



Legislative Assembly of Alberta

The 29th Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Energy
Consideration of Main Estimates

Monday, November 16, 2015
7 p.m.

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First Session**

Standing Committee on Resource Stewardship

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Loewen, Todd, Grande Prairie-Smoky (W), Deputy Chair

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Also in Attendance

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Standing Committee on Resource Stewardship

Participant

Ministry of Energy
Hon. Margaret McCuaig-Boyd, Minister

7 p.m.

Monday, November 16, 2015

[Ms Goehring in the chair]

**Ministry of Energy
Consideration of Main Estimates**

The Chair: I'd like to call the meeting to order and welcome everyone this evening. The committee has under consideration the estimates of the Ministry of Energy for the fiscal year ending March 31, 2016.

I'd ask that we go around the table and introduce ourselves for the record. Madam Minister, please introduce your staff when we get to you.

First, I'd like to note for the record that Mr. Derek Fildebrandt is attending as an official substitute for Mr. Pat Stier.

I am Nicole Goehring, MLA for Edmonton-Castle Downs, chair of the Standing Committee on Resource Stewardship.

Deputy Chair.

Mr. Loewen: Yes. I'm Todd Loewen, Grande Prairie-Smoky MLA, vice-chair of Resource Stewardship.

Mr. Drysdale: Wayne Drysdale, MLA, Grande Prairie-Wapiti.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Clark: Good evening. Greg Clark, MLA, Calgary-Elbow.

Mr. Panda: Good evening. Prasad Panda, MLA, Calgary-Foothills.

Mr. MacIntyre: Good evening. I'm Don MacIntyre, MLA for Innisfail-Sylvan Lake. This is Megan Brown, my legislative and outreach assistant.

Mrs. Aheer: Good evening. I'm Leela Aheer, and I'm the MLA for Chestermere-Rocky View. This is my assistant, Bill Bewick.

Mr. Fildebrandt: Derek Fildebrandt, Strathmore-Brooks.

Ms McCuaig-Boyd: Hi. I'm Minister McCuaig-Boyd. With me I have my deputy minister, Grant Sprague, and my assistant deputy minister Douglas Borland.

Ms Woollard: Denise Woollard, MLA, Edmonton-Mill Creek.

Mr. Dang: Thomas Dang, MLA for Edmonton-South West.

Ms Kazim: Anam Kazim, MLA for Calgary-Glenmore.

Mr. Rosendahl: Eric Rosendahl, West Yellowhead.

Ms Babcock: Erin Babcock, Stony Plain.

Mr. Horne: Trevor Horne, Spruce Grove-St. Albert.

Mr. Sucha: Graham Sucha, MLA, Calgary-Shaw.

Mr. Fraser: Rick Fraser, Calgary-South East. This is one of our researchers, Nick Burris.

Ms Bianchi: I'm Giovana Bianchi, committee clerk.

The Chair: Thank you. I'd like everyone to know that the microphones this evening are being operated by *Hansard*, and we'd ask that BlackBerrys, iPhones, et cetera, be turned off or set to silent or vibrate and not placed on the table as they may interfere with the audiofeed.

Hon. members, the standing orders set out the process for consideration of the main estimates. Before we proceed with consideration of the main estimates for the Ministry of Energy, I would like to review briefly the standing orders governing the speaking rotation. As provided for in SO 59.01(6), the rotation is as follows. The minister or the member of Executive Council acting on the minister's behalf may make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes the members of the third party, if any, and the minister may speak. For the next 20 minutes the members of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes private members of the government caucus and the minister may speak. For the time remaining we will follow the same rotation just outlined to the extent possible; however, the speaking times are then reduced to five minutes as set out in Standing Order 59.02(1)(c).

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

If members have any questions regarding speaking times or the rotation, please feel free to send a note or speak directly with either myself or the committee clerk about this process.

Three hours have been scheduled to consider the estimates of the Ministry of Energy. With the concurrence of this committee I will call a five-minute break near the midpoint of the meeting. Please note that the clock will not stop for the break. There were some issues with other committees, and it has been decided that the clock will not stop as the standing orders set an end time for the meetings. If anyone opposes taking a break under these circumstances, we won't. Does anyone oppose taking a break? No one is opposed.

Committee members, ministers, and other members who are not committee members may participate. Ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee. Members' staff may be present and, space permitting, may sit at the table or behind their members along the committee room wall. Members have priority for seating at the table at all times.

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

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

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

The vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on November 23, 2015.

If there are 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. The vote on amendments is deferred until Committee of Supply convenes on November 23, 2015. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. Twenty

copies of amendments must be provided at the meeting for committee members and staff.

I would now like to invite the Minister of Energy to begin with her opening remarks.

Ms McCuaig-Boyd: Thank you. Good evening. Joining me at the table are representatives from the Department of Energy, as previously introduced, Deputy Minister Grant Sprague to my left and Assistant Deputy Minister Douglas Borland to my right.

Before getting into the nitty-gritty of our Energy department budget, I would like to take a moment to put a few words on the record about the terrific staff that work at Alberta's Energy department. I'm continually impressed by the professionalism and depth of knowledge and the passion of the staff in the Energy department. This is a department that really gets how important energy is to this province, which is a province we all love. It is an honour and a source of inspiration to work alongside you all. I would like to thank Deputy Minister Sprague and his executive team for fostering throughout the department what is truly a culture of dedication and professionalism. As a lifelong Albertan it is of great comfort to know that civil servants of your calibre are at work in this critical department.

Now on to this evening's business. I am here to present the ministry highlights from Energy's budget estimates for the remainder of the fiscal year. Before I get into specifics, I want to make two points about Energy's budget to help set some context. The first is that the actual budget amount needed to run the department is approximately \$101 million, or 10 per cent of the budget. This is what the department will use to carry out its routine business and focus on specific priorities such as the royalty review and looking at how our electricity system can do better for Albertans.

A very large chunk, a full one-third, is funding for the Alberta Utilities Commission and the Alberta Energy Regulator. This ensures that the people in these agencies doing important work for Albertans continue to do so. Statutory levies to industry fund these two agencies. This means that the money that these agencies use to operate does not come from the same pot that funds priorities such as health care and education. While the budgets for these two agencies appear under the consolidated ministry budget, they are funded entirely by their respective industries.

Of course, a big part of our ministry's work is collecting royalties. Stories about the price of oil and the impact that the price drop is having on our province have been dominating the news for months. It shouldn't be a surprise that the global price of oil has an immediate and significant impact on the royalties collected by this province. Current forecasts show a drop of more than \$6 billion compared to Budget 2014.

There are many factors affecting the world price of oil. Worsening economic news from China, slower world economic growth, and a downturn in the stock market are dampening price forecasts for oil. At the same time there has been a growing supply of oil in the market both from OPEC countries like Iraq and Saudi Arabia and non-OPEC countries, mainly the U.S. and Russia. Added to that, there have been swings in the positions from those speculating in the market. It is suggested that market sentiment is affecting prices more than fundamentals.

7:10

In Budget 2014 the government predicted a \$95 barrel of oil. Right now we are using the forecast price of \$50 U.S. per barrel for west Texas intermediate oil for the 2015-2016 year. This means a huge hit to the resource revenue coming in to government. We cannot control or change energy prices, but we can manage factors

that are within our control. This is why it is more important now than ever to secure higher global prices for our oil. Getting our energy products to new markets around the world will benefit the energy industry.

To advance market access, we recognize that we need to address climate change. This fact was made clear in President Obama's remarks about Keystone XL. President Obama directly tied his decision on Keystone XL to our reputation on climate change. In doing so, he characterized our energy exports in an unfair way, and the most concerning thing about how he characterized our energy industry is that people believe it. It is up to us to convince people otherwise, that we do care about climate change and the environment and that our energy exports are responsible, sustainable, and support good, mortgage-paying jobs. President Obama's decision on Keystone underlines the need to improve our environmental record and reputation so that we can achieve our goal of building Canada's energy infrastructure, including new pipelines.

When it comes to the need to improve our record on the environment, this is where our government fundamentally disagrees with both strands of opposition conservatives, and it's where I believe our government can be of great value in helping our energy industry get its much-needed access to tidewater. The opposition would see our province continue down the same failed path that has emboldened pipeline opponents, alienated jurisdictions we need to have on our side, and prevented pipelines to tidewater from being built.

Our approach is different. We are solidifying effective and drama-free relationships with provinces across Canada and with our new federal government, we are working with industry to develop a realistic and achievable plan to address climate change, and we are making sure that we develop a made-in-Alberta plan now so that one is not forced on us from the outside. As we raise Alberta's environmental reputation within North America and around the world, it will help us to diversify markets for our energy products.

Right now the climate change panel is working on a plan that will help Alberta take a leadership role in climate change efforts. While the work on this has been led by the Environment and Parks ministry, Energy staff have been heavily involved in issues that touch both departments, including emissions from coal-fired electricity plants. This work will be a high priority over the remainder of 2015-2016.

In this year's budget we also see a focus on efficiency. In this budget the department found operational efficiencies and tightened its belt in ways that ensure that front-line regulatory work would continue and the energy industry would still be accountable for following the rules. With that said, I would like to walk you through some of the major items in the budget, starting with energy regulation.

The Alberta Energy Regulator shows a modest decrease of \$3 million from the last fiscal year. This is a decrease from previous years, when they were given additional funds to address pressures. Going forward, the amount received by the AER will stabilize. For the time being the AER has achieved cost savings from internal efficiencies, including branch operations, corporate initiatives, and contractors and consulting. Even though they are now fully industry funded, the AER continues to find ways to reduce costs and streamline operations without affecting the front-line regulatory work. The AER is not planning any job cuts or fewer audits or reviews.

The other item I would like to point out from the consolidated ministry budget is the orphan well levy. This fiscal year the Orphan Well Association has increased the annual levy from \$15.5 million to \$30.5 million. Industry needs to be accountable for reclaiming

oil and gas sites when they are no longer needed. Albertans should not be on the hook to pay for this work, and they won't be. To date the Orphan Well Association has protected Albertans from paying over \$220 million to safely close 651 wells and reclaim 489 sites.

Funding for carbon capture and storage is also found in this year's budget. The carbon capture expenditures in this new budget are the result of previous commitments and do not represent new spending. The previous government agreed to support two carbon capture projects, the Quest project, which recently opened, and the Alberta carbon trunk line, which is currently under construction. Our government will honour these commitments, which amount to approximately \$1.3 billion over 15 years. We are seeing an increase from almost \$54 million in the last fiscal year to \$292 million for the 2015-2016 year. The grant contracts were set up in a way that triggers payments from government when certain milestones are reached. The \$292 million reflects the anticipated further progress of the projects this year. Included in this is a significant payment to Shell for attaining operational status. On the horizon, however, the payments will decrease once both projects are operational. At that time payments to the projects will consist of funding for actual amounts sequestered. After this fiscal year there is still approximately \$650 million to be paid out to the projects under the existing CCS contracts.

Finally, I'd like to say a few words specifically about the royalty review. We made a promise to Albertans that we would review our royalty system, and we are fulfilling that promise to them. Albertans deserve to know that the royalty system is working the best it can for everyone involved: Albertans, industry, and investors. The review will examine ways . . .

The Chair: I apologize for the interruption, Minister, but the time allotted for this business has concluded. Thank you.

For the hour that follows, members of the Official Opposition and the minister may speak. Would you like the timer to be set for 20-minute intervals so that you are aware of the time, or would you prefer to let the full hour flow without interruption?

Mrs. Aheer: I think we could have 20-minute intervals. Is that all right with you, Minister?

Ms McCuaig-Boyd: I'm sorry?

Mrs. Aheer: Could we have 20-minute intervals?

Ms McCuaig-Boyd: Whatever you wish.

Mrs. Aheer: Would we also be able to have a five-minute right before the end of the 20 minutes? Is that possible?

The Chair: Absolutely.

Mrs. Aheer: I was also wondering if we could go back and forth, Minister, if that's okay, to combine our time.

Ms McCuaig-Boyd: Sure. Yeah.

Mrs. Aheer: Okay. Then, secondly, I'd also like to share my hour with Don MacIntyre. I'll take the first 20, he'll do the second 20, and then I'll do the third 20.

The Chair: Absolutely.

Ms McCuaig-Boyd: I'm sorry. Who is the third one?

Mrs. Aheer: I'll be the third 20.

Ms McCuaig-Boyd: Oh. I get it. All right.

Mrs. Aheer: Thank you so much. Good evening. I'd like to thank the minister and her staff for coming tonight and the chair and all the other MLAs in attendance. We're kind of kindred spirits in this. We started at the same time, being thrown into a very hectic and important portfolio in the province with not a lot of background in the industry. I'm in this with you, and I'm excited to dig in and see what your vision is for the province. We both have the profound privilege of representing this sector, that has made this province what it is, a sector that directly acts as the principal contributor to the salaries of Albertans, thereby a huge part of our tax base. This sector contributed significantly to the revenue this year through royalties. Indirectly it is responsible for many things ranging from arts funding to youth hockey. So many things are supported through the philanthropic efforts of the oil industry and gas industry. As you state in your strategic context on page 40 of the business plan: "The importance of energy development for Alberta cannot be overstated."

With that, Minister, if you don't mind, I'd like to talk with you about the settlements related to the energy lease cancellations. If you could please look at page 102, the fiscal transactions, line item 6. We're looking at the settlements related to the energy lease cancellations. Minister, we notice that there is a near 10-fold increase in the new estimated costs since 2014-2015's actual costs. If you wouldn't mind, could you please explain what constitutes a settlement related to energy lease cancellations? Could you also explain why they are so much higher this year, and has this spending already occurred? Sorry; there are three questions there.

7:20

Ms McCuaig-Boyd: Yeah. Thank you for your questions. The amount you referred to is indeed almost 10-fold. This is the amount that is owing to leaseholders due to the Crown cancelling the leases under both the lower Athabasca regional plan, which is referred to as LARP, and the Fort McMurray urban development subregion plan, which is UDSR. The department is required by the Mines and Minerals Act to reimburse the leaseholders all costs incurred by the leaseholders in developing the lands. The expense incurred was estimated and recorded in the period that the decision was made to cancel the leases. The department has audited the claims of costs incurred made by the leaseholders and now requires authorization to pay the claims. Under LARP a total of 78 oil sands and 32 metallic and industrial minerals leases will be fully or partially cancelled in the UDSR and a total of 40 oil sands agreements will be cancelled. They have not been paid out yet because it requires acceptance of the budget first.

Mrs. Aheer: Okay. Thank you, Minister. Well, the plan has been on the books since 2012, so we're just wondering why it's taken so long for the settlements related to the energy leases to go through.

Ms McCuaig-Boyd: Yeah. When this happens, when these decisions are made, then the companies have to give the estimates of their costs, and then all of those costs have to be verified and researched before the amounts can be ascertained. That takes quite a bit of time.

Mrs. Aheer: Have they all been agreed to by the companies?

Ms McCuaig-Boyd: Most have been, yes.

Mrs. Aheer: Most of them. Okay. Is this indicative of the caution that we ought to proceed with when we're choosing, then, to engage with any further lease cancellations?

Ms McCuaig-Boyd: I'm sorry. I don't understand.

Mrs. Aheer: We're wondering if that's the way that we'll proceed in the future, based on what's happened in the past. Is that what you foresee as being the process in the future with any further lease cancellations?

Ms McCuaig-Boyd: Yeah. I think it's a process that's in place, you know, in consideration of fairness. In this case there's an expansion, I understand, in Fort McMurray. To create lands for homes and that to be built, they had to take leases back for expansion in Fort McMurray, and those are the kinds of situations where leases may need to be cancelled.

Mrs. Aheer: Okay. Thank you, Minister.

If you don't mind, we'll move on to some questions about operating expenses if that's okay.

Ms McCuaig-Boyd: Sure.

Mrs. Aheer: All right. If I could, I'd like to draw your attention to page 102, line item 1.1, the minister's office there. In the minister's office, under operating expenses, although estimated costs for 2015-16 are down from the actual from 2014-15, which is wonderful – that's very commendable – the cost of operating the Energy minister's office saw a significant jump since 2014. If you wouldn't mind, could you please detail why you've chosen to continue to operate the minister's office at these new higher costs?

Ms McCuaig-Boyd: Yeah. This is the entire cost of the ministry's office. It includes six FTEs, and in there is my salary and all the operating costs for our office.

Mrs. Aheer: Okay. Thank you, Minister.

Back to page 102, then. Under the operating expenses, then, line item 1.4, in communications we see an increase in the estimates cost of over \$300,000 from the actual in 2014-2015. I was wondering: why are those costs so much higher this year? Wouldn't the Public Affairs Bureau be handling your department's communications?

Ms McCuaig-Boyd: For this one, in the previous year it was actually underspent due to not filling certain positions, and now they've been filled. It's actually back to a little bit under what it was the previous year. This is a function of the department. It's not the same function that PAB would be. It's communicating to the public about energy matters, but it's not a political position; it's a bureaucratic position. So it includes things like media relations, speeches, presentations that I would make or our staff would make to stakeholders. It includes 12 FTEs, so it's the advertising and associated costs. There has been a reduction in the advertising costs. The general manpower was decreased due to late hiring, so now we're back up two staff. We had some staff turnover and just delays in hiring for last year. So we're just basically restoring some unspent money that would have been spent had we been able to hire.

Mrs. Aheer: Okay. Thank you, Minister.

Then just one more question with regard to this. Well, actually two. How much will the royalty review panel cost? We just don't see which line item the cost is covered under.

Ms McCuaig-Boyd: Yeah. Right now we've just absorbed that within our departments for now, and then we will be giving a cost of what it costs after the royalty review is done. But right now we've just been lending staff out and absorbing all the costs within our own budget lines at the moment.

Mrs. Aheer: Okay. Sorry. What do you mean by absorbing the costs?

Ms McCuaig-Boyd: Well, we're just doing that work and maybe delaying other work being done. We haven't hired any extra people. It's just come on to the plate of our staff.

Mrs. Aheer: Okay. Thank you. Thank you so much.

On to market access. In the budget proposed earlier this year by Premier Prentice, there was a line item under resource development and management called market access. Minister, if you could please explain your department's decision to remove this line item on market access from the section. Do you know if it just got moved to another section of the budget?

Ms McCuaig-Boyd: That amount has been collapsed into the budget, so it's under the resource development and management. We just took that particular title out, but the amount is still there.

Mrs. Aheer: Okay. Do you have the numbers on that, like how much is actually being spent on market access?

Ms McCuaig-Boyd: Five million.

Mrs. Aheer: Okay. We know that the department funds alone aren't going to be able to do the job, obviously, for this, but it's still in your business plan at 1.2 – that's on page 41 of the business plan – to build and deepen energy relationships. Would you please provide just some concrete details about how the ministry plans to gain greater market access for the product? Within 1.2: "energy-related relationships nationally and globally to diversify markets for Alberta's energy resources and products." That's the mandate, so we're just wondering how that fits in.

Ms McCuaig-Boyd: As you know, we have talked quite a bit about market access and the importance because we can make all the products we want in Alberta, but if we can't get them to market, it's a difficulty. We continue to work with industry and our counterparts in the province to promote new market access. We continue to work with industry to discuss that and talk about ways we can work together as government, as I've mentioned in my notes, looking at our environmental record to market our products to the world and telling the story that we have environmentally safe oil and gas and all our products. We continue to do that work. In the royalty review I've met with industry, and in addition to talking about royalties, we certainly talk about market access. That's a big one. As recently as last night I was talking to investors in Calgary, both Canadian and American, about the importance of pipelines. So we continue to do that work.

7:30

Mrs. Aheer: Sorry, Minister. If you don't mind me asking, then, about the \$5 million on market access. Could you describe for us how that's going to be spent? How many FTEs?

Ms McCuaig-Boyd: Yeah. If you want specific details, we can provide those in writing.

Mrs. Aheer: That's great. Yes. If you don't mind tabling that, that would be lovely.

Ms McCuaig-Boyd: I think there's enough detail that that probably warrants a written response.

Mrs. Aheer: Thank you so much. That's perfect.
I'd like to move on to upgrading if that's okay.

Ms McCuaig-Boyd: Sure.

Mrs. Aheer: Thank you so much. Minister, in the business plan on page 41 we find priority initiative 1.1.

Support the Royalty Review Panel to optimize returns to Albertans as owners of the resource; industry investment; diversification opportunities, such as value-added processing and other innovations; and responsible development of Alberta's resources.

What are your ministry's plans for increasing that level of value-added processing?

Ms McCuaig-Boyd: Well, with the royalty review, that's been one of the things I've asked them to ask Albertans and ask industry about along with their thoughts on how the royalty system can work better for Albertans. We've asked for those ideas about diversification, upgrading, petrochemicals, all those different good ideas, and we've been getting a number of good ideas. As you know, we've recently formed a new ministry, the economic development ministry, so a number of those ideas will go there as well as to the Premier's new economic council, hopefully to continue to develop them through those ministries or that committee.

Mrs. Aheer: Okay. Thank you.

In number 1 it also says: developing policies. Have you come up with any specific policies? What kind of policies are you developing with regard to this?

Ms McCuaig-Boyd: Not as yet because that's going to be part of the royalty review when it comes through, those ideas. Then, as I mentioned, those ideas, if they're not considered within the royalty framework, will be put into economic development, and then policy will develop out of that.

Mrs. Aheer: So they're not in the royalty framework?

Ms McCuaig-Boyd: No, not as yet.

Mrs. Aheer: Okay. Just to move on, then, how much of the product extracted in Alberta would the government like to see refined within the province of Alberta?

Ms McCuaig-Boyd: We don't have that because, again, we're waiting for the findings from the royalty review. You know, I would assume some of that will come out of it. We have no preconceived plan or outcomes for that review. We're letting the panel do their work. There may be recommendations out of that panel, and then, if not or in addition to, it will go to the economic development council.

Mrs. Aheer: Okay. The government often, at least with Keystone, likes to contrast pipelines with value-added opportunities. Has your department determined how much less pipeline capacity we would need if we did various kinds of value-added refining or upgrading? My understanding is that we'd basically need the same amount, that it would be just as much capacity.

Ms McCuaig-Boyd: Again, we continue to produce more than we can use in Alberta, so we will always need pipelines east and west, and we will need more capacity. We will also wait for the outcome of the royalty review to decide how much would be in. But regardless of that, we will always need pipeline access and increased access.

Mrs. Aheer: Thank you, Minister.

Which line item in the estimates contains any of the expenses regarding the North West upgrader?

Ms McCuaig-Boyd: There isn't a line item because APMC has lent them money to do that, but it's not something the Alberta government is paying. It's a loan, so there is no line item for that.

Mrs. Aheer: Okay. Thank you.

Has your department determined what amount of liabilities the agreement made by the previous administration could put on taxpayers? Have you determined any ways to minimize that liability?

Ms McCuaig-Boyd: When this project was considered, it was looked at: what value would come to Albertans? It was determined there's a positive value.

Mrs. Aheer: Okay. Again on page 41, Minister, we find priority initiative 1.3: "Develop policies and conditions that support the diversification of resource value chains." Could you please describe what you mean by conditions? I mean, to me, it means lower taxes and a competitive advantage. What does that mean to you?

Ms McCuaig-Boyd: "Develop policies and conditions that support the diversification": that's the part you're looking at?

Mrs. Aheer: Yeah.

Ms McCuaig-Boyd: As stewards of our energy resources the province of Alberta supports the production of higher value energy products from raw resources. Through the province's royalty review and working with industry and other stakeholders, Energy will explore ways to diversify across the resource value chain to generate sustainable, long-term benefits for present and future generations of Albertans. [A timer sounded] Is that a . . .

The Chair: It's the notification that the first 20 minutes of this session have expired.

Ms McCuaig-Boyd: Okay. Can I finish my answer?

The Chair: Absolutely.

Ms McCuaig-Boyd: We need to strengthen Alberta's economy by attracting new investment to the downstream energy sector and by increasing complementary economic diversification. So, again, that's going into that new ministry and those ideas that we get out of the royalty review.

Mrs. Aheer: Thank you, Minister.

If I could, I'd like to defer to my shared partner in this ministry, Don MacIntyre.

Ms McCuaig-Boyd: Sure. Thank you.

Mr. MacIntyre: All right. Thank you.

Thank you, Minister, and to the minister's staff and all the MLAs for being here. I'll just jump right in.

Minister, on page 43 of the Energy business plan 2015-18 we find priority initiative 3.1, that states: "Develop, review and implement policies and regulations to ensure a safe, reliable, efficient, affordable and environmentally responsible electricity system for Albertans." Correct me if I'm wrong, but I could not find any clearly defined natural gas strategy in that business plan.

Ms McCuaig-Boyd: Sorry. You're saying page 44 of the business plan?

Mr. MacIntyre: Yeah.

Ms McCuaig-Boyd: I'm not seeing where you're looking.

Mr. MacIntyre: Page 43. Sorry.

Ms McCuaig-Boyd: Okay. I apologize. What was your question again?

Mr. MacIntyre: Well, in the statement that you make, "Develop, review and implement policies and regulations to ensure a safe, reliable, efficient, affordable and environmentally responsible electricity system for Albertans," I don't see any mention in your plan of any clearly defined natural gas strategy. Is there one?

Ms McCuaig-Boyd: It's not specifically referenced, but it is something. Natural gas has certainly had its pressures currently, and we are looking into strategies, but we don't have specifics at this point.

Mr. MacIntyre: You don't have a natural gas strategy mapped out already?

7:40

Ms McCuaig-Boyd: Some of the potential strategies certainly are being considered. Areas that we are looking into are LNG, what to do with these low prices, and the loss of market in natural gas because, as you know, we have quite a bit of it right now.

Mr. MacIntyre: But I'm talking about electricity generation. I'm not talking about LNG here.

Ms McCuaig-Boyd: Okay. I didn't understand your question.

Mr. MacIntyre: I'm talking about electricity generation because this specifically is talking about a "responsible electricity system for Albertans," correct?

Ms McCuaig-Boyd: Yeah. Part of that is going to be tied in with the climate change review, that the minister of environment is heading, looking at that mix of how much natural gas, how much renewables, the phasing out of coal, all of that. We expect to have more meat, I guess, once the climate change outcomes have been announced, and then there'll be more strategies that come from that, flow from that.

Mr. MacIntyre: All right. Can you please tell us what your department expects growth in electricity demand to be over the term of this three-year plan?

Ms McCuaig-Boyd: We do have a growing population, as you know, and a growing need for electricity. We currently have 16,100 megawatts. We expect that to rise to 17,000 in megawatt power in the next three years.

Mr. MacIntyre: Sorry. Say that number again.

Ms McCuaig-Boyd: It is 16,100 megawatts, which is current, going up to 17,000.

Mr. MacIntyre: Over three years?

Ms McCuaig-Boyd: In the next three years, yeah.

Mr. MacIntyre: That's a 900-megawatt increase over the next three years?

Ms McCuaig-Boyd: Yes.

Mr. MacIntyre: Well, in reading some industry reports, they're talking about a demand increase of around 500 megawatts a year. That's 1,500 megawatts growth over the next three years.

Given that your government is discussing a further acceleration of the phase-out of coal and adding in this projected increase in demand, where do I find the concrete schedule of events or a timeline to make up for the pending power shortfall?

Ms McCuaig-Boyd: As you know, with the climate change panel, that's one of the questions they're looking at. In looking at that, we have to consider questions like: how much will it cost to phase that out, and what's the right time? We certainly don't want lights to go out while we're doing this, so we have to wrestle with how much renewable generation, how much coal gets phased out. Those are all the things that we expect to hear from the climate change panel very shortly.

Mr. MacIntyre: Am I to understand, then, that the climate change panel is going to be giving you the road map for not only the phase-out of coal, an accelerated phase-out of coal, but a timeline for the phase-out of coal and also a timeline of some generation coming on stream to fill in the gap?

Ms McCuaig-Boyd: Yeah. They will be giving us advice, and then our department and our government will be working with ISO, for example, to make sure that we continue the reliability, we look at the costs, and all of that. They will give us advice; they won't be dictating how we do that. That will be our government and our department looking at that.

Mr. MacIntyre: All right. Moving on, we have around 1,900 megawatts of high-efficiency, combined-cycle gas generation that's already been approved by the AUC, yet these projects are currently shelved. I can't find any support for these job-creating, multibillion-dollar projects anywhere in your business plan. Those projects are more or less ready to dig in, yet as you just said, you don't have a natural gas strategy planned out already.

Ms McCuaig-Boyd: Currently with those projects one of the challenges is the low electricity prices. As we get more information from the climate change folks, we will be doing further work on how to deal with those.

Mr. MacIntyre: Are you ready for the next question?

Ms McCuaig-Boyd: Yeah. Sorry.

Mr. MacIntyre: If you're waiting for the climate change panel to give you a natural gas strategy – correct me if I'm wrong, but I don't remember any natural gas strategies being submitted yet. Do you?

Ms McCuaig-Boyd: Yeah. We're not asking for a natural gas strategy; we're asking for a climate change strategy. The challenge, you know, in reducing coal will be: do we go to natural gas? How much? Do we go to renewables? What's the mix? Those are the things that the panel will be looking at, and we will accept their advice and then move on from there.

Mr. MacIntyre: All right. Well, I have to come back to the projects that are already approved by the AUC. These things have gone through all of the regulatory issues already. They're ready to roll. Are you saying that you may not have them go forward? Like, will you provide some sort of natural gas strategy, giving investors the assurances that they need? These projects take billions of dollars and many years to amortize away. Here they are already approved

and ready to go, and we don't seem to have any strategy in your department to make use of those.

Ms McCuaig-Boyd: Yeah. These are investor-funded projects, so they can move ahead should they wish. It's their choice. Because we have a surplus of electricity energy, there is no requirement for new builds for the next three years, so the current ones can move ahead, but in this environment of low electricity prices they may wait.

Mr. MacIntyre: Right. I guess one last question. I don't want to belabour natural gas too much longer. Is natural gas considered by your department the bridge from coal phase-out to whatever the next renewable is or something like that, that you're looking at to replace the shortfall after we get rid of all the coal? Is natural gas going to be the bridge fuel?

Ms McCuaig-Boyd: Certainly it'll be a consideration. It is an important fuel, an important option. Again, we're waiting for the climate change report to come out as to their advice, but certainly it is an important bridge and a step for that.

Mr. MacIntyre: Okay. We can move on to coal.
How am I for time, Madam Chair?

The Chair: Seven minutes and 40 seconds.

Mr. MacIntyre: Okay. On page 44 again of your Energy business plan we find that this ministry's only reference to coal is in the form of royalty revenue. What we're concerned about is that we heard the Premier already musing about accelerating the already federally accelerated phase-out of coal as recently as last Thursday, yet there doesn't seem to be any explicit discussion of coal in your department's business plan. What I'm looking for is: if you're discussing the acceleration of an already accelerated phase-out, do you have a timeline?

7:50

Ms McCuaig-Boyd: Yeah. We will wait for the climate change panel on that, their advice to us about a timeline. The coal royalties, though, that you do refer to there, are also for metallurgical coal, which is not used in power generation.

Mr. MacIntyre: All right. You know, we're talking, Minister, about thousands of jobs here and billions of dollars in investments that were made to build these coal plants at the behest of government, and those investments were made assuming a return on that investment, at the behest of government, when they were originally built. People have invested time and energy in learning trades to do these jobs. We're talking thousands and thousands of Alberta workers. Now you're talking about accelerating a phase-out, and we don't have a timeline, so everyone is left hanging in limbo. I'm sure you can understand the uncertainty that's out there amongst the moms and dads that work in that industry and the investors in it. When can we expect from you something concrete that people can live with?

The Chair: I'd just like to take a moment to thank the member for the question but to also remind all members and the minister that the matter before this committee is consideration of the Department of Energy estimates for the 2015-16 year. Let's try to keep our comments to the topic at hand.

Mr. MacIntyre: Thank you, Madam Chair. I'm concerned about a business plan that doesn't include a plan.

Ms McCuaig-Boyd: Again, that falls under climate change. Environment is steering that. You will be hearing shortly their findings, and then we will be able to move forward with that plan.

Mr. MacIntyre: Do you have a line item somewhere regarding coal where Albertans will be paying for more energy lease cancellations?

Ms McCuaig-Boyd: No, we do not.

Mr. MacIntyre: Thank you.

Another issue: if we're going to be stranding some coal industry assets by an accelerated phase-out of coal, do you have an estimate somewhere in your estimates for what this is going to possibly cost us?

Ms McCuaig-Boyd: No, because we're still waiting for the findings on climate change. At this point we do not know that.

Mr. MacIntyre: Is that a liability that the department is considering in future estimates?

Ms McCuaig-Boyd: We can't speak to what is in the future. We'll be waiting to hear from the climate change panel, and then we will be able to speak to it in the future.

Mr. MacIntyre: All right. As these coal plants do come offline and this province's need for baseload power is not going to diminish any and the demand for electricity is going to increase, what are this ministry's plans to ensure that we have the stable, predictable, and affordable access to electricity that you promise in the business plan?

Ms McCuaig-Boyd: Currently we have an excess of power capacity in our system, but we work very closely with ISO, who, you know, oversees the building and maintenance of the system.

Mr. MacIntyre: Okay. Moving on to biofuel, on page 102 under operating expenses I'd like to take a look at line item 3, which is biofuel initiatives. Can you tell us what this money goes toward?

Ms McCuaig-Boyd: The funding supports producer credits on actual bioenergy production payable to companies approved under the bioenergy producer credit program, or BPCP. The BPCP provides incentives to producers of a wide variety of bioenergy products. Eligible bioenergy production includes liquid biofuels, electricity, heat, and biomass pellets and gas products.

The 2015-16 budget of \$92 million is a \$14 million decrease over the money invested in bioenergy in the 2014-15 budget. This is because our commitments are based on the actual production volumes at a facility. The overall production is expected to be lower than originally indicated, triggering lower bioenergy grant payments.

Mr. MacIntyre: Well, I see that the actual was \$70.275 million, and I've got an estimate here of \$92 million. That's a \$22 million increase. I would just like to know: have you conducted any kind of cost-benefit analysis on these investments? You know, are Albertans getting a good return on this money that we're investing?

Ms McCuaig-Boyd: The amount paid varies by facility. This is actually a program that is ending in 2016.

Mr. MacIntyre: Okay. I guess the last question that I have regarding that is: what percentage of the province's biofuel operations are using nonresidual product and actual cereal grains? Are you going to table a full report on just what this program

accomplished? Over the years we've spent substantial millions on this thing. Are we going to see some sort of a tabled report on the outcomes?

The Chair: Just to advise that the second 20-minute segment has expired.

Mr. MacIntyre: Okay.

Ms McCuaig-Boyd: Yeah. We will be internally taking a look at the value of the program.

Mr. MacIntyre: Are you going to table something so that we all know?

Ms McCuaig-Boyd: It's a bit premature to say at this point.

Mr. MacIntyre: It's public funds, Minister.

Ms McCuaig-Boyd: Yeah, it is. Yes. We'll be looking at it within our department.

Mr. MacIntyre: Thank you.

Mrs. Aheer: Minister, back to me. I just wanted to continue with a bit of questioning on upgrading. You mentioned, when I had asked you about policy, that you don't have any particular policy set up yet with regard to upgrading. I'm just a little bit confused about the expectation that the royalty panel would make an upgrading strategy because their tools would seem to either be a royalty holiday for companies to do value-added or punitive royalties for those who do traditional exports or some North West upgrader style BRIC deal that puts taxpayers at risk with uneconomic special deals. Can you speak to this, please? There's no policy. I mean, how are you going to . . .

Ms McCuaig-Boyd: No. No. When we struck the panel, we asked to work with industry, to work with Albertans, investors, everybody to get advice on our royalty system. Part of that was: are there ways we can diversify our economy through other things such as upgrading, refining, petrochemicals, anything like that? We're going to take those ideas that industry and/or Albertans give us and develop them either through the economic development ministry, perhaps our own, perhaps through the royalties, perhaps not. So we don't have policies yet because we're still looking for those ways to diversify.

Mrs. Aheer: Okay. Am I missing another option? Is there something else available that's not here?

Ms McCuaig-Boyd: Where are you referring?

Mrs. Aheer: Well, I'm referring to within your policies in your business plan on page 41. I mean, this is directly related to your strategy. If that's regarding your strategy, how do you propose to have a strategy if there are no policies and if we don't understand how that's going to play into the royalty review? There's got to be some form of option here. We need to understand how that's going to work because it is based on your upgrading strategy in your mandate.

8:00

Ms McCuaig-Boyd: Yeah. The strategy guides the policy. Again, we'll be receiving and looking at advice from the royalty panel, and then that will be turned over to Economic Development and Trade to look at working with industry, working with government, all of those different pieces that need to be put into place. Again, it's strategy that will drive the policy.

Mrs. Aheer: Sorry, Minister. But it seems like the only option is the North West upgrader. I mean, one of your predecessors who served as the Energy minister said, and this is from his summary:

The North West Upgrader . . . project illustrates the risks of government-led efforts to diversify Alberta's economy. What began as a low-risk, low-cost project to encourage domestic bitumen upgrading has morphed into a multi-billion dollar boondoggle.

If you could please provide us with an analysis, that you mentioned, that shows how the North West upgrader would be a net positive for Albertans because it is a long, long, long way – it's a \$20 billion to \$30 billion liability – from being a good deal.

Ms McCuaig-Boyd: Okay. So you're asking about future diversification, or are you asking about the North West upgrader?

Mrs. Aheer: Well, I mean, it just seems like, with regard to your strategy, this is the only option that we have available to us. We need to understand how that option is positive for Albertans. We just need to know how this is a good idea, and if it isn't, then we just need to know: what else?

Ms McCuaig-Boyd: Well, certainly, refining and upgrading isn't the only option. That's an option, but we're also looking at other opportunities. It could be petrochemical. I don't know. We're asking for that advice from industry.

Certainly, if you're referring to Ted Morton, his information was incorrect when he posted that or it was in the newspaper.

Mrs. Aheer: Okay. Would you mind providing us with that, then? You had said that it was a good plan, so if we could please get maybe those internal documents from where that comes from, on the North West upgrader, that would be great. You said yourself in the past that this is a good plan, so we'd like to see those documents if you could table those for us or at least a summary.

Ms McCuaig-Boyd: Yeah. We can provide that in writing to you.

Mrs. Aheer: Okay. Thank you so much.

Ms McCuaig-Boyd: Comments in writing.

Mrs. Aheer: Okay. Thank you.

I'd like to just push ahead here with the Alberta Energy Regulator. Madam Chairman, is it okay if we use acronyms?

The Chair: The AER?

Mrs. Aheer: Yeah, the AER.

The Chair: Yeah.

Mrs. Aheer: Okay. On page 109 we see the expense and revenue lines for the Alberta Energy Regulator. Would you please explain the level of oversight that you have over the AER's budget?

Ms McCuaig-Boyd: The AER's budget is approved through Treasury Board and comes through this estimates process.

Mrs. Aheer: Okay. Well, in particular, there must be fewer applications this year, but the budget is going up 10 per cent over last year's budget. Obviously, we want it to be faster and more efficient. That always seems to be more of an organizational issue. Now that they should have less work in addition to – there have got to be internal efficiencies, so why is there an increase? Minister, you can get back to me on that one if you like because I just have a

few more questions that I'd like to get through here in my limited amount of time with this portfolio.

Ms McCuaig-Boyd: Yeah, we can get you some details.

Mrs. Aheer: Thank you. Yeah, you can just get those to me. Thank you.

Okay. The government has mused in the press about splitting up the Alberta Energy Regulator, citing claims that the AER has a conflicting mandate as both an environmental regulator and a proponent of development. Can you give us your sense of how the AER is doing a few years in or what your thoughts are about moving away from a one-window approach?

Ms McCuaig-Boyd: Yeah. Certainly, the things you've read in the press about that are incorrect. The AER is not being split up. We are reviewing the board of the AER, and that has been confused in the press. We're quite happy with how it's developing. We've heard loud and clear from industry that they do not want to see it go back to the old way. Having said that, there are always ways we can improve, and we continue to look at ways we can improve and get better. As you know, it was put together a few years ago, so it's had growing pains, but we continue. It is not going to be split up.

Mrs. Aheer: Thank you, Minister.

I'd like to jump ahead, then, to the cost of selling oil. If I could draw your attention, please, to page 102, under operating expense, line item 4, cost of selling oil. Minister, could you please explain what is included under the cost of selling oil and why it is \$10 million more this year? That's page 102, line item 4.

Ms McCuaig-Boyd: The increase is in the total cost of products used to sell and transport the oil from the wellhead to Edmonton. That's just what those costs are.

Mrs. Aheer: Can you give some more details on that? I'm not quite sure I understand. We're asking about, like, within the government's costs. Why would the government be paying to transport oil or paying more, for that matter, actually?

Ms McCuaig-Boyd: I'm not sure if you're aware that we can receive royalties in kind, so when we receive those, we have to have a market and find a way to sell it.

Mrs. Aheer: Perfect. That's what I wanted to know. Okay. Thank you so much.

I'm going to jump ahead here to the orphan well fund. If you look at page 104, under expense, orphan well abandonment, we see that industry has been asked to support the OWA with a \$30 million contribution, which you had mentioned in your opening comments, which is laudable. However, we're concerned about at least one aspect of this fund. The contributions are based on assessment of present assets and liabilities, but I'm sure you're well aware that the fund is also being used for reclamation of present industry liabilities and for the reclamation of legacy infrastructure as well. What is your government's position? Is it that legacy reclamation is an appropriate allocation of the money from within this fund?

Ms McCuaig-Boyd: Yeah. It's important to clean up everything, so we support the orphan well fund. Energy and Environment and Parks and the AER are continuing to work together to make sure that we continue to clean up not just the old stuff but the current stuff as well.

Mrs. Aheer: So you're saying, then, that industry is responsible within the orphan well fund allotment to also take care of the legacy infrastructure? That's your statement on that.

Ms McCuaig-Boyd: Yes.

Mrs. Aheer: Okay. Thank you.

Are you planning on making any further changes, then, I guess, with that aspect of having to take care of the legacy reclamations? I mean, we're wondering if there are going to be any changes to the asset-liability formula. I mean, we obviously have to change in order to take in that consideration.

Ms McCuaig-Boyd: Right now, as I mentioned, Energy, Environment and Parks, and the AER are leading a review of oil and gas industry liabilities and are going to develop a new approach to manage historic, current, and future liabilities associated with oil and gas wells and facilities, coal, oil sands, mines.

8:10

Mrs. Aheer: When will we see this review, Minister?

Ms McCuaig-Boyd: Likely you'll see that sometime in the new year.

Mrs. Aheer: You were saying in your opening statements about the reclaimed orphan wells. How many will be reclaimed during this fiscal year?

Ms McCuaig-Boyd: We don't have the numbers.

Mrs. Aheer: Okay. Well, there are a lot of wells. We just would like to have at least a list of your priorities for how those are going to be reclaimed. Do you have a priority list, I guess?

Ms McCuaig-Boyd: Yeah. We don't set those priorities. The Orphan Well Association sets that with Environment. That's not something our department does.

Mrs. Aheer: Oh, they set it. Okay. Thank you so much, Minister. If you don't mind, we'll move on to regulation.

Ms McCuaig-Boyd: Sure.

Mrs. Aheer: Thank you. Will your department be allocating funds towards an urban drilling task force?

Ms McCuaig-Boyd: Yeah. That's something we'll be working on.

Mrs. Aheer: You're saying yes, so could you direct me to the line item that is in association with the task force in the budget line items? Do you know how much it will cost? Also, we'd love a timeline, too.

Ms McCuaig-Boyd: The work that will be done will be found under line 2.2, resource development, page 102. That will be part of that amount. At this point there's not a task force, but it's part of the work under that budget line.

Mrs. Aheer: Okay.

The Chair: Hon. member, I'd just like to advise that you have five minutes remaining.

Mrs. Aheer: Thank you so much. I appreciate it. Okay. The policy on urban drilling has been promised to Albertans for nearly three years. Is your government committing, then, to providing industry

and affected landholders with the clarity that they need on this matter?

Ms McCuaig-Boyd: Yeah. We will be working with our colleagues, you know, Environment, municipalities, and looking at and developing this.

Mrs. Aheer: When would you be doing that? When will you be providing that information?

Ms McCuaig-Boyd: We don't have an end timeline yet, but we'll be working on it next year.

Mrs. Aheer: Next year?

Ms McCuaig-Boyd: Yeah. After the royalty review.

Mrs. Aheer: Okay. I'd like to move ahead to resource development and management, then, if you don't mind. On page 102, under capital investment, line item 2, would you please detail what is included under resource development and management?

Ms McCuaig-Boyd: Included in that is hardware, legacy systems, VMS replacement, which is the crude oil financial accounting system, crude oil operations, natural gas reference price, mineral revenue information system replacement. In short, it's IT stuff.

Mrs. Aheer: Okay. Then just a couple of questions on revenue as well. If you go to page 107, you have a line item that states other revenue. Would you also please detail for us where this revenue is coming from? Page 107, and it's at the very bottom under revenue there, just in that first chunk.

Ms McCuaig-Boyd: You're referring, I think, to the \$56 million figure?

Mrs. Aheer: Yeah, \$56.5 million.

Ms McCuaig-Boyd: Yeah. Those are the one-time penalties and fines, TransAlta's.

Mrs. Aheer: Okay. Then on that same page, under revenue we see the line item bonuses and sales of Crown leases. Now, this is significantly decreased from previous years. This is bad not only for this year's revenues but for future prospects in terms of jobs, royalties, taxes. Minister, does your government have any plans to encourage industry to invest in resource development?

Ms McCuaig-Boyd: Certainly, we are working with industry. We're working with investors to, you know, tell them that we still are a good place to invest. And given that we're having the climate change, the royalty review, that will all be done in the new year. That part will be done. They'll know that we're looking at the environment and stability that way.

Like I say, I was there last night in Calgary talking to investors about Alberta being a good place to invest. So we certainly are looking. Even though maybe the investment is down, we're still getting a lot of investment in Alberta. We continue to be a very strong economy overall. We certainly have world-class technical knowledge here in Alberta. We have the lowest overall provincial sales tax in Canada, and we still do not have a sales tax.

Mrs. Aheer: I have another question just regarding operating expenses.

The Chair: I apologize for the interruption, but the time has come to an end.

I just wanted to let everybody know that we're working on the heating situation in this room. They're trying to come in and cool it down a little bit for us.

I would now like to invite members of the third-party opposition to speak, and I inquire if you would like to share your time with the minister.

Mr. Fraser: If we could go back and forth, that would be great.

The Chair: Absolutely.

Mr. Fraser: I'll start off with the first 20 minutes. If I run out of questions, I might concede my time to some members across the aisle from my own party.

Thanks, Minister, for being here tonight. I know how hard departments work during estimates, and I know how much time goes into it. You know, there's a saying that the first people to lead are often the first to be criticized. They're first to make mistakes, and they're always first to feel hate. Some of our ministers have been there on that end.

I'm glad to hear you say that you're working on partnerships with industry and with stakeholders. I mean, obviously, that's very important, and we certainly believe that as the former government. I would also agree with you that it is not only the hard work that you do but the hard work that the staff does, the civil service, which is incredibly stellar. It's good to see some familiar faces. I know how hard they work and how intelligent and bright they are.

When we think about that, when we think about industry partners and as we move forward – you know, again, back to those who lead first; hence the North West upgrader, which is now called the Sturgeon upgrader. Our partnership in the past: I would hope that you would agree with me, and I'm sure you'll answer that industry for a long time has been leading the way not only in the environment but also in terms of the business process in terms of finding value-added in Alberta. We typically leave it up to them. We've seen projects go ahead based on industry and investors, and we've also seen them cancelled, like the Imperial Oil Kearn upgrader.

So, you know, in that same vein as we move forward, I guess the first question, Minister: would you agree that industry are the leaders and continue to lead, particularly around investment, and they do a better job than government in that aspect?

8:20

Ms McCuaig-Boyd: Well, they certainly have good ideas about things. I see it as a constant discussion item with both of us, you know, what their thoughts are about investment. Certainly, I see it more as a partnership. But, yeah.

Mr. Fraser: That's great news. I mean, obviously, partnerships are important. You know, the resources clearly belong to Albertans, and we leverage those partnerships to get the best value out of that. When we think about the best value for our resources and we think about the Keepphills 3 project, you know, that burns cleaner than natural gas, would it be something in your future business plans and something that you would potentially have in future budgets to leverage the amount of coal that Alberta has if it burns clean and the technology improves itself? Again, industry has been leading that and has done a good job in that aspect. Would you consider that in the future, to leverage that resource?

Ms McCuaig-Boyd: Again, it's part of the climate change discussion, things such as Keepphills, but you never say never. I

think that sometimes each project has to be looked at and considered on its merits, but we are, you know, with such an example waiting to see the findings of the climate change as well.

Mr. Fraser: In a similar vein, I suppose, when you think about the amount of wind that Alberta is fortunate enough to have and we think about wind producers, you know, I don't notice anything in the budget around a power purchase agreement. I know and your department knows that a power purchase agreement would be necessary for those groups to invest. I don't notice it anywhere as a line item. Obviously, wind is one of the first things that would help with our energy issues and greening or evergreening our power.

Ms McCuaig-Boyd: Again, the climate change panel is looking at those sorts of things. We've asked in both committees that we be balanced, measured, protect our consumers. So part of looking forward is, you know, the coal reduction, climate change, and that. How do we move forward with renewables as a replacement, and what's the right measure and that kind of thing? Certainly, wind is one of the considerations. We're already fortunate; we have 1,400 megawatts of potential wind power in Alberta. Certainly, it's one of the renewables being considered.

Mr. Fraser: Minister, there also seems to be an increase in coal royalties above the March estimates. Can you attribute this to a higher production of coal or the immediate onset of higher coal royalties?

Ms McCuaig-Boyd: It's just more volume.

Mr. Fraser: So it's more volume.

Ms McCuaig-Boyd: Yeah.

Mr. Fraser: Just on that particular issue, if they're taking out more coal, do you see a conflict, moving forward, with the environment department?

Ms McCuaig-Boyd: I don't see it as a conflict. I think it's part of the picture as we move forward, looking at how we're going to reduce our coal, but at the current time it's what it is. But it will be part of the picture moving forward from the climate change panel.

Mr. Fraser: You know, again, Minister, as I mentioned before, I guess, in my preamble, obviously, it takes a lot to move things forward and maybe accelerate things. In terms of the timeline between the federal government and the provincial government we had set a deadline of 2030, and now with the talk of an accelerated coal phase-out, can you tell me – you know, I guess there's a personal aspect, a business relationship aspect. Has this created a strain with our investors within that portfolio?

Secondly, can you give me a dollar context? Is there a future number if there is a strain? Obviously, these companies mentioned by some other members, the cost to that – maybe the bigger cost is the relationship, you know, by advancing it since we talk about our energy producers being leaders and when we have the Keepphills 3, that is burning clean already. Can you explain that a little bit?

Ms McCuaig-Boyd: I don't sense that there's a strain. You talked earlier in your remarks about the importance of relationships. In entering both the climate change strategy and the royalty review, we promised from the beginning that we would consult with industry. I know I've been involved more on the royalty side, but in climate change discussions that I've been in, they've been very positive, with lots of really good ideas from industry about how we

can attack this problem or this challenge of reducing our reliance on coal. So I wouldn't think it's strained, no.

Sorry. At this time I don't have a dollar figure because we're still waiting for the results from the climate change panel.

Mr. Fraser: Thank you.

We're also seeing a disparity in royalty revenue. I'm curious to know why natural gas and crude oil royalties are both decreasing against the March estimates but bitumen and coal royalties are increasing above what was estimated in March. Are you attributing this increase in bitumen royalties to oncoming oil sands projects, which would have had high amounts of capital invested in them that, you know, were propelling the oil production despite the low-price environment?

Ms McCuaig-Boyd: Sorry. Which page were you referring to?

Mr. Fraser: Page 106 of the estimates.

Ms McCuaig-Boyd: Yeah. The basic difference, I guess, is the differential between WCS and WTI. Prices in 2015-2016 are forecast to be U.S. \$13.50 per barrel but rise in the future due to the insufficient pipeline capacity to move Canadian heavy crudes.

8:30

Mr. Fraser: Thanks, Minister.

You know, when you speak about that, in the strategic plan there's nothing about expanding market access. This was highlighted and, I mean, it was explained before a little bit, that the \$5 million was brought back into the ministry. Sometimes it's a little bit hard, I guess, to reconcile that. I mean, it's been dropped as a budget line item and brought back into the ministry, absorbed, as you say.

I hate to belabour the point, but at every turn, whether it's our Premier in pictures that are anti oil sands, antipipeline, and the environment minister, that's had some form of relationship with Mike Hudema, and then, you know, not wanting to promote certain projects and walking away from those: how does this government plan to garner new investment if these factors aren't contributing to the strategic context of the department's focus? The \$5 million: again, will there be something itemized that members of the Legislature can look at in terms of how you've been expanding market access?

Ms McCuaig-Boyd: Within that department we've increased support to the market access program, as you've mentioned. The cost associated with supporting the creation of vital transportation infrastructure for Alberta's resources, you know, has been increased. The budget supports 20 FTEs associated with those costs.

A good chunk of my job every day is talking to industry, talking to investors. Just this morning I was texting with the president of TransCanada. I was talking to the Kinder Morgan guy on Friday. A good chunk of my job also goes into that, but we have 20 FTEs working on market access on a daily basis. That actually answers MLA Aheer's question earlier that we had said that we would take under advisement. We have 20 FTEs for that resource development.

Mr. Fraser: The performance measure in desired outcome 2, the measure concerning having "a combined royalty and a tax rate that is in the top quartile of investment opportunities compared to similar jurisdictions," has been removed. What is this telling investors who are looking to do business in Alberta?

Ms McCuaig-Boyd: That's been removed because of the royalty review that's happening now. Once we get the advice and insights from that, a new performance measure will be developed to reflect the intended outcomes of the royalty review itself.

Mr. Fraser: So those desired outcomes have changed then, you're saying? They've been removed from the strategic plan?

Ms McCuaig-Boyd: Well, we've removed the current performance measure, but the new one – as we hear back from the panel, we will be developing a new one.

Mr. Fraser: Right. Minister – sorry – I just want to back up a little bit. You talked about your relationships. Obviously, you've been speaking to large investors and large oil companies. I think we all know that for some time they've been prepared on certain things around carbon pricing and whatnot. But what is the dialogue that you've been having with mid-size to small oil companies? I think what's indicative of, you know, the cancellation of some of the leases – I mean, I understand LARP and UDSR, those aspects, but clearly when land sales drop, it's always indicative of mid-size to small oil companies moving elsewhere. I think we saw that in 2008 amidst a royalty review. Is there a delineation or clear demarcation between what large oil brings to the province in terms of revenue in your budget versus mid-size to small oil companies?

Ms McCuaig-Boyd: We've met constantly. In fact, on Friday I was meeting with some mid-size and junior drillers. We've met from day one with all sizes of companies; I haven't wanted to just go with the bigs or the littles. We've tried to get a variety. We've tried to talk to service-sector people, everybody, to get their advice as we move forward. Again, we always ask: "What advice do you have for the royalty review? What are your challenges? How can government work best with you?" So I don't know that there's a delineation. We've listened to everybody. Certainly, the world prices right now are hurting a number of areas.

Mr. Fraser: Sorry to interrupt, Minister. I just want to ask a couple of more questions.

Ms McCuaig-Boyd: Sure.

Mr. Fraser: It's around electricity. Can you describe to us what "smart regulate" means? Then, secondly, you know, as we go through – there's been a hint by the government of regulating electricity again. Can you describe to me what "smart regulate" means? Then, further, will there be future subsidies, if the regulation portion of what the government is wanting to do around electricity doesn't go so well, to help families if those prices increase or electricity increases because we've taken coal offline too quickly and don't have another backup plan?

Ms McCuaig-Boyd: Certainly, we have looked at the electricity system, and as Albertans we want something that's affordable and reliable. So we're working with our electricity department, both within the department and then with the climate change, to look at our electricity market and look at better ways to approach our electrical system. That's part of smart regulate. We've certainly heard that people don't like the price spikes. They're tough on their pocketbooks. So we're looking at, you know: can we make that a little more stable and predictable? Yeah. We're looking at it from two areas, from our department itself – looking at all our policies: are there some things that we can tweak? – but also through the climate change as well.

Mr. Fraser: Thank you.

Just one more thing. When you talk about regulation, is there somewhere, like, a best practice . . .

The Chair: I apologize for the interruption. The time has come to an end.

I'd now like to break for the five minutes that we agreed on at the beginning of this meeting and would request that everybody return at 8:42.

[The committee adjourned from 8:37 p.m. to 8:42 p.m.]

The Chair: I would like to resume the meeting. If everyone could please take their seats.

I would now like to open the floor and invite the representative and leader of the Alberta Party.

Mr. Clark: Thank you very much, Madam Chair. Thank you very much to the minister for being here this evening and to your staff as well. I know it's a late night. Throughout budget and estimates it takes a lot of time and effort to be here, so I thank you, and I thank all of your staff for being here. I also want to recognize my researcher, Natasha Soles. Tasha, thank you for your hard work in getting me prepared for this. I will take somewhat less than my allotted 20 minutes. I will ask a few questions, and then I'm going to head over to the other committee and ask a few questions there.

I'm going to start with the strategic plan, page 7, also the same concept reference and desired outcome, priority initiative 1.1 on page 41 of the business plan, which again speaks to value-added. Now, I know we've talked at length about the idea of value-added. I have to say – and I know you've said previously that a lot of the work of the royalty review commission will investigate this – that I do find it incongruous that on one level we've said about value-added, "The government is committed to increasing the economic value of oil and gas activity and creating more in value-added downstream oil and gas, including manufacturing and refining." Given that you've said that it's a review without a preconceived idea, I guess my question to you, Minister, is: what if that review finds that the concept of value-added costs more than it returns to Albertans? Will you revisit what you have in your strategic plan?

Ms McCuaig-Boyd: I think that with the royalty review, really, we're looking for those ideas and, you know, market diversification. Are there ways to incent things like petrochemicals? Will incentives help or not? We're looking for those ideas first. Then part of that could be our department, and part of it could be the new ministry, with economic development doing the business case to see if, in fact, those are ideas that are going to – because you're going to want to have something that creates jobs, creates taxes or business in Alberta. I would guess that if those ideas don't get that, then they're not going to be the ideas we'll pursue.

Mr. Clark: Okay. Thank you very much.

About the royalty review itself, then, if there are royalties which the royalty review panel recommends to actually go down as opposed to up or to stay the same, will you accept that recommendation?

Ms McCuaig-Boyd: We'll be accepting their advice, and then it will be us who make those decisions. Again, I want to wait till we get that advice before I commit to an answer on that.

Mr. Clark: I've been in politics long enough to know that if it's not a no, it might just be a yes.

Given that, then, will you commit to releasing the panel's full findings and recommendations to you in their entirety, including

working documents and recommendations made by the panel that you choose not to implement, if any?

Ms McCuaig-Boyd: We'll be looking at all the documents, and we have been committed to being transparent. It's how we manage that as we're getting lots and lots of information. We have committed to being transparent about what we heard. To be honest, if you look on our website, you can see a lot of what we've already heard and been given as well.

Mr. Clark: I appreciate that, and I've gone through most of it. It is very good information.

Maybe I'll ask a narrower version of that question, just to be as specific as I can. Will you commit to releasing all recommendations made by the panel, whether you choose to implement them or not?

Ms McCuaig-Boyd: Well, we've actually asked them for their advice, not their recommendations, so I don't know if that's the same as what you're asking about. But we will be transparent.

Mr. Clark: Will you release all advice given to you by the panel, whether you accept that advice or not?

Ms McCuaig-Boyd: To the extent that we can be transparent. Now, some of those submissions we've gotten are from companies that may not want it all released. There will be some confidentiality within that, so we may not be able to release that, but overall we'll be as transparent as we're able to without jeopardizing confidentiality from certain companies about their business practices.

Mr. Clark: I respect that completely. I'm speaking specifically about the advice from Mr. Mowat and his panel, Mr. Mowat's panel's advice to you, not proprietary corporate information but the panel's advice to you as minister and to Executive Council and to the government. Will you commit to releasing all advice that that panel provides to you, irrespective of whether you choose to implement that advice or accept that advice or not?

Ms McCuaig-Boyd: I think we're going to try to be as transparent as we can. Not knowing how it's going to look yet, it's hard to say what we're going to release. We're going to take all the advice. Ultimately, it's our decision how we move forward with it, but we have said that we will be as transparent as we can be.

Mr. Clark: You'll forgive me for being concerned that you'll simply release the advice you like and that you will not release the advice you don't like. It is the sort of thing, if in fact that happens, that will cause Albertans to lose faith in the process. So I would encourage you, in the interests of transparency, to release all advice and, if you choose not to take that advice, to please tell us why you chose not to take that advice.

Ms McCuaig-Boyd: That's fair advice.

Mr. Clark: Okay. I'd like to go into some detailed numbers now. I'm looking at page 30 of the fiscal plan and the resource royalty forecasts for 2015-16 through 2017-18. Those numbers show an increase from \$2,768,000,000 in 2015-16 in total royalties to \$4,365,000,000 by 2017-18. That's an increase of almost 58 per cent over that time. But when we look at your oil price forecast, it goes from \$50 this fiscal to \$68 in 2017-18. That's only a 36 per cent increase. The gas price goes from \$2.60 in 2015-16 to \$3.20 in 2017-18, which is a 23 per cent increase. Can you explain the discrepancy, please? How exactly are we going to get a 58 per cent

increase in resource royalty when neither oil or gas prices are anticipated to grow quite that much?

8:50

Ms McCuaig-Boyd: There are a few factors there. Certainly, it's volumes. Some things may be in production that are not at this point. Also, the exchange rates will change prices as well or change income.

Mr. Clark: Okay. If I look at what was in the fiscal plan, on page 30 of the fiscal plan it says, "Natural gas production is forecast to increase slightly in 2015-16 and then to trend down." That says that we're going to see a lower trend in volume of natural gas production. On page 28 of the fiscal plan it says that bitumen production is estimated to increase only 21 per cent. So we are expecting to see some more volume come on stream, but I'm not sure those numbers necessarily add up to a 58 per cent resource royalty increase. Have you included an assumption of royalty increases in future years?

Ms McCuaig-Boyd: No. We're using current royalty rates for all these numbers. We have not built in what we expect – we don't know what we will hear from the panel, so it's current numbers.

Mr. Clark: Okay. Talking more specifically about bitumen royalties, then, can you tell us what percentage of current oil sands projects have reached payout?

Ms McCuaig-Boyd: Currently we have 58 projects in postpayout.

Mr. Clark: Fifty-eight of how many in total?

Ms McCuaig-Boyd: Of 125.

Mr. Clark: Of 125. Thank you very much for that, Minister.

Given the new price environment and the declining cost environment, do you have a schedule of when those remaining projects are anticipated to reach payout?

Ms McCuaig-Boyd: Yeah, we do have an estimate of when projects will reach payout.

Mr. Clark: Is that something you're able to table in the House for us?

Ms McCuaig-Boyd: Yeah. We can give you what we estimate the numbers to be.

Mr. Clark: Thank you.

With that, Minister, I thank you very much, and I will cede my remaining time. Thank you. Good evening.

Ms McCuaig-Boyd: Okay. Thank you.

The Chair: Thank you, hon. member.

An Hon. Member: Greg, can we have your time?

Mr. Clark: I'm not sure how it works.

The Chair: It has to go in rotation.

I would now like to call on the government caucus to speak. I would inquire if they are going to be sharing their time with the minister.

Ms Babcock: Thank you, Madam Chair. Yes, I'd like to go back and forth with the minister if she's okay with that. I'm also going

to be sharing my time tonight with Ms Kazim, and we'll be going back and forth, question to question.

The Chair: Thank you, Member.

Ms Babcock: Thank you, Minister, for being here tonight. We've heard about most of these topics already, but if we could get a little more detail on them, that would be fabulous.

Ms McCuaig-Boyd: Sure.

Ms Babcock: We would like to ask a few questions about royalties to start. We all know that the oil and gas industry is experiencing difficult economic circumstances given the low price of oil. Certainly, page 107 of the government estimates shows a significant drop in royalty revenue, which reflects the industry's downturn. Some have argued that this is therefore not the time to have a royalty review. Could the minister please explain why right now is a good time for the review of Alberta's royalty regime and how it might lead to longer term success for the oil and gas industry?

Ms McCuaig-Boyd: Sure. Certainly, it was a promise we made in our campaign that we would conduct a royalty review, and we're certainly keeping that promise. We want to make sure that we have a system that serves Albertans by providing optimal returns to us as Albertans, as owners of the resources, but also returns for investors and returns for the oil and gas industry themselves. By doing this now, Albertans can be assured that we have a system that does work in both good and hard times.

Energy markets have changed a lot and technology has changed a lot in the last five to 10 years, so we need to look at it. It's time to take a good look at the framework and keep with the times and look for new opportunities to build success for Alberta.

Ms Kazim: Thank you very much, Minister, first of all, for your time tonight. As we are talking about royalties, I have a question about the outcome of the royalty review as well. It has been suggested in the media and in the House that the government has already made up its mind regarding the outcome of the royalty review. Could you please confirm that the government does not have a predetermined outcome in mind when it comes to the royalty review and that Budget 2015 does not contain any amounts that would predetermine the outcome of the royalty review?

Ms McCuaig-Boyd: First of all, again, yeah, I'll reiterate that we did not go into the royalty process with any preconceived notions. As you can tell from some of my answers, I am not going to predetermine future policy decisions by government before the royalty review has been completed. I can tell you that the royalty projections we provided to Treasury Board and Finance for the recent budget were based on the current royalty system, as I mentioned previously. They didn't account for any changes as, again, we don't have any preconceived notions of that.

Energy markets have changed a lot in the last few years: new technologies, new players, new competitors. It really is a global business. It makes good sense to take a look at our royalty framework and make sure it's keeping with the times and to look for new opportunities to position ourselves strategically as a province. We've assembled, as you've seen, a really smart group of people with diverse backgrounds and a range of expertise to work with a wide array of experts and stakeholders, including industry, aboriginal groups, and Albertans, to ensure that we do have the royalty framework right, one that allows us to develop our resources strategically and responsibly and collect the value from their production and sale.

Ms Kazim: Okay. Thank you very much for the detailed answer.

Ms Babcock: There's uncertainty in my riding of Stony Plain. Albertans and industry alike are currently anxiously awaiting the results of this royalty review. Could the minister please tell us if the royalty review panel is on track to deliver their recommendations to the government by the end of the year? Can you speak to whether or not the results of the review have any immediate impact on your estimates going forward?

Ms McCuaig-Boyd: Certainly, we have been listening to industry, and we have said that we will do it well and that we will do it quickly. In fact, we are speeding it up a little bit from my original timeline because we've heard from industry that they really want to know the whole package on the climate and this to make their decisions. The panel has been hard at work for 11 weeks so far and are on schedule to have it completed by the end of the year, as promised.

Ms Kazim: My question is about the consultation with the stakeholders when it comes to the royalty review. As a follow-up, we know how important consultation with all stakeholders is to the review process. Could the minister talk briefly about what she has heard from industry with regard to the royalty review and whether or not any of these consultations are reflected in the estimates we have here in front of us?

Ms McCuaig-Boyd: Okay. Certainly, industry was clear with us, as we started, from day one. They wanted us to get the review done well, quickly, to take our time and get it right, and we're trying to do all that. It's been a mixed bag. We've heard from industry to take into account all their costs and also to consider the economic climate that we're undergoing right now and to look at their cost pressures. So the review is about optimizing the royalty system for everyone, including the investment community, and in my discussions with industry I've made it clear that there won't be any surprises. They've been our partners along the way, and we've collaborated with them fully.

9:00

I think you asked if it was considered in the current numbers of the estimates. No. With the current system, right now, it's the current royalty system for our numbers that we do the estimates from.

Ms Kazim: Okay. Thank you.

Ms Babcock: Minister, I see on page 102 of the expenses voted by program that at line 2.2 the amount of money expended on resource development has increased over the 2014-15 budget target, but it's a slight decrease from the 2014-15 actual. Could you please elaborate on why the increased budget was necessary? How is it going to be spent?

Ms McCuaig-Boyd: Well, we know and we've heard the importance of the energy sector to Alberta and to Canada's economy, indeed, the jobs it provides and the wealth it generates. Accessing new markets is very key, and we hear this daily from industry. We need to ensure we are receiving the maximum value for our resources, so the government of Alberta is committed to working collaboratively with industry, as we have told them, First Nations, and other stakeholders to support processes that ensure pipelines are built in a safe and environmentally responsible way. The budget increase you're referring to is primarily to support these ongoing market access activities through manpower increases and associated costs.

Ms Kazim: Okay. So when it comes to market access, Alberta's energy industry needs to increase its market access, as we all understand, and pipelines are one path to achieving this goal. Could the minister please speak about reasons she believes no export pipelines have been built under the tenure of the previous government and what this government is doing differently in order to make that happen? What supports are there in Budget 2015 to achieve this goal?

Ms McCuaig-Boyd: Again, as I mentioned previously, we know the importance of our energy sector to Albertans and to Canadians in the jobs it provides, the investment for our communities that it brings in, and certainly the wealth it generates. The energy sector certainly is the foundation of Alberta's economy, and safe market access is the key for our prosperity to continue. We're focused on ways to diversify and value-add to our energy sector as we seek ways to improve market access, and this will create long-term stability and good jobs.

Our policy has been clear, and we've said many times that we will work with the oil and gas industry to expand safe market access. We'll improve our environmental record to build support for our products. Accessing new markets is no longer an issue of building transportation infrastructure. It needs to include concrete action to tackle emissions, as we're doing with our climate change. We're acting deliberately on the issue of climate change, and with that we can reframe the current debate over the pipelines and energy infrastructure. It is very essential that Alberta demonstrates to the world that we are taking meaningful action, which is increasingly going to be the price of admission to those energy markets.

Ms Kazim: Thank you.

Ms Babcock: Thank you, Minister. On page 41 of the Energy business plan, in the 2015-18 plan, market diversification figures prominently in priority initiative 1.2. I was wondering if the minister could elaborate on how she believes Alberta can gain access to new markets by improving its international reputation when it comes to the responsible and sustainable development of Alberta's energy resources.

Ms McCuaig-Boyd: Well, as I mentioned, our industry is very global, and we are global citizens. We know that taking action on climate change is also the right thing to do. Our government's approach has been and is very clear. We want to address market access. We need to address climate change as well. Accessing new markets is no longer an issue of just building infrastructure. We need to include what we're doing on climate. We need to act deliberately on climate change. We also need to continue the debate over pipelines and infrastructure. We need to move forward with our policies and assure the world, really, that we have environmentally developed product and that our pipelines and accesses are environmentally sound. We need to bring Alberta into a new era of energy development, build a greener, more prosperous economy, and protect the health and the quality of life of our Alberta citizens.

Ms Kazim: We have been speaking about diversification, so I would like to refer to priority initiative 1.3 in the Energy business plan, that speaks to developing "policies and conditions that support the diversification of resource value chains" in Alberta. Can the minister please explain to the committee how the ministry is working to support this initiative?

Ms McCuaig-Boyd: Investment in the downstream natural gas will help advance Alberta's economic diversification based on the

province's natural strength. We're looking for ways to incent value-added petrochemical development opportunities in Alberta. Such incentives will help but not eliminate the challenge of higher cost construction in Alberta relative to our competitors in the Gulf coast. U.S. jurisdictions are offering fiscal incentives for private-sector investments for petrochemical development, and some Canadian provinces are offering significant financial incentive programs. For example, Quebec entices new capital investment with a suite of loans, capital, and tax credits. There are a variety of ways we could incent that are being studied. Value-added petrochemical development using feedstock such as methane, ethane, and propane gas is under consideration currently.

Ms Kazim: That's great. Thank you.

Ms Babcock: Minister, building and maintaining positive relationships with other provinces will be crucial to ensuring the health of our energy industry. As you said, we're global citizens. Could the minister speak to the efforts she's undertaken to improve relationships with her energy counterparts in other provinces when it comes to Alberta's energy products? How will Budget 2015 support these intergovernmental efforts?

Ms McCuaig-Boyd: It's been a pretty busy six months. All our colleagues have been developing new relationships with their counterparts, and certainly I have. Our Premier has been very busy on that front as well, meeting with the Premiers in June, I think it was. For myself I went to the Energy and Mines Ministers' Conference in Halifax in July. I had the opportunity to meet with all my counterparts, and I currently still maintain phone calls with some of them, as we touch base with each other. Part of that was to develop those relationships. Certainly, market access, the Energy East and Trans Mountain pipelines: we've been in discussions with that, you know, trying to understand the challenges that those companies are facing in trying to get those pipelines and how we can as a government work with them. I just recently returned from a trip to China, where we're looking as well at how we can work with China to develop some investment in Alberta. So, yeah, it's been a pretty busy six months.

Ms Kazim: I have a question about the North West upgrader as it was discussed earlier in the committee meeting as well. It has recently been suggested that the North West upgrader is a boondoggle and that the Alberta Petroleum Marketing Commission will actually come out at a loss when everything is said and done. Can the minister please provide us with an update on the economics of the project and the expected benefits to Albertans?

Ms McCuaig-Boyd: The North West upgrader, sometimes referred to as the Sturgeon refinery – we're speaking about the same thing when you hear about it – is more than 60 per cent complete right now. It's the first new refinery in North America built in the last 25 years, and it's right here in Alberta's heartland. Currently there are about 3,000 skilled tradespeople working on construction. It's expected to peak at about 4,500 mid-2016. Currently there are more than 2,000 tradespeople working to assemble over 1,000 modules that are being shipped to site from fabrication facilities that are primarily in the Edmonton region. The refinery will convert diluted bitumen into high-quality refined products, primarily ultra-low-sulphur diesel.

9:10

Through the Alberta Petroleum Marketing Commission Alberta will supply 75 per cent of the feedstock to the refinery and pay a toll to have it processed into refined products. The profit that APMC

makes over 30 years of the life of the contract will be the difference between the value of the refined product produced less the value of the diluted bitumen feedstock less the cost of the processing toll. While each of these will fluctuate, the APMC expects to earn between \$200 million and \$700 million from this arrangement.

There are some strategic considerations that are important to Alberta. This will help reduce pressure on the export pipeline system, which helps prevent price discounting and helps keep the royalties higher for bitumen produced in the province. It removes diluent so it can be reused here, reducing the need for diluent imports and helping improve the cost structure for bitumen products. The ultra-low-sulphur diesel will help meet diesel shortages in western Canada, and the arrangement helps to diversify a portion of Alberta's exposure to bitumen prices through the royalty system. Capturing two-thirds of the CO₂ produced as part of the refining processes will also help demonstrate that bitumen can be processed in an environmentally sustainable manner.

Ms Kazim: Okay. Thank you.

Ms Babcock: On page 102 of the expenses with regard to the minister's office I noticed that this amount has decreased versus the 2014-15 budget amount and actual. Can the minister please shed some light on how this reduction in spending was achieved and how she plans to do more with less in her office?

Ms McCuaig-Boyd: My office budget was reduced by \$37,000 from \$740,000 in 2014-15 to \$703,000 in 2015-16. Mainly this is due to a delay in staffing following the election. In 2014-15 my office actually spent \$729,000, so this is really a reduction of \$26,000 from last year. This is due to staff turnover within the office. Being prudent within my office operating expenses, especially travel, will ensure that this budget is achievable for my office. We have been more focused and thoughtful in choosing travel opportunities to support market access activities.

Ms Kazim: As it also mentioned the visit to China – and I was encouraged to see that your recent trade mission to China was welcomed both by industry and everyday Albertans alike – could the minister please provide some detail to the committee about your travel budget: how important these trips are to your work as the Minister of Energy, whom you met with in China, whom you brought with you, and how you plan to use these resources to their greatest effect.

Ms McCuaig-Boyd: Thanks. We certainly believe Alberta's long-standing energy relationship with China is extremely important for our future prosperity, similar to the relationship we currently enjoy with the States. Next to the U.S. China is our most important investor and partner. Following Premier Notley's trip to New York, I chose to make my first international mission a visit to China to deliver this province's commitment to the China-Alberta petroleum centre and communicate with, basically, our new government's continued support. A new government: they needed to meet us. I also met with China's national energy policy body and the three largest national oil corporations, which together have invested so far \$35 billion in western Canada.

The Chair: I apologize for the interruption, Minister.

Ms McCuaig-Boyd: No worries.

The Chair: I would now like to invite the Official Opposition for their 10-minute speaking time.

Mr. MacIntyre: Thank you, Madam Chair. I'll be taking that, and we'll go back and forth. It's 10 minutes?

The Chair: Ten minutes.

Mr. MacIntyre: Can you give me, like, a three-minute warning?

The Chair: Absolutely.

Mr. MacIntyre: Thank you. A question for you regarding the North West upgrader since those notes are probably fresh and close to you there: what is going to be the final estimated tab for that upgrader?

Ms McCuaig-Boyd: Eight point five billion.

Mr. MacIntyre: Your answer to one of the questions from other members was that you're expecting a \$300 million to \$700 million ROI over 30 years on this upgrader. Can I ask you what discount rate was used to calculate that ROI?

Ms McCuaig-Boyd: Ten per cent.

Mr. MacIntyre: Really? Thank you.

All right. I'd like to take a look at page 103, expenses, department statutory amounts, operating expenses, specifically carbon capture and storage. Minister, will you please detail what exactly your department is going to be getting for this \$2.4 million expense shown at that line? In the interest of time, if it's faster, you could designate your ADM or your deputy minister to answer that.

Ms McCuaig-Boyd: In this project we're certifying construction milestones for the ACTL projects shifted to this fiscal year. Thus, more of the contract dollars need to be spent on certifying these ACTL construction milestones. That's where we're getting the number.

Mr. MacIntyre: Again on page 103, expenses, department statutory amounts, capital grants, carbon capture and storage. Can you provide an overview of what Albertans are going to be getting for the \$289 million expense? Perhaps you could table that; it might be faster.

Ms McCuaig-Boyd: These are just payouts this year: \$149 million to Shell Quest; Alberta trunk line, Enhance, \$110,600,000; and \$29,700,000 to Alberta trunk line, North West upgrader. Those are the amounts, and that comes to the \$289 million.

Mr. MacIntyre: During the election your party campaigned on ending corporate welfare schemes. Are you going to be continuing this kind of thing under carbon capture and storage?

Ms McCuaig-Boyd: There are no future plans. We're going to finish these ones off and honour those contracts. There are no future projects at this point.

Mr. MacIntyre: No future plans for carbon capture and storage in your department?

Ms McCuaig-Boyd: No.

Mr. MacIntyre: Is it correct to assume that you're going to have some contractual obligations going forward to fund the existing carbon capture and storage projects you've got contracts on? How long are we going to be on the hook for this?

Ms McCuaig-Boyd: We have two funding agreements, entered into by the previous government, that are legally binding, and they do not end until 2025.

Mr. MacIntyre: Until 2025. Good enough.

Can we get from you, tabled in the House, please, the total financial commitment made to these projects, what we are going to have to be paying out going forward from this point?

Ms McCuaig-Boyd: The total commitment will be \$1.24 billion.

Mr. MacIntyre: Good heavens. All right.

Now I have a question regarding the \$1.24 billion again. Is your department going to do some sort of cost-benefit analysis and make that public to us so that we know what we actually got out of this?

Ms McCuaig-Boyd: As we've been clear, we're going to honour these two contracts and see them out, but we won't be entering into any new contracts.

9:20

Mr. MacIntyre: Yes. I understand that. That's not what I asked, Minister. I asked: are you going to do a cost-benefit analysis of what Alberta got for this \$1.24 billion investment, and are you going to tell us what that is?

Ms McCuaig-Boyd: We will be doing a cost-benefit analysis . . .

Mr. MacIntyre: What did we get for this? Are we going to have that as public knowledge?

Ms McCuaig-Boyd: Yeah. The outcome will be that we'll have two projects built in that time as well, and there will be a cost-benefit analysis done.

Mr. MacIntyre: Your department will do a cost-benefit analysis?

Ms McCuaig-Boyd: Yeah, they'll do an overview.

Mr. MacIntyre: And we will have that information?

Ms McCuaig-Boyd: This program is audited on a yearly basis, and we have 2.76 megatonnes reduction per year of CO₂.

Mr. MacIntyre: Thank you for that number.

Moving forward, does the Shell Quest project, which your government chose to commit an additional quarter of a billion dollars to, enhance recovery enough to reasonably be considered a cost-effective option for the rest of industry? Does industry actually consider this workable going forward?

The Chair: Hon. member, you have three minutes remaining.

Mr. MacIntyre: Thank you.

Ms McCuaig-Boyd: Yeah. Shell certainly put a serious amount of investment into this, so I would assume that there was benefit to Shell, for sure.

Mr. MacIntyre: Minister, does your government feel that the \$1.3 billion, that is taxpayers' money, is an appropriate amount of money to accomplish the tonnage reduction that you're experiencing?

Ms McCuaig-Boyd: Yeah. This is certainly a project that we inherited and . . .

Mr. MacIntyre: Yes, I know, but you are continuing to spend the money on it. Is it going to be . . .

Ms McCuaig-Boyd: We're contractually bound.

Mr. MacIntyre: I understand that. I'm asking you as Minister of Energy if you think that \$1.3 billion for the tonnage reduction we're seeing was a good expenditure of taxpayer money?

Ms McCuaig-Boyd: It's kind of moot because we're contractually bound.

Mr. MacIntyre: It's not moot, Minister. It's a huge – okay. We'll leave that one.

Has your department reviewed the current data available from Boundary dam in Saskatchewan regarding carbon capture?

Ms McCuaig-Boyd: We're aware of the project, but we haven't reviewed the data.

Mr. MacIntyre: Okay. Another question: is it likely that other players in the oil industry, those that didn't benefit from your government's continued commitment to corporate welfare, are going to adopt this kind of technology at all?

Ms McCuaig-Boyd: It's kind of early to know that till we see the project through.

Mr. MacIntyre: Okay.

Cost of selling oil. In answer to a question from another member you said that line 4, cost of selling oil, was for transportation of the BRIK program. Is it possible for you to tell us if there are any FTEs in your department that are attributed to this, or is APMC handling all the staffing for that?

Ms McCuaig-Boyd: First of all, it's not BRIK, and we have about 20 FTEs.

Mr. MacIntyre: Okay. Thank you.

Ms McCuaig-Boyd: Oh, just to correct one of the things, Boundary dam does not share its data. Shell does.

Mr. MacIntyre: Okay. On page 40 of your Energy business plan, the plan reads that you're addressing climate change.

The Chair: I apologize for the interruption.

I would now like to invite the third party opposition to enter into their 10-minute speaking time.

Mr. Fraser: Thank you again, Minister, for all your work that you've put into this. We've talked extensively about partnerships with industry. When you think about those partnerships, would you say that a lot of these initiatives in your department, past and current, have been predominantly industry led with industry science? When we think about Infrastructure and the investment that they put into it, that is part of their capital dollars as well. Clearly, there is a plan laid out. As you said, they've been partners. Would you agree with that statement?

Ms McCuaig-Boyd: Yeah. I don't know all the history from before, but it sounds like yes, and we'll continue to work with industry.

Mr. Fraser: That's definitely important, obviously, if we're trying to strengthen investment and continue the good work. Clearly, everybody is onside.

Minister, can you give me a number of exactly how many oil and gas pipelines there are in Alberta right now?

Ms McCuaig-Boyd: It's substantial. I don't know the number currently.

Mr. Fraser: Right. Yeah. I think that at last count there were somewhere over 260,000 pipelines.

Ms McCuaig-Boyd: Yeah. A significant number.

Mr. Fraser: Yeah. Again, I just want to be clear because I think that for you as government members and ministry and private members it is important to speak about the success story of Alberta moving forward, that it is a good place to invest. So that's a lot of work that I believe is predominantly industry led and in partnership with government to get over 260,000 oil and gas pipelines in the province. That's significant.

As we move forward, can you describe to me, when it comes to energy regulation, where in other parts of the world that's seen as a best practice and what the cost benefit is to the taxpayer, to the people buying the energy in terms of electricity prices? Is there any one particular jurisdiction that you could highlight as part of your strategic plan that you would model regulating energy against?

Ms McCuaig-Boyd: I think if I understand it correctly, yeah, we certainly look to others, but to be honest, we're one of the world leaders in energy regulation. Currently we've had inquiries from Mexico, from other provinces, from the territories to help them with their regulations and share what we have. So we're pretty proud of what we have so far. Having said that, we can always do better, and we continue to do better. When I was in China, that was of interest to the Chinese, too, how we regulate certain things such as fracking in our oil sands, because they indeed have oil sands, and they have tight oil and tight gas plays as well.

Mr. Fraser: Similar to that, is there a best practice, again, in the world when it comes to electricity regulation? Is there a jurisdiction? I mean, you've hinted to that in terms of smart regulation. Which jurisdiction would you be leaning on to show that there is a good return for taxpayers in those jurisdictions? Is there any particular region that you could highlight where that's been a benefit to their economy and to their citizens over the long haul on both ends of the spectrum in terms of what they pay for electricity and how electricity is delivered? Has the infrastructure been kept up since it's predominantly government run?

Ms McCuaig-Boyd: I'm getting some advice here. Certainly, that's one of the things I've asked in looking at electricity regulation. I've asked them to look at all the different things that we have policywise. Are there ways we can tweak certain things? Are there policies we can look at? I would expect that part of that work is to look at different jurisdictions.

He's still writing; this is my expert here that's doing that work.

I know that our system is pretty unique in Canada, and the current market is based on competitive generation and lowest cost. Again, we're looking at everything right now, and we have some ideas where we can look to make things better.

9:30

Mr. Fraser: Thank you.

A similar kind of concept. Are there other jurisdictions in terms of when we look at the environmental policy – and I know that you worked closely with the environment minister on this issue, but at the end of the day it's how you prepare your budgets moving forward in terms of your department. They're kind of one and the

same. Is there another jurisdiction, you know, that's landlocked, that produces heavy oil, that faces the same carbon pricing and royalties? In terms of \$30 broad-based carbon pricing is there another jurisdiction that – you've already stated just kind of in the previous answer that Alberta is unique. I think everybody in this room or Albertans in general would agree. So if we're unique, are there other jurisdictions that may be similar that have to face those same challenges?

Ms McCuaig-Boyd: Yeah. Offhand I can't think of any comparator that's exactly like Alberta, but certainly I've asked the royalty review panel to look at other provinces, other jurisdictions in the world. How do they do their royalties? Are there things we can learn from them? It's always good to look at others and, rather than reinvent things, look at those good ideas or look to see what isn't working for people so that we don't make those same mistakes. You're right; Alberta is pretty unique. Offhand I can't think of a comparator.

Mr. Fraser: Thank you.

The strategic plan talks at length about the climate change panel, as you've just mentioned, and the royalty review. It also states that the government is looking to optimize other innovation. I guess I'm asking: what does "other innovation" mean in the budget for your department?

Ms McCuaig-Boyd: I think previously I kind of answered it. You know, we're looking at different ways to do things. Are there ways that we can convert some of those nice resources we have and those rich resources here in Alberta to other products? But it's also looking at different ways. One of the kind of good outcomes of these low prices is that people are really looking to technology and how that can help us reduce our costs. Those are some of the things that industry has told us are important to them, so that's part of the innovation idea.

Mr. Fraser: Right. So you would agree, I mean, that when we look at other technologies, whether it's in the medical field or computer-based science, that often in cases when you think about research-based partnerships, it takes a while to get to the end result. When we think about the Sturgeon refinery, the carbon capture and storage projects, is it fair to say on both of those issues – you know, obviously, that's part of innovation and partnership, to try to better Alberta's standing. As you said, it's unique in terms of what we've mentioned, being landlocked and producing heavy oil. At the end of the day, it may take some time to actually realize those investments. Would you agree with that?

Ms McCuaig-Boyd: Yes, I would.

Mr. Fraser: Right. There's nothing in the section regarding research-based partnerships. Are we moving away from that kind of policy in terms of partnering between government and industry, you know, to solve some of our research issues?

Ms McCuaig-Boyd: No. I think that will now fall into the Economic Development and Trade ministry.

Mr. Fraser: Okay. You may refer it to that ministry again, but will you commit to ensuring that government funding for research and development is above the national average in terms of industry and technological innovation? You know, you've said and your government has said that this is the backbone of our province in terms of the economy and also that we're unique. I think, again, that everybody would agree with that. Are you committing more funding to that?

The Chair: I apologize for the interruption, but the allotted time for this portion has concluded.

As there is no independent or other member present, we will now move on to government caucus in the speaking list, and I invite you to speak for your 10 minutes.

Ms Babcock: Thank you Madam Chair. Again, thank you for coming, Madam Minister. I'd like to talk a bit about promoting our oil and gas in Alberta. Promoting our energy industry to oil and gas investors is of particular importance given the current economic situation. We must assure energy investors that we are open for business and encourage investment to stay here in Alberta. Can the minister please outline how Budget 2015 and the work of her ministry is promoting investment in Alberta's oil and gas sector?

Ms McCuaig-Boyd: Expanding existing oil sands projects, establishing new opportunities in the energy economy, and pioneering advancing technologies: all of this requires investment on a large scale. It's pretty crucial that the global financial community knows that our province's abundant oil and gas reserves remain open for investment and, just as importantly, that we maintain a competitive fiscal regime.

Our government's approach to the economy is guided by three pillars: prosperity for Albertans, stability for industry, and certainty for investors. We've said that over and over again. We do understand that investors need to be confident to commit to large-scale capital projects and expenditures. Major infrastructure is the work of years, and investors need to have that certainty that they can expect fair returns, whether those returns are two years away or 10. We also know that competition for investment dollars is fierce. We've seen that over and over. The Alberta government will deliver the certainty to investors that they seek. There will be no unpredictable changes. As part of this work my department will work closely with the Minister of Economic Development and Trade to identify and engage targeted stakeholders to communicate energy investment opportunities in Alberta.

Ms Babcock: Thank you.

Ms Kazim: Thank you, Minister.

I would like to ask about carbon capture and storage as you were talking about earlier. During the last election the Alberta NDP promised to withdraw funding for carbon capture and storage projects in Alberta. Since the election your ministry has continued to support two CCS projects. Indeed, page 107 of the government estimates indicates a substantial expense increase in CCS. Can the minister please explain why these two projects were not cancelled?

Ms McCuaig-Boyd: Well, since being appointed Minister of Energy, I have had the opportunity to learn more about these projects, including the consequences of early cancellation. The two funding agreements entered into by the previous government are legally binding contracts that do not end until 2025. The government would have faced significant legal and financial liabilities if we chose to breach those contracts. There had already been substantial investment by the government of Canada, industry partners, and, in addition, our government's contribution, so the decision was made in consideration of the advanced phases of the project. At the time the Quest project was only months away from reaching commercial operation.

The government of Alberta is serious about climate change, and the carbon capture and storage projects are positioned to deliver a return on investment with real greenhouse gas emission reductions to our province. However, we do not intend to consider any new

applications for government funding towards carbon capture projects and carbon storage.

Ms Kazim: Thank you.

Ms Babcock: Thank you, Minister. On page 105 of the government estimates it indicates an increase in expense for the AER. Minister, given that the activity in the oil and gas sector is significantly reduced because of the low price of oil, why is the budget for the AER increasing instead of decreasing?

Ms McCuaig-Boyd: During the 2014-15 fiscal year the AER's budget increased from \$229 million to \$256 million due to a transfer of responsibilities from Alberta Environment and Parks to the AER along with other infrastructure costs. Despite this, the AER has reduced its overall budget by \$14 million and has undertaken a number of actions to ensure its operations are fiscally responsible. The AER has introduced a series of cost-effective process changes, which have achieved cost savings to industry in the range of \$225 million to \$310 million per year. With an annual budget of \$253 million the AER is levy neutral and is targeting to save the industry up to \$400 million per year.

Despite the drop in the oil prices and new projects, the AER does continue to conduct inspections and compliance activities across the province to ensure the rules are followed at every stage of development. The slowdown in Alberta's energy sector does not equate to a reduction of activities done by the AER. During periods of lower development activities the AER redeploys their resources to deal with the increases of well suspensions, closures, and abandonments.

9:40

Ms Kazim: Thank you for that answer.

My question is about the price of oil. In a globalized world economy we must consider international factors of supply and demand. Could the minister please answer whether or not the possibility of Iran contributing a significant amount of oil to global supply due to its sanctions being lifted in the near future has been factored into the pricing forecast of Budget 2015?

Ms McCuaig-Boyd: Yes, absolutely. This has been factored into the pricing forecast. The majority of consultants believe that Iran will meet the conditions for raising the sanctions in the second quarter of 2016. Iran is then expected to use its floating inventory to increase its sales of crude oil. The majority opinion is that Iran will then slowly bring more oil onto the market as it performs maintenance on its shut-in wells. Production is expected to rise by about half a million barrels per day in the first year that sanctions are lifted. The budget forecast is based on world oil demand increasing approximately 1.5 million barrels per day this year and 1.2 million barrels per day in the following year.

Also, non-OPEC oil production is forecasted to decline in 2016 due to lower investment levels. Those conditions accommodate the return of the Iranian production as well as requiring the oil price to rise in order to bring required additional supply onto the market.

Ms Kazim: Okay. Thank you.

Ms Babcock: Minister, our government is committed to consulting with and learning from our indigenous peoples here in Alberta. Within the context of the energy industry could the minister please explain to the members of this committee how Budget 2015 is supporting the government's goal of implementing the UN declaration on the rights of indigenous peoples?

Ms McCuaig-Boyd: Certainly, our government is committed to renewing and improving our relationship with indigenous peoples. We intend to work with indigenous peoples as true partners to ensure that their constitutional rights are protected, that the air, land, and water that they and all communities rely on is protected, and that they can build more prosperous, self-reliant, and culturally strong communities. Our task in our department is to engage directly with indigenous peoples to find a common and practical understanding of how the principles of the UN declaration can be implemented in a way that is consistent with our constitution and with Alberta law. The Department of Energy along with our government departments are reviewing existing programs, policies, and legislation with the intention of identifying any changes that are necessary or any gaps that we can identify. The work will occur for the remainder of the budget year.

Ms Babcock: Thank you.

Ms Kazim: Thank you, Minister. Pipeline safety continues to be a concern for many Albertans. Can the minister explain what is being done to address concerns around pipeline safety and how Budget 2015 supports these efforts?

Ms McCuaig-Boyd: Thank you. Certainly, pipeline safety is a crucial aspect of our energy sector. We must protect what matters most to Albertans, people's safety and our environment. The Alberta Energy Regulator does this work on behalf of Albertans. They've been doing this for many years now. In fact, the March 2015 Auditor General's report pointed out that the AER has well-functioning pipeline regulations. That said, we can always do better and we are. The Auditor's report made six recommendations to enhance the AER surveillance and enforcement of pipelines. The AER accepted all the recommendations and has started to implement them.

The AER regulates more than 430,000 kilometres of pipeline within Alberta's borders, and safety, certainly, is priority number one. The AER has strict regulations for the design, construction, operation, and maintenance of pipelines, and companies face enforcement when the rules are not followed. This year alone the AER has reduced the number of high-risk pipeline incidents by 25 per cent.

Ms Kazim: Thank you.

The Chair: Thank you. Good timing.

I now would like to invite members from the Official Opposition to engage in their speaking time of 10 minutes.

Mr. MacIntyre: Thank you. I just have a single question, I believe, to ask, and then I'm going to turn it back over to my colleague. Minister, given the recent forecast from Moody's and World Bank, indicating downward pressure on prices of oil through 2016 and into '17 with the Iranian sanctions coming off and everything, you were talking about the price of oil going up. Moody's and World Bank are both saying that prices are going down. Is your department actually anticipating that oil prices are going to continue to slightly increase over the three years of this forecast? Yes? No?

Ms McCuaig-Boyd: At this time, yes, we do expect prices to increase. But as you know, it's a moving target.

Mr. MacIntyre: I do know that it's a moving target.

What contingency plans have you got if you fail to meet your revenue projections, which I believe you will miss?

Ms McCuaig-Boyd: That's actually a question for the Treasury Board. We provide the advice; they provide the projections.

Mr. MacIntyre: Fair enough.

Leela.

Mrs. Aheer: Okay. I have a couple of questions. First of all, just going back to revenue – sorry. I'm going to actually go to this one here. Is your department doing anything to increase market access, or has pipeline responsibility shifted to Economic Development and Trade?

Ms McCuaig-Boyd: That's still in our department. We're constantly engaged, but to be clear, we work with the companies to get that market access. They build the pipelines, but we will work with them to try to work through the regulations or the permissions. In the end, interprovincial pipelines are part of the NEB.

Mrs. Aheer: So how are you going to increase market access, then?

Ms McCuaig-Boyd: We'll be working with companies to help those pipelines happen.

Mrs. Aheer: Okay. My next question, then. You said earlier on the royalty review framework factors and the need for capital development and investment that you've done a ton of talking with industry and that you're sort of in a lot of consultation. I was just curious. Why haven't you listened to them, specifically when they asked you to leave the royalty review alone, that it was working? Besides the election promise, what's the premise for the review outside of the reasons for doing it for the election?

Ms McCuaig-Boyd: Well, yeah, as you say, we promised that in the election, but to be honest, I've rarely heard that we should leave it alone. Industry has been quite welcoming to the fact that we've been listening to them, we've been collaborating, we've been open and honest. You know, as we move forward, they have said themselves that in the last five years technology has changed to the point that we do in fact need to look at it and come up with a system that everybody trusts and everybody gains from.

Mrs. Aheer: Okay. Just to go back a little bit to something you mentioned earlier. In your prepared statement you had referred to the policy about the United Nations declaration on the rights of indigenous peoples, and you were talking about the policies and collaborations and whatnot. Could you clarify those policies, any of the policies that you were referring to with regard to the declaration?

Ms McCuaig-Boyd: As you may be aware, the Premier has asked each of us in each of our departments to work through what our current practices are, where we can maybe identify things we could do better. We're working with Aboriginal Relations, too, in their case on how they can work with us in the energy industry in our collaborations with aboriginal folks.

9:50

Mrs. Aheer: So no particular policies at this time, as you've stated?

Ms McCuaig-Boyd: At this time we're just looking through, and we are to report to the Premier what our plans are to move forward.

Mrs. Aheer: Just because you had mentioned in your statement that you have policies, I was just curious if you actually had specific policies. That's what you had mentioned in your statement.

Ms McCuaig-Boyd: Well, we have current ones like, you know, working with indigenous. But what the Premier has asked us is: are there ways that we can address some of those outcomes moving forward?

Mrs. Aheer: Which outcomes? Sorry.

Ms McCuaig-Boyd: Well, with the UNDRIP. How can we in our ministries support those goals? You know, we currently do some work. I've even asked the AER in their work how they can look to that in their engagement. Because we can always do better.

Mrs. Aheer: Certainly. Yeah. I would just love to get some specifics on those policies because, like I said, you'd mentioned that in your statement.

Okay. The other thing I was going to ask is: if you look at your performance measure 1(b), page 41, do you believe that there is a glut and that things are slowing down? Do you still believe our oil sands are going to produce an increasing share of the global supply? Like, if you look ahead here on these projections, can you explain what those numbers mean and how you came about those? This is on page 41, under your performance measure 1(b).

Ms McCuaig-Boyd: Okay. So the Alberta oil sands, yeah. This measure was developed to reflect the proportion of the Alberta oil sands production to global market demand. The target is to have year-over-year growth which reflects Alberta oil sands' increasing importance to the global energy mix. The key levers available to the government of Alberta that impact this measure are the fiscal and royalty regimes, promotion of market access, intergovernmental relations, energy research and development, and environmental regulations.

Mrs. Aheer: Okay. Well, how are the lower prices putting off the projects that reach payout? That seems contradictory to the numbers going up.

Ms McCuaig-Boyd: You know, certainly, the projects that are in construction are carrying on. We have seen a drop in new projects, so that will result in future production or lack of.

Mrs. Aheer: Okay. Thank you, Minister.

Mr. MacIntyre: Regarding production from oil sands and getting that to market, am I correct that you're seeing a year-over-year increase in production? How is that getting to market?

Ms McCuaig-Boyd: It's a combination of rail and pipe right now.

Mr. MacIntyre: Do we still have capacity in our pipeline?

Ms McCuaig-Boyd: Currently we do have capacity with our existing pipeline.

Mr. MacIntyre: If we increase rail traffic, you are aware that there was conflict last year with grain transportation on the same lines, correct?

Ms McCuaig-Boyd: Yeah. It was before I was here. But oil tends to move north-south; grain moves east-west. There were some . . .

Mr. MacIntyre: Minister, there was conflict on the rails with grain and oil, correct?

Ms McCuaig-Boyd: Yeah. If I can finish. I understand there were problems – I wasn't there at the time – but it wasn't totally attributable to . . .

Mr. MacIntyre: I understand, but does your department have some sort of plan in place to get the oil and the grain to market, ease the conflicts on the rails?

Second, can you table for us some sort of projection as to the capacity that we currently have, the open capacity in the pipeline, and at what point over the projected budget that we've got is our pipeline then at maximum capacity? Because beyond that, it doesn't really matter how much more oil comes out of the oil sands; it will not get to market without a new pipeline, and that is a multiyear build-out. If you don't get a pipeline on the go, we could be seeing a bottleneck. The rails can't handle this. What have you got for a plan?

The Chair: I apologize for the interruption, but we've run out of time for this portion.

Mr. MacIntyre: Perhaps you could table the answer.

Ms McCuaig-Boyd: Is that an option?

The Chair: Absolutely, that's an option.

Ms McCuaig-Boyd: We will provide an answer.

Mr. MacIntyre: Thank you.

The Chair: I would now like to give the remainder of the meeting to the third-party opposition.

Mr. Fraser: Madam Chair, if it's okay, I have only a very quick question, and then I'll defer to Richard Gotfried. Is that okay?

The Chair: Absolutely.

Mr. Fraser: Thank you. Minister, thanks again. In the priority initiatives of desired outcome 2, all the reference to land-use framework has been omitted. Why is this? And in the same section all reference to comprehensive regional infrastructure sustainability plans, or CRISP, which were and are important planning mechanisms concerning the Cold Lake, Athabasca, and Peace River oil sands areas: why has this been removed?

Ms McCuaig-Boyd: The first part of your question: that work continues with Environment and Parks. And the CRISP: that is also continuing work.

Mr. Fraser: Okay. Just before I give it to Richard, thanks, Minister, for your time tonight. I appreciate the dialogue.

Ms McCuaig-Boyd: Thank you for your questions.

Mr. Gotfried: Thank you, Minister. I'll keep to the pleasantries. Thank you as well for your and your ministry's graciousness tonight.

I've got a few questions here. I think that given some of the information that we've heard, it's pretty safe to assume that we're going to see an accelerated phase-out of coal. Is that correct?

Ms McCuaig-Boyd: Yeah. That one is actually the climate change. You'll be hearing shortly what their plans are.

Mr. Gotfried: Okay. So given that, there is obviously an estimated value of stranded capital that I think is important to all Albertans because there's some risk to Albertans of that potential for compensation. I guess my question is: what work, if any, have you done in terms of estimating that value of stranded capital, if you were, which would recognize the removal of the productive

capacity, which federally was legislated to 2030, number one, and number two, any loss of return on investment or depreciation of that asset? Do you have an estimated amount of that, and how is it going to get paid for?

Ms McCuaig-Boyd: Again, I personally don't because it's under the Environment and Parks ministry that that work is being done. It will be coming out shortly what they've come up with. Our department has contributed to the panel, but it's under their ministry, not mine.

Mr. Gotfried: So the risk is there. Okay.

I've got one last question here, which I think I might be able to squeak in. With respect to the west coast tanker issue that's just recently been announced by the federal government, it seems to me that there's a significant risk to Albertans in terms of restricted access even if we're lucky enough to get access to tidewater through rail and pipeline use. What is your department going to do to address that challenge to international market access that's recently been hinted at or announced by the federal government?

Ms McCuaig-Boyd: Actually, I'm meeting next week with the federal Natural Resources minister, on the 25th, and that will be number one on my discussions with him.

Mr. Gotfried: I wish you well on that one.

I've got one last question. We'll see if we can squeeze one in. I'm happy to see your initiatives with respect to China. I personally have had over 30 years and my family has had over a hundred years of involvement with China. What I'd like to hear is: what targets do you have in terms of new investment or signed contracts with China in the coming year?

Ms McCuaig-Boyd: Well, when we were there, we signed an agreement to move to the next steps – there's been a long-standing agreement with China – and to look at several areas like technology and information sharing. It's just in the agreement stage. We'll be officially signing it in December, likely. It's the plan to move forward. They're very keen to do business with us. As I mentioned, \$35 billion so far has been invested, and I expect we will go above that.

Mr. Gotfried: So no specific targets, then.

The Chair: I apologize for the interruption, but the meeting has concluded.

I would like to thank all members for participating today and remind members that we're scheduled to meet next on November 18 to consider the estimates for the Ministry of Environment and Parks.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 10 p.m.]

