government members.

Mr. Taylor: I will squeeze in one quick question if I could, Mr. Chairman. It's a question on energy efficiency. Your predecessor last year said that the ministry thought that the first 15 per cent of new energy in the province of Alberta will come from energy and conservation. In addition, on page 102 of the business plan strategy 6.5 says: "Support development of an energy efficiency policy framework and provincial legislation." So, very quickly, is the 15 per cent figure still the case, and how much have we achieved so far?

Mr. Liepert: Well, I will acknowledge that I don't know if the 15 per cent is still achievable. As you can probably appreciate, in the first month and a half on the job, or whatever it's been, I haven't got everything as well under control as I would like to have.

We should be striving for such goals. Actually, it would seem to me that that shouldn't be that difficult to achieve because I think that as Albertans we could be much more energy efficient. Let's put it that way. So I would suggest that there's no reason why we shouldn't be shooting for that kind of a goal.

Mr. Taylor: Would you be willing to provide me with something in writing in terms of what's being done?

Mr. Liepert: I will.

Mr. Taylor: Thank you.
I'm done. Thank you.

The Chair: Thank you very much.
We'll go to Mr. Broyce Jacobs.

Mr. Jacobs: Well, thank you, Mr. Chairman.

The Chair: You've got four minutes.

Mr. Jacobs: Four minutes?

Mr. Minister, we've covered a lot of ground tonight. I really had two areas that I would like to cover. The first one is around goal 5 in your business plan, which is to increase awareness of the changing energy trends, new energy sources, and issues related to the development of energy in Alberta, and strategy 5.5 talks about carbon capture and storage and increasing awareness and education. In question period today we talked about that a little bit, but could you talk about how you're going to increase awareness? Are you going to teach university kids, high school kids? How are you going to approach that?

Mr. Liepert: You know, for such a small budget item, this has caused some interest in the media that I was actually quite surprised at. First of all, the department's attempt to ensure that there's a greater understanding of energy and what it means to Alberta is not new. This has been going on for several years. It's not just in schools; it's across the province. You know, I come back to a bit of what I said earlier. I hope that we're taking the opportunity, whether it's friends or colleagues in another province or even in another country, to be honest and open about Alberta in terms of energy being the backbone of this province.

Clearly, we have to ensure that we are doing everything we can to be good stewards environmentally, but I think it's fair to say that the average Albertan today is probably very uninformed on energy. You know, there's a lot of it that we take for granted. We have a lot of our family members that work in the industry, and we don't even really know it. You know, I compare it to the previous portfolio that I held. I mean, health care is just something that absolutely every Albertan is interested in and understands and has an opinion on. I think it's just about the opposite in Energy.

I believe we have a responsibility to ensure that we do whatever we can to try and make sure that Albertans understand not only the importance but some of the things that you probably don't read and hear about in the day-to-day media.

Mr. Jacobs: Thank you. My final question relates to a follow-up to the Member for Drayton Valley-Calmar. Let's go specifically to biodiesel. There's a plant coming up in Lethbridge and another one proposed in Vauxhall, I think, to take animal fat and SRM material from the plants at Brooks and High River and make diesel out of

those by adding ethanol or methyl hydrate to the mix and produce biodiesel. Those plants are dependent on government subsidies to get them started. To me it would make a lot of sense to use animal fats. To get rid of a material that's almost impossible to use would certainly be a boon to the livestock industry. Could you comment . . . [Mr. Jacobs' speaking time expired] Well, never mind.

The Chair: Thank you very much, everyone. It's 9:30. The time allotted for the consideration of this estimate is concluded. I want to thank everyone for their participation, the staff for their help, and for everyone's patience.

I just want to remind everyone that on Monday, March 8, this committee reconvenes to consider the estimates of the Department of Sustainable Resource Development, SRD.

Pursuant to Standing Order 59.01(2)(a) the meeting is now adjourned.

Thank you very much.

[The committee adjourned at 9:30 p.m.]

