



Legislative Assembly of Alberta

The 29th Legislature  
Second Session

Standing Committee  
on  
Resource Stewardship

Ministry of Energy  
Consideration of Main Estimates

Monday, May 9, 2016  
7 p.m.

Transcript No. 29-2-3

**Legislative Assembly of Alberta  
The 29th Legislature  
Second Session**

**Standing Committee on Resource Stewardship**

Loyola, Rod, Edmonton-Ellerslie (ND), Chair  
Loewen, Todd, Grande Prairie-Smoky (W), Deputy Chair

Aheer, Leela Sharon, Chestermere-Rocky View (W)  
Babcock, Erin D., Stony Plain (ND)  
Clark, Greg, Calgary-Elbow (AP)  
Dang, Thomas, Edmonton-South West (ND)  
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Gottfried, Richard, Calgary-Fish Creek (PC)\*  
Hanson, David B., Lac La Biche-St. Paul-Two Hills (W)  
Kazim, Anam, Calgary-Glenmore (ND)  
Kleinsteuber, Jamie, Calgary-Northern Hills (ND)  
MacIntyre, Donald, Innisfail-Sylvan Lake (W)  
Malkinson, Brian, Calgary-Currie (ND)  
Nielsen, Christian E., Edmonton-Decore (ND)  
Rosendahl, Eric, West Yellowhead (ND)  
Woollard, Denise, Edmonton-Mill Creek (ND)

\* substitution for Wayne Drysdale

**Also in Attendance**

Cyr, Scott J., Bonnyville-Cold Lake (W)  
Fraser, Rick, Calgary-South East (PC)

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**Standing Committee on Resource Stewardship**

**Participant**

Ministry of Energy  
Hon. Margaret McCuaig-Boyd, Minister



7 p.m.

Monday, May 9, 2016

[Loyola in the chair]

**Ministry of Energy  
Consideration of Main Estimates**

**The Chair:** Welcome, everybody. I'd like to call this meeting to order. The committee has under consideration the estimates of the Ministry of Energy for the fiscal year ending March 31, 2017.

I'd ask that we go around the table and have all the MLAs introduce themselves for the record. Minister, when we get to you, please introduce the staff that are joining you at the table. First, I'd like to note for the record that under Standing Order 56(2.1) to (2.4) Mr. Richard Gotfried is officially substituting for Mr. Wayne Drysdale. I'm Rod Loyola, MLA for Edmonton-Ellerslie and chair of this committee.

**Mr. Loewen:** Todd Loewen, Grande Prairie-Smoky.

**Mr. MacIntyre:** Don MacIntyre, Innisfail-Sylvan Lake.

**Mrs. Aheer:** Leela Sharon Aheer, Chestermere-Rocky View.

**Mr. Hanson:** David Hanson, Lac La Biche-St. Paul-Two Hills.

**Mr. Cyr:** Scott Cyr, MLA, Bonnyville-Cold Lake.

**Mr. Fraser:** Rick Fraser, Calgary-South East.

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

**Ms McCuaig-Boyd:** Margaret McCuaig-Boyd, Minister of Energy, MLA for Dunvegan-Central Peace-Notley. To my left is Acting Deputy Minister Cynthia Farmer, and to my right is ADM Douglas Borland.

**Mr. Malkinson:** Brian Malkinson, MLA for Calgary-Currie.

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

**Mr. Dang:** Thomas Dang, Edmonton-South West.

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

**Ms Babcock:** Erin Babcock, Stony Plain.

**Mr. Rosendahl:** Eric Rosendahl, MLA, West Yellowhead.

**Mr. Nielsen:** Good evening. Chris Nielsen, MLA, Edmonton-Decore.

**Mr. Kleinsteuber:** Good evening. Jamie Kleinsteuber, MLA, Calgary-Northern Hills.

**Mr. Clark:** Greg Clark, MLA, Calgary-Elbow.

**The Chair:** Thank you.

Please note that the microphones are operated by *Hansard*, and we'd ask that BlackBerrys, iPhones, et cetera, be turned off or set to silent or vibrate and not placed on the table as they may interfere with 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 Standing Order 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 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. Discussion should flow through the chair at all times regardless of whether or not speaking time is combined. 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 me, the chair, or the committee clerk about the process.

Three hours have been scheduled to consider the estimates of the Ministry of Energy. With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone oppose having the break?

**Mr. Clark:** Opposed.

**The Chair:** We do have opposition. Okay.

Committee members, ministers, and other members who are not committee members may participate; however, only a committee member or an official substitute for a committee member may introduce an amendment during the committee's review of the estimates.

Ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee. Ministry staff seated in the gallery, if called upon, have access to a microphone in the gallery area. I'll just remind that if you do get up to speak, please state your name and your position. 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 three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn. Otherwise, we will adjourn at 10 this evening.

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.

Again I will remind all meeting participants to address their questions and responses through the chair and not directly to each other.

The vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on May 17, 2016.

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 May 17, 2016. 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 will now invite the Minister of Energy to begin with her opening remarks.

**Ms McCuaig-Boyd:** Thank you. Good evening. I'm here to present highlights from the Ministry of Energy's budget for the fiscal year 2016. Joining me at the table from the Department of Energy are Acting Deputy Minister Cynthia Farmer and ADM Douglas Borland.

Before I get into my presentation, I want to take a moment to put a few comments on record with regard to how inspired and grateful I am by the actions of our energy industry during the fires in Fort McMurray. I am sure I speak for everyone at this table tonight when I say how thankful I am that these companies operate in our province and in Fort McMurray. Our energy industry stepped up in a huge and critical way. We here all know that our oil sands companies are tremendous, community-minded corporate citizens. They care for their workers, the families of their workers, and the community in which they operate. The devastation wrought by the fires has been shocking for us all, but the way in which our industry partners have stepped up through this crisis is of no surprise. This is exactly who they are. If we could measure heart in barrels per day, nobody would produce more than Fort McMurray.

As an Albertan I want to say thank you. As a mother with family members who work throughout the oil patch, I want to say thank you. As a minister with the privilege of working with these companies every day, I cannot express enough how proud I am to know you and to work alongside you. Thank you.

Now on to the business before us. I want to make two points about Energy's budget to help set some context. The first is that the actual amount needed to run the department is approximately 13 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 implementation of our new modernized royalty framework and some of the goals under our climate leadership plan.

A very large chunk, about 40 per cent, is funding for the Alberta Utilities Commission and the Alberta Energy Regulator. This ensures that people in these agencies can continue doing important work for Albertans. 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 government revenue pot that funds priorities such as health care and education.

Let me begin with a quick overview of this year's budget numbers. The total budget for the ministry this fiscal year is \$769 million. The Department of Energy absorbed a 2 per cent reduction in its budget, which now stands at \$98 million. This is the money we have available to run my department and pay for the people that work there, not the regulatory agencies. The department is controlling its spending in a thoughtful and prudent manner while supporting the core principles of the Alberta jobs plan.

Energy has long been an integral part of Alberta's economy, and despite today's low oil prices it continues to be. The Alberta jobs plan will help to diversify our energy industry and open up new markets. These actions will reduce our province's reliance on volatile energy prices, create new jobs, and ensure Alberta gets a fair price for our energy products. I will detail some of this work shortly.

Now let's look at the work ahead for the ministry in this next fiscal year. I'd like to start by saying that in this work consultation with Albertans and specifically with indigenous communities will be important. Our government believes in working with indigenous peoples and ensuring our work reflects the United Nations declaration on the rights of indigenous peoples.

Our ministry business plan lays out many of our priorities, including the implementation of the modernized royalty framework and effective stewardship and regulation of our energy and mineral resources, diversification of our energy resources, and ensuring reliable and safe energy infrastructure, including the electricity system. As part of these outcomes, the ministry will also be closely involved with the climate leadership plan. This includes the phase-out of coal-fired electricity emissions and working with the Alberta Energy Regulator to further reduce methane emissions across the province.

**7:10**

Of course, a big part of our ministry's work is collecting royalties. As many of you are now aware, in 2013-14 the province took in almost \$10 billion in nonrenewable resource revenue. This year revenue is forecast at \$1.4 billion, a drop of nearly 90 per cent. That's less revenue than we've seen in 40 years. Oil prices were as high as \$107 per barrel in June 2014 before hitting a recent floor of \$26 this February. This global collapse in the price of oil, our most valuable commodity, is causing tremendous economic pain and anxiety in our province.

We cannot control or change energy prices, but we can manage factors that are within our control. One of these factors is our new modernized royalty framework. Earlier this year I was pleased to join Premier Notley in unveiling this new framework, and since that time the Department of Energy has been working hard to implement the recommendations from our royalty review advisory panel. These are the important recommendations. The panel found fundamental flaws with the old framework, flaws that were holding Alberta back. The panel found that the old framework was out of date, causing Alberta's global competitiveness to lag. It was too rigid to adapt to advances in industry technology; too risky, with built-in uncertainties that deterred investment; lacking in incentives to encourage more efficient and environmentally responsible development; lacking the transparency to allow Albertans to see for themselves how their royalties were being collected; and without a plan to diversify our economy.

Albertans can't afford a royalty framework that isn't up to the challenges of today, which is why our new royalty framework will encourage all companies to drive down costs, making Alberta more competitive; provide greater certainty to investors; remain adaptable to industry advancements; support more efficient and environmentally responsible development; help to diversify our energy economy; and provide greater returns to Alberta when activity picks up, without increasing rates.

A few weeks ago we released details of the harmonized drilling and completion cost allowance and the calibrated rates for other royalty formulas. It gives companies an incentive to reduce their cost and in some situations to continue production from existing well sites instead of drilling new sites, which will also reduce the sector's environmental impact.

I'd like to read you some of the many positive comments we received.

I commend the Alberta government for its timely approach to create a more modern royalty system through a constructive process. This has led to a royalty system that is true to the principles of the royalty advisory report. The new royalty system helps provide more clarity that investors need to plan for the future.

Tim McMillan, president and CEO of the Canadian Association of Petroleum Producers. We have received similar support from the Explorers and Producers Association of Canada and several individual companies as well.

There still is work to be done on implementing the modernized royalty framework. This includes supporting the work of our upcoming energy diversification advisory committee. This committee will focus on increasing the value of our existing resources and exploring opportunities to further diversify our energy sector. This will lead to future economic growth and jobs, which is the focus of Budget 2016. This goes hand in hand with our focus on securing new markets and higher global prices for our oil. Getting our energy products to new markets around the world will shape our province's ability to invest in schools, hospitals, roads, and to grow our communities as well as the work needed to implement the climate leadership plan.

Supporting the construction of modern and carefully regulated pipelines to tidewater is one of our government's top priorities. Demand for oil and gas is projected to increase for decades. From 2014 to 2040 Canadian fossil fuel consumption is expected to increase by 22 per cent. Global demand for oil is projected to be even stronger. Despite the drop in prices Alberta oil production continues to grow. Over 500,000 additional barrels per day of bitumen produced are forecast to come online over the next three years. Pipelines remain the safest, least polluting, and most cost-effective means of transporting oil. We continue to support the construction of pipelines to the east and west coasts, both publicly and in direct talks with the federal government and other stakeholders. As Premier Notley has said, "We must get to yes on a pipeline."

In working to build a pipeline and diversify our access to foreign energy markets, we are also working to diversify our energy value chains right here in Alberta. New value chains mean new investment and a more diversified and resilient economy. It is for this reason that we announced our petrochemical diversification program. This program uses \$500 million of royalty credits to incent new value-added energy developments, specifically with propane and methane, two feedstocks that aren't being used anywhere near what they can be.

**The Chair:** Thank you very much, Minister.

We will now go to the members of the Official Opposition for the hour that follows. Would you like to set 20-minute intervals?

**Mrs. Aheer:** Yes, please, Mr. Chair, and if we could just have a beep at 20 minutes. We'd like to combine our time if that's all right, and I'd like to share it with the Member for Innisfail-Sylvan Lake, please.

I'd like to say on behalf of our caucus as well that our thoughts and prayers are with everyone in Fort Mac right now, with the families and the volunteers and everyone there.

Thank you to the minister and the ministry for being here tonight. Let's just jump right in. I would like to take a look at page 44 of the Energy business plan 2016-19. We see key strategy 2.3: "Enhance regulation and oversight to ensure the safe, efficient, effective, credible and environmentally responsible development of Alberta's energy resources." Minister, your government has been criticized as one of the only governing parties in Canada that does not cite reducing red tape as a priority. Excessive regulation increases the cost of doing business, making it harder for businesses to create desperately needed jobs and grow the economy. Will you please detail for us what you meant by enhancing regulation? Is it in all of your department? Is it your department's intention to increase the regulatory burden?

Minister, would you like me to direct the questions to the deputy minister?

**Ms McCuaig-Boyd:** No. I'm just verifying a couple of things.

Certainly, first of all, we believe in responsible and safe and efficient development of energy resources, and that's why we have an AER, Alberta Energy Regulator, to make sure, you know, that things are being developed in a responsible and safe manner. We, in fact, are quite proud of our AER. They have some of the best regulations in the world. We continue to develop our strategy in that way.

We make sure that everything is properly – I don't know that it would be red tape. We don't want to do it incorrectly and do it in an unsafe and very quick fashion. That's not good for anybody in Alberta. You know, essentially, that's why a few years ago our previous government combined the two, the environment part and the regulatory part, so that it was more one-stop shopping, which, in fact, would decrease some of the red tape. There were situations where people were waiting for permits one way or the other. We continue that work of putting the two groups together, and in fact that's a move to reduce red tape.

**Mrs. Aheer:** Sorry, Minister, to cut you off. I might have to cut you off just to give you all my questions. I apologize for that.

**Ms McCuaig-Boyd:** Okay.

**Mrs. Aheer:** I just wanted to clarify, though. It does say: "enhance regulation." I understand the AER. I understand the concept of it being together, and I understand how that's supposed to reduce red tape, but could you please expand upon what you mean by "enhance regulation"? That, to me, would deem that that's increasing regulations and, potentially, red tape. Could you please expand on that?

**Ms McCuaig-Boyd:** I think, in fact, that just as we've done with the royalty review and everything else, we'll work with industry. It's probably more that we review things, you know, in collaboration. How can we learn from each other? How can we act to make it more streamlined?

**Mrs. Aheer:** Thank you, Minister. Sorry. I'm going to move on to my next question if you don't mind.

**Ms McCuaig-Boyd:** Sure.

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

Does your department have any intention of implementing a metric to assess the costs that would be associated with the red tape that could happen as a result of this for electricity and oil and gas generators?

**Ms McCuaig-Boyd:** Okay. Is that referring to the same . . .

**Mrs. Aheer:** Yes. This is referring to enhancing regulation, page 44 of the Energy business plan.

**Ms McCuaig-Boyd:** Well, I think it's fair to say that we are always monitoring those things. Again, we will work with industry, whatever sector it is, to look at regulations. Are they working? Are there ways to improve? That's just constant work that goes on.

**7:20**

**Mrs. Aheer:** Minister, the metrics are in regard to transparency with regard to what's going to happen with that enhancing regulation part of that. That's more or less what I'm asking, that

those metrics would help to give transparency to companies, understanding what you mean by “enhance regulation.”

**Ms McCuaig-Boyd:** Yeah. You know, in all of that we have vowed from the beginning that we will always be collaborative with industry. We’ll talk to them, and there will be transparency. There will be no surprises as we move forward in anything.

**Mrs. Aheer:** Okay. Thank you, Minister.

Perhaps as you move forward, if there are metrics that you’re bringing forward, to help us understand what that’s going to be looking like, we would appreciate that.

To move on, in your key strategy 2.3 you state that enhanced regulation and oversight are needed to ensure the credibility of Alberta’s energy resources. That’s a little bit of a paraphrase there. Do you believe that Alberta’s present development of energy resources is credible?

**Ms McCuaig-Boyd:** The Alberta Energy Regulator regulates the safe, efficient, orderly, and environmentally responsible development of energy resources. We have four strategic outcomes, as you’ve seen. They are protective, effective, efficient, and credible. Yes, I think we do an excellent job in those areas.

**Mrs. Aheer:** Minister, would you be able to detail your plan? You’re saying: ensuring credibility. I’m glad to hear that you believe that they’re credible, but in your plan to ensure credibility, do you have specifics on how you’re going to ensure that?

**Ms McCuaig-Boyd:** Yeah. To achieve these outcomes, the Alberta Energy Regulator completed the regulatory excellence project for 2015-2016. This laid the foundation for the Alberta Energy Regulator to create a model for regulatory excellence specific to energy regulation in Alberta, and it’s to measure its performance in enabling effective and efficient regulatory actions that deliver outcomes for Albertans. The AER’s model of excellence was released in April 2016 and articulates the key areas of work for the energy regulator going forward.

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

I’m going to pass it off to my colleague.

**Mr. MacIntyre:** Thank you. Minister, on page 44 of the Energy business plan 2016-19 we see key strategy 2.4: “Enhance regulation and oversight of Alberta’s utilities to ensure social, economic and environmental interests of Alberta are protected by effective utility regulation.” There are always these political buzzwords that do create some uncertainty out there. Whenever government is saying, “We’re going to enhance regulation; we’re going to have effective utility regulation,” will you please confirm for the members assembled here today and Albertans that it is not this government’s intention to reregulate the province’s currently deregulated electricity market?

**Ms McCuaig-Boyd:** The Alberta Utilities Commission regulates the utilities sector, natural gas and electricity markets, to protect social, economic, and environmental interests of Alberta where competitive . . .

**Mr. MacIntyre:** Excuse me, Minister. That isn’t my question. I’m asking specifically if you’ll please confirm for the members assembled here today that it is not this government’s intention to reregulate our currently deregulated electricity market?

**Ms McCuaig-Boyd:** We won’t be reregulating.

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

Is your department discussing reregulation at all as a possibility in the future?

**Ms McCuaig-Boyd:** No.

**Mr. MacIntyre:** Wonderful.

Next, Minister, key strategy 2.4 details that enhanced regulation and oversight of Alberta’s utilities is needed to ensure social interests. Could you please define for us what your department defines as social interests?

**Ms McCuaig-Boyd:** I think that, in general terms, when you look at a regulation, you always have to consider the social impacts and the environmental impacts. That’s just a given with any regulation.

**Mr. MacIntyre:** I understand, but what do you define as social? What is a social interest?

**Ms McCuaig-Boyd:** You know, are you going to put a transmission line through somebody’s backyard? That’s going to cause a social impact for somebody. You ask these questions. All of those things are part of the social consideration.

**Mr. MacIntyre:** Is affordable pricing a social interest?

**Ms McCuaig-Boyd:** We look at cost to consumers. That’s part of the whole package of social . . .

**Mr. MacIntyre:** All right. What would you define as being a low and reliable price for electricity to our consumers as a social interest? If you’re going to ensure social interests, what would you define as an affordable price for electricity?

**Ms McCuaig-Boyd:** I think that, as with anything, you want to ensure reliability, that the lights will always be on. You want to ensure a reasonable price.

**Mr. MacIntyre:** What’s a reasonable price, Minister?

**Ms McCuaig-Boyd:** In a deregulated market it’s what, you know, it will bear. It’s a cost of delivery.

**Mrs. Aheer:** Thank you, Minister.

I’d like to move on to the business plan. On the very first page of the business plan, page 42, paragraph 5, the line in there: “Adding value through upgrading and refining energy resources will help to ensure economic prosperity for future generations of Albertans.” Do you see where I am? Paragraph 5, the last line.

**Ms McCuaig-Boyd:** Oh. Okay.

**Mrs. Aheer:** We’ve heard reports on the liabilities of the North West refinery. There are deals ranging from tens of billions of dollars of risk all the way to a smart investment that will generate profits for taxpayers. Can you help shed some light for Albertans on how much we will have sunk into the construction when it begins operations? What factors will determine whether we will break even or lose billions on this deal?

**Ms McCuaig-Boyd:** Well, as you know, Albertans elected us to focus on protecting good jobs and strengthening our economy, and certainly we’re doing that in everything we do. We . . .

**Mrs. Aheer:** Sorry, Minister, but we’re asking, actually, about the North West refinery specifically and the money.



**Ms McCuaig-Boyd:** Yeah. I'm getting there.

When we took over in government, we made a decision to honour contracts that had started because, to be quite frank, they were quite far along. Not doing them would have cost a lot more, and it would have been unfair to a project that was already going.

**Mrs. Aheer:** So, Minister, how much do you think we'll be into this for with the construction once we begin operations?

**Ms McCuaig-Boyd:** Zero dollars.

**Mrs. Aheer:** Okay. When we begin operations in 2018, we're going to be into this for zero dollars. That's your – okay. Do you have any determining factors as to whether we'll break even, then? Is your answer that we'll have zero dollars, then, that we're breaking even, or are we losing money on this deal?

**Ms McCuaig-Boyd:** The government's commitment is to pay for the upgrading. We're not paying for the building of the North West upgrader.

**Mrs. Aheer:** Okay. Thank you, Minister.

How will the expanded market access, which most agree will mitigate the price differential between the WTI and WCS, affect the profitability of the North West refinery?

**Ms McCuaig-Boyd:** We'll have new markets and a more competitive price.

**Mrs. Aheer:** Thank you, Minister.

Can you also update the assembled members on how much of the diesel produced at the North West refinery will be used in the province of Alberta?

**Ms McCuaig-Boyd:** The Sturgeon refinery, as I said, will provide a new market. It will remove 79,000 barrels a day of diluted bitumen from Alberta's export crude oil pipeline system and will add value to it here at home for sales into local and regional markets. Yeah, that would be the number.

**Mrs. Aheer:** So how much is sold in Alberta specifically?

**Ms McCuaig-Boyd:** It'll depend on the market, but the refined products made out of the bitumen feedstock will move by rail and truck to local and regional markets. As a result additional space would be made available to export crude on the oil pipeline system.

**Mrs. Aheer:** Moody's estimates suggested that 50 per cent would be used by Alberta. So I just want to make sure that those numbers concur with what you assume.

7:30

**Ms McCuaig-Boyd:** No. I believe that we will be using more than 50 per cent.

**Mrs. Aheer:** Can you please table that information for us, the specifics regarding that?

**Ms McCuaig-Boyd:** Well, we could. To be honest, it depends on the markets. So we can table, I guess, numbers to the best of our ability.

**Mrs. Aheer:** Do you have an estimate? An idea? Something?

**Ms McCuaig-Boyd:** We can table more information, yes.

**Mrs. Aheer:** That would be greatly appreciated. Thank you.

You tabled in the House after the last estimates in November 2015, and it's noted that the APMC will profit on the difference between the value of the refined products less the value of the feedstock and then the costs of the processing toll. My question at this point in the project would be: have the estimated costs of the processing toll been changed, and what are they?

**Ms McCuaig-Boyd:** It's \$26 billion for 30 years, and it hasn't changed.

**Mrs. Aheer:** Okay. Do you have any updated scenarios on either the feedstock prices or the refined product revenues that make you any more or less confident that this would be profitable?

**Ms McCuaig-Boyd:** Again, it kind of depends on the markets right now.

**Mrs. Aheer:** Okay. I'll just move on from there if you don't mind, Minister. Thank you.

**Ms McCuaig-Boyd:** What I can say is that it's totally going to depend on the price of the diesel and the price of the bitumen, which is quite variable right now.

**Mrs. Aheer:** Okay. The shale gas revolution has meant that technological changes that include advancements in directional drilling and multistage fracking have dramatically increased the supply of sweet light crude in the North American market, keeping its price well below the world prices. Will your department commit to being transparent with Albertans on the changes in the price spread? Albertans deserve an answer to this question.

**Ms McCuaig-Boyd:** Well, I think that, going forward, certainly in our royalty review there's going to be a lot of transparency on costs, and those costs would be part of the published costs. So, yes, we would commit.

**Mrs. Aheer:** The price spread? Okay. Thank you, Minister.

Minister, I know it's reportedly on schedule, but is it still true that should construction schedules be delayed so that the commercial operation date does not occur by June 1, 2018, debt tolls covering the debt service for any debt deemed to be debt financing under the processing agreements are due no matter what, without any deduction offsets?

**Ms McCuaig-Boyd:** Sorry. Are you referring to the North West refinery?

**Mrs. Aheer:** Yes. I'm still on the same train of thought.

**Ms McCuaig-Boyd:** From my last conversation with the president about a month ago it's on time and on budget, and it should be open for business in the latter part of 2017.

**Mrs. Aheer:** But if it's not, what's going to happen? I mean, it's nice that we can say that right now. But if it's not, are we . . .

**Ms McCuaig-Boyd:** It is correct that if it isn't by 2018, then we would be, but currently it's scheduled to open by September 2017.

**Mrs. Aheer:** Thank you, Minister.

Is it still true that should the construction price be in excess of the construction budget of \$8.532 billion, then all debt financing required to complete the project can be recovered through tolls in the APMC?

**Ms McCuaig-Boyd:** That's correct.

**Mrs. Aheer:** Okay. Is it also still true that the debt tolls are due until all of the debt financing is repaid even if the processing agreements are terminated?

**Ms McCuaig-Boyd:** Yes, that's true.

**Mrs. Aheer:** Okay. Thank you.

Still on the North West refinery, Minister, will the government of Alberta be collecting any corporate tax revenues in the near or distant future from the North West refinery?

**Ms McCuaig-Boyd:** If it makes money, yes.

**Mrs. Aheer:** If it makes money?

**Ms McCuaig-Boyd:** Yes.

**Mrs. Aheer:** Do you have any estimates on what that would look like or when we'll be seeing that? I mean, we would like to be able to . . .

**Ms McCuaig-Boyd:** That's actually more of a Treasury Board and Finance question.

**Mrs. Aheer:** Okay. Thank you.

Given the level of taxpayer-funded investment that that project received and the high level of risk and liability that this imposes on Albertans, will this government commit to ensuring transparency on any corporate or municipal tax revenue generated on account of the refinery?

**Ms McCuaig-Boyd:** If it's on the matter of corporate taxes, that's part of the Freedom of Information and Protection of Privacy Act.

**Mrs. Aheer:** Okay. Thank you.

Minister, is it still true that 80 per cent of the capital costs for the refinery were borrowed with a payment on these bonds, effectively guaranteed by the GOA's 30-year take-or-pay tolling contract?

**Ms McCuaig-Boyd:** No. We don't guarantee any debt.

**Mrs. Aheer:** Okay. Thank you, Minister.

Previous estimates have placed the estimated liability of the tolling contracts at over \$19 billion over the 30-year contract. More recent ones have pegged it at \$26 billion. Of course, that's just the liabilities alone, not considering the revenues. Do you have a number on what the liabilities are?

**Ms McCuaig-Boyd:** The \$26 billion is not considered a liability.

**Mrs. Aheer:** Do you have a number on the liabilities? We understand the \$26 billion . . .

**Ms McCuaig-Boyd:** The \$26 billion is the cost of processing.

**Mrs. Aheer:** Why is the \$26 billion not considered a liability? Sorry. I can ask your deputy, too.

**Ms McCuaig-Boyd:** We haven't incurred the expense yet.

**Mrs. Aheer:** Thank you.

**Mr. MacIntyre:** Okay. My turn. In the Energy business plan 2016-19, listed under the Department of Energy's responsibilities, we find enabling markets and Alberta's electricity system. The Alberta Electric System Operator has been assigned the task of developing and implementing Alberta's renewable energy generation programs out to the year 2030, and following a survey of potential

stakeholders, dominated by project developers seeking funding, AESO is developing a draft plan for the procurement of renewable energy for submission to the Alberta government later this month for approval. The first renewable energy program, REP, procurement is intended to occur in the fall of this year, as I understand it, and given the size and the scope of this undertaking, including the massive amount of public funds required, about \$3.4 billion over the next five years, there are a number of questions that need to be answered.

Minister, will the draft REP developed by AESO be available for public comment and scrutiny and refinement, or is this going to be developed in-house with no public scrutiny, consultation, or otherwise? We could have the deputy answer that directly if he has got the answer.

**Ms McCuaig-Boyd:** No. We are still in the process of that as the climate leadership team is in the process of developing all that. I don't know that information at this point.

**Mr. MacIntyre:** Can you commit to providing a written answer to that question at some point?

**Ms McCuaig-Boyd:** This is what I know today about the Alberta climate change leadership plan. The government is going to work to accelerate the transition from coal to renewable resources. By 2030 renewable resources like wind, solar will account for up to 30 per cent of electric generation. The GOA anticipates that two-thirds of the generating capacity of coal will be replaced by renewable energy and that one-third will be replaced by natural gas in order to maintain the reliability of Alberta's electrical system.

The GOA has tasked the AESO with the development and implementation of renewable electricity programmed for supporting renewable electricity projects. The AESO will be providing their recommendations on the program design in the upcoming months, and Alberta will accomplish its transition with policies that fit with Alberta's unique energy market to ensure that the electricity system continues to be reliable. So in the next few months you will hear more about this matter.

7:40

**Mr. MacIntyre:** All right. I have a question regarding AESO's development of this procurement system, then, that you're talking about. You said just a moment ago that you're working with AESO to develop this thing. Your department or the climate change leadership team is doing this. Is that correct?

**Ms McCuaig-Boyd:** The climate leadership team along with AESO, but ultimately it's the GOA. We've tasked the AESO . . .

**Mr. MacIntyre:** Ultimately, it's the GOA that's developing the procurement plan?

**Ms McCuaig-Boyd:** Well, we've tasked the AESO to develop and implement the renewable electricity system. So they're going to provide the team with their recommendations, and that will inform and guide us in our regulations and processes going forward.

**Mr. MacIntyre:** So is AESO not acting at arm's length from your department anymore? Yes or no?

**Ms McCuaig-Boyd:** We work as a team, and we've tasked them to come up with the best because we don't want the system to crash. We want to be able to do this.

**Mr. MacIntyre:** If the government of Alberta is tasking AESO, which is supposed to be an arm's-length entity, with developing

this, then because it is the government of Alberta that is doing this, I would expect that the minister would make that process entirely transparent. Would you commit to doing that?

**Ms McCuaig-Boyd:** Okay. Well, maybe I'll say this a different way for you. The Alberta Electric System Operator is currently working on recommendations for the government on the program that will deliver utility-scale generation to meet our climate leadership renewables target. So they're providing advice to us.

**Mr. MacIntyre:** They're providing you advice. But AESO is going to be responsible for implementing this and rolling it out, are they not?

**Ms McCuaig-Boyd:** No. We have a climate leadership team who are responsible. This is a multiministry thing. You know, they work with us. But the AESO provides guidance for us as we move forward so that we don't have the lights going off and we keep reliability of the system and prices reasonable.

**Mr. MacIntyre:** I understand how AESO works perfectly. My concern here is that you are telling us that AESO, an arm's-length organization, is supposed to be advising you on this REP. But AESO is the organization that's going to be rolling the REP out, are they not?

**Ms McCuaig-Boyd:** No. They are providing advice . . .

**Mr. MacIntyre:** They are not rolling the REP out?

**Ms McCuaig-Boyd:** May I finish?

**Mr. MacIntyre:** Yeah. Go ahead.

**Ms McCuaig-Boyd:** They are providing advice that will affect policies to enable the program. They inform, and they guide. They are acting at arm's length. They are going to provide recommendations to the government.

**Mr. MacIntyre:** Okay. Next question. Given the multibillions of dollars of public money to be invested and the long-term impact of this policy, is it realistic that a properly vetted plan and its first implementation can occur between now and the fall?

**Ms McCuaig-Boyd:** Is there a particular budget item you're looking at for that?

**Mr. MacIntyre:** I'm talking about the Energy business plan, page 46.

**Ms McCuaig-Boyd:** Page 46?

**Mr. MacIntyre:** Yeah. You're talking about enabling markets and Alberta's electricity system. It's part of your business plan.

**Ms McCuaig-Boyd:** Okay. Sorry. What was your question?

**Mr. MacIntyre:** My question is: given the multibillions of dollars of public money to be invested and the long-term impact of a policy, is it realistic that a properly vetted plan and its first implementation can occur between now and the fall? The current time frame seems rather unrealistic, and it suggests that a lot of the program attributes and the participants may have been predetermined if you're trying to get this in this short of a time frame.

**Ms McCuaig-Boyd:** Well, with this along with many things we've been doing, you know, we work with industry, and we plan these things. We've had a fairly ambitious year with the royalty review

and many of the other things. This is going to be a piece just like that, where we consult with experts and get the best advice possible and then continue from there.

**Mr. MacIntyre:** So are you saying that you're still in the consultative stage, that AESO is still in the planning stage? We're still in the early stages of rolling this out. Would that be correct?

**Ms McCuaig-Boyd:** Yeah, I think that would be correct.

**Mr. MacIntyre:** Okay. Well, I have a report that landmen are already talking to farmers in Elk Point, the municipal district of Bonnyville, for wind farms. It was confirmed to us this weekend. So if we're still in the early concept stage of this, why are landmen out already making deals with farmers for siting of wind farms? It sounds to me like there's something that's been predetermined here and that there has not been a transparent process at all.

**Ms McCuaig-Boyd:** If there are people out there, these would be individual investors who are speculating. This is not part of the government.

**Mr. MacIntyre:** All right. How will the government ensure that the renewable energy procured will be at the lowest cost to Albertans? What sort of a competitive system are you putting in place?

**Ms McCuaig-Boyd:** In Alberta alternatives are energy sources, as I said, like natural gas cogeneration that are more efficient than the traditional sources like coal and natural gas for production of electricity. Renewables are energy sources that can be regenerated. In Alberta they currently include wind, hydroelectricity, and biomass. Alternative and renewable generating capacity offer additional sources that add to the province's ability to generate power in excess of peak demand.

**Mr. MacIntyre:** Minister, excuse me.

**Ms McCuaig-Boyd:** Our plan will encourage growth in renewable technologies.

**Mr. MacIntyre:** Minister, I specifically asked: how are you going to guarantee lowest cost to Albertans in the procurement of these renewables?

**Ms McCuaig-Boyd:** Yeah. There are going to be other criteria, but that is one of the criteria.

**Mr. MacIntyre:** Okay. We're going to move on. Can you please table . . .

**Ms McCuaig-Boyd:** What would you like tabled?

**Mr. MacIntyre:** I would like something tabled to us, please, where you can outline for us the process by which you're going to guarantee a procurement system that will be competitive and result in the lowest cost to Albertans. So far I don't hear it. I don't see consultation. I don't see transparency here.

I'm going to move on.

**Ms McCuaig-Boyd:** Yeah. For that matter: it's in our climate change plan, and it's a three-pronged plan. Is it beyond what you're reading in the plan, the climate change plan, which is under the ministry of environment?

**Mr. MacIntyre:** Well, you and AESO are coming up with a program that's not laid out in your climate plan.

**Ms McCuaig-Boyd:** Okay. Just to be specific, what exactly are you asking us to table?

**Mr. MacIntyre:** I want you to outline for us, please: what is going to be the procurement mechanism by which you will guarantee that Albertans are getting the lowest possible price for these renewable projects?

**Ms McCuaig-Boyd:** The procurement mechanism.

**Mr. MacIntyre:** Yeah. If I may move on now.

**Ms McCuaig-Boyd:** Okay.

**Mr. MacIntyre:** Thank you for tabling that.

Given historically low electricity prices in Alberta today and the relatively high cost of renewable energy, how will the government ensure that renewable energy incentives do not result in excessive long-term costs like we've seen happen in Ontario?

**Ms McCuaig-Boyd:** Well, certainly, in our climate leadership plan there was a lot of engagement with different individuals. The panel looked at other provinces and other jurisdictions in North America to learn both the best practices and things that may not have worked to develop the plan. That's part of the part that will be informing our plan moving forward.

**Mr. MacIntyre:** Okay. I'd like to move on. On page 46 again of the Energy business plan we have a line item under Linking Performance Measures to Outcomes that reads:

3(b) Monitoring the development of both the growth in demand and growth in new generation capacity is fundamental for investor interest which will enable the system to stay ahead of demand and ensure adequate supply and system reliability through timely and appropriate investment in upgrading and new generating facilities.

As I understand it, AESO is going to be developing some sort of an auction . . .

**Ms McCuaig-Boyd:** REC auctions?

**Mr. MacIntyre:** . . . for renewables in particular. Is that right? Can you explain for us this upcoming auction, when it's going to roll out, and what the parameters are going to be? Will it have a floor, a predetermined, artificial floor? Will it be wide open like our current pool is?

**Ms McCuaig-Boyd:** I can tell you that it's in the process of being developed and that not all the pieces have been decided yet.

**Mr. MacIntyre:** Is that a process that your department and AESO are doing together, or is this at arm's length for AESO?

**Ms McCuaig-Boyd:** Again, the AESO will develop some suggestions and provide them to us for our plan.

**Mr. MacIntyre:** Okay. I just want to talk to you about power purchase arrangements for a jiffy here. As you well know, we've had a number of PPAs come back to the pool. As we go forward with renewable technologies, are you considering using the PPA mechanism?

7:50

**Ms McCuaig-Boyd:** Yeah. The RECs will be a form of a PPA but for renewables.

**Mr. MacIntyre:** Then I have a question for you regarding the famous section 4.3(j). Are we going to see something in these RECs that will be an equivalent to 4.3(j)?

**Ms McCuaig-Boyd:** No. They will not be the same as 4.3(j).

**Mr. MacIntyre:** They will not have a 4.3(j)?

**Ms McCuaig-Boyd:** No.

**Mr. MacIntyre:** Okay. Do you happen to know what price is going to be required to attract investors to build utility-scale PV?

**Ms McCuaig-Boyd:** Not at this point, no.

**Mr. MacIntyre:** And how are you going to attract utility – well, I happen to know because this is my world. They tell me that they need a \$90 floor price. How in the world are you going to get there? We can have the staff answer that.

**Ms McCuaig-Boyd:** We know that that's the price they need to build, but we need to know the price of the REC that will incent them to do that build.

**Mr. MacIntyre:** Okay. So you understand that \$90 is the price they're going to need long term in order for this to attract the appropriate investors?

**Ms McCuaig-Boyd:** Yeah.

**Mr. MacIntyre:** And that's nowhere near where our pool has been for quite a long time. How are you going to keep that price there that long and at what cost to Albertans?

**Ms McCuaig-Boyd:** It depends on the pool price. That's going to change over time.

**Mr. MacIntyre:** Excuse me?

**Ms McCuaig-Boyd:** It depends on the pool price.

**Mr. MacIntyre:** How does it depend on the pool price? The pool price, if it's a true pool, fluctuates up and down like ours does right now. To attract the kind of billions of dollars you're talking about to invest in utility-scale PV, they're going to want a \$90 floor guaranteed for 20 years. Are you going to guarantee that to them?

**Ms McCuaig-Boyd:** That's still part of what the AESO is looking at for recommendations to us, so it's a little early for us to give all the details because we're not there yet.

**Mrs. Aheer:** Thank you, Minister.

I'm going to move on to government estimates, page 96. We have a line item, orphan well abandonment. The industry-funded orphan wells program received \$30.5 million last year. What is the current status of the fund?

**Ms McCuaig-Boyd:** It'll be the same this year again; \$30 million is levied for the orphan well fund.

**Mrs. Aheer:** Are you in talks with the federal government that would see the federal government contribute additional money to expedite reclamation?

**Ms McCuaig-Boyd:** We have again put that \$30 million in. About eight weeks ago I was in with the Premier to talk to the Prime Minister, and at that time one of the groups, PSAC, put forward a proposal. We have to date not received anything. We did not put a

formal proposal in, but we supported PSAC's ask. Again, currently we have in Alberta a polluter-pay system, so some of the orphan wells will be addressed with that \$30 million.

**Mrs. Aheer:** Right. But that's industry funded.

**Ms McCuaig-Boyd:** That's industry funded, yeah.

**Mrs. Aheer:** We're just curious about the federal part of that, if there's going to be an ask.

**Ms McCuaig-Boyd:** We have not made a formal proposal to the government.

**Mrs. Aheer:** Thank you.

There are approximately 724 orphan wells. Are there changes that are being considered to manage reclamation to ensure that the oil companies meet all their other obligations?

**Ms McCuaig-Boyd:** Well, again, as you know, the AER does oversee those, but in addition to that, the minister of environment and myself have been in discussions on that, on ways that we could perhaps change things to start to address some of those. We certainly share the concerns of Albertans over the numbers of wells. Again, the Alberta Energy Regulator is responsible for working with industry on this issue of abandoned wells. There are strict regulations about how these sites must be handled. The abandoned well must be in a safe, secure state that protects the environment and the public.

**Mrs. Aheer:** Sorry, Minister. I'm not talking about abandoned wells. We're talking about the orphan wells.

**Ms McCuaig-Boyd:** Yeah. But abandoned wells are part of the issue. Orphan wells: the AER oversees . . .

**Mrs. Aheer:** I asked specifically about orphan wells, please.

**Ms McCuaig-Boyd:** . . . the development of those, yeah.

**Mrs. Aheer:** Okay. There are approximately 60,000 abandoned wells. Are there changes that are being considered to ensure lease payments and that the oil companies meet all other obligations with regard to those?

**Ms McCuaig-Boyd:** Yeah. Again, the AER oversees that to make sure that those are – if they have recommendations to make changes, we certainly would entertain those.

**Mrs. Aheer:** Okay. Thank you.

Recently statistics have shown that 765 landowners went to the Alberta Surface Rights Board to apply for compensation after their oil and gas producer tenants failed to make their lease payments. If the board finds that the rents haven't been paid as agreed, it can suspend and then terminate the offending right of access. The province has committed to paying the landowner these funds owed and sending the bill to the company, which may or may not eventually repay it, exposing Albertan taxpayers to those financial liabilities. There are concerns about the inability of government to recover these payments directed by the Surface Rights Board if the company is involved in bankruptcy protection. So my question based on that is: what department will be managing the associated costs with regard to this?

**Ms McCuaig-Boyd:** Well, as you know, the Surface Rights Board is under the department of environment, so the department of environment would be overseeing that file.

**Mrs. Aheer:** Well, Minister, just a few days ago when those questions were asked in Environment, we were specifically told that the orphan well funds and the land surface rights were going to be directed towards you.

**Ms McCuaig-Boyd:** Orphan wells are part of us under the AER, but any surface rights issues are under the department of environment.

**Mrs. Aheer:** So we just need to make sure that these ministries are talking to each other because we're being directed back and forth.

**Ms McCuaig-Boyd:** I'm not sure of the circumstances. It's not under my department, that one.

**Mrs. Aheer:** Okay. Thank you.

Then can you tell us which line item – I'm sorry. Pardon me. Have you seen any estimates on the total outstanding unpaid or partially paid lease payments for this year, then?

**Ms McCuaig-Boyd:** I'm sorry. Which lease payments would you be referring to?

**Mrs. Aheer:** We're talking about the same thing.

**Ms McCuaig-Boyd:** Surface rights isn't in my department, so I wouldn't have access. It's under Environment.

**Mrs. Aheer:** So you have no estimates on that. Okay.

Then I'm going to pass this off to my . . .

**Ms McCuaig-Boyd:** Okay.

**Mr. MacIntyre:** Thank you. Minister, in government estimates, page 97, we have a line item entitled Post-closure Stewardship Fund. It was created back in 2010, I believe. Minister, we are of the understanding that this postclosure stewardship line item is payment for the CO<sub>2</sub> injections industry to cover the administrative and regulatory burden on this government to monitor their activities. Is this a correct understanding?

**Ms McCuaig-Boyd:** That is correct, yeah.

**Mr. MacIntyre:** So there would seem to me to be long-term risk posed by the injections industry to taxpayers. I've read through the legislation surrounding the postclosure stewardship fund. Much like legacy infrastructure in the oil and gas industry, it appears to me that there are going to be long-term liabilities associated with CCS operations postclosure in that the injection wells created by these projects, of course, are going to last for a very long time, time periods that may easily exceed the life of the companies that created them in the first place. Under that controversial Bill 24 the government takes on all liabilities once the company involved is issued a closure certificate by you. Is there anything like the orphan well fund involved for these companies, or are taxpayers going to be on the hook for those liabilities?

**Ms McCuaig-Boyd:** A little bit about the postclosure stewardship fund. Operators will make payments into that fund over the life of their project. An operator's contributions into the fund will be reviewed regularly over the life of that project as more information is learned, and, if necessary, adjustments will be made. This will provide greater assurance that the fund size is adequate. The methodology for determining an operator's contributions into the fund was developed in collaboration with global experts from industry, government, academia, and nongovernmental organizations as well as partner Alberta ministries and agencies.

The methodology accounts for many factors, including anticipated costs of monitoring. There is a consideration of potential risks and other factors such as interest and inflation. It is important here to stress that the operator is liable for the project during the operational phase, and the government of Alberta will only assume liability if the operator can demonstrate that the storage site is low risk and performing as expected.

8:00

**Mr. MacIntyre:** All right. Where is the fund at right now?

**Ms McCuaig-Boyd:** Right now it's at \$230,000 because it just started.

**Mr. MacIntyre:** That \$230,000 – correct me if I'm wrong – is simply covering your admin costs to administer the fund.

**Ms McCuaig-Boyd:** Yeah. It covers the costs of monitoring, and it was just started in September 2015, so it's fairly new.

**Mr. MacIntyre:** Okay. Now, what about reclamation? Have you got estimates on what it is going to take for the cost of reclamation of these wells? I realize that there are a lot of variables to this, but . . .

**Ms McCuaig-Boyd:** It's included in the calculations for the fund, for what they pay in.

**Mr. MacIntyre:** So there is an asset liability formula that you have developed?

**Ms McCuaig-Boyd:** Yeah. That's based on, as I mentioned, that we consulted with global experts in the industry: government, academia, and nongovernmental organizations.

**Mr. MacIntyre:** Okay. Can you table what that formula looks like?

**Ms McCuaig-Boyd:** We can check. It may be a confidential formula, but we will check into it.

**Mr. MacIntyre:** If it's a confidential formula, is it going to be the same for every participant?

**Ms McCuaig-Boyd:** It could vary. Right now it's for one company because we only have one that's doing this, but it could vary.

**Mr. MacIntyre:** I understand.

We have Quest . . .

**Ms McCuaig-Boyd:** Just to add into this. Right now it's being injected underneath, so there is no reclamation cost because it's being injected into the ground. The companies, however, are responsible for any reclamation or cleanup that they would need to do.

**Mr. MacIntyre:** Under the terms of agreement between your department and these companies when they're doing these wells, is reclamation part of their responsibility?

**Ms McCuaig-Boyd:** They are responsible for that.

**Mr. MacIntyre:** It is written into the agreement?

**Ms McCuaig-Boyd:** I believe so, yes.

**Mr. MacIntyre:** Is there any valuation applied to that, or is it simply a statement, "You're responsible for reclamation"?

**Ms McCuaig-Boyd:** The government would not assume that asset until all of that was done.

**Mr. MacIntyre:** I'm sorry. Say again, please.

**Ms McCuaig-Boyd:** The government would not assume the asset or any liabilities until all of that was done, so they'd have to prove – they would have to do all that ahead of the government taking any responsibility for it. That's part of the agreement.

**Mr. MacIntyre:** In the agreements that you have – and I realize they may be confidential and that perhaps you can't make them public – I'm very concerned about reclamation because, as you well know, the orphan well situation is going to be a huge liability. I would be remiss as an MLA if I wasn't concerned about a similar thing happening with CCS.

**Ms McCuaig-Boyd:** Yeah. One other thing to add is that the government does not assume this till 10 years after the end of the project, so in that 10-year period all of that needs to be done.

**Mr. MacIntyre:** Provided that the companies are still in business.

**Ms McCuaig-Boyd:** Yeah.

**Mr. MacIntyre:** Correct? Provided that the companies still exist.

**Ms McCuaig-Boyd:** Yeah. I guess, yeah.

Also, just as a reminder, we have environmental protection legislation that they're subject to.

**Mr. MacIntyre:** I guess I'm still concerned about the reclamation business. If these contracts are confidential, how can Albertans be assured that the terms within those contracts guaranteeing reclamation, proper abandonment, et cetera, are what they need to be if we can't see those contracts?

**Ms McCuaig-Boyd:** Currently we have the EPEA legislation, and that's the standards. It's law now, so they would have to abide by those laws. They don't just get to decide what they do and what they don't do. We have current law that covers that.

**Mr. MacIntyre:** All right. So those rules are going to apply to CCS as well.

**Ms McCuaig-Boyd:** Again, those laws are regulated under the environment ministry.

**Mr. MacIntyre:** I understand that. You're saying that those laws are going to apply to CCS injection wells, just like they do to other wells. Is that correct?

**Ms McCuaig-Boyd:** Yes, reclamation does. It comes under the environment ministry, and it would apply to them.

**Mr. MacIntyre:** I'm going to move on a little bit, to page 95. We have a line item entitled Carbon Capture and Storage. [interjection] You want me to leave it? Okay.

I'll move on. In your business plan detailing the government's planned trajectory for Energy through till 2019, I don't see a natural gas strategy. There was confusion the last time I asked this question of you, so let me be very clear. A natural gas strategy refers to an electrical generation strategy fuelled by natural gas. In the previous estimates I mentioned that I could not find any clearly defined natural gas strategy in that business plan, and we were told by the minister:

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... once the climate change outcomes have been announced, and then there'll be more strategies that come from that, flow from that.

Minister, the climate change review unequivocally did not provide a natural gas strategy, so I'm going to ask you again: do you have one, and where is it?

**Ms McCuaig-Boyd:** Okay. The climate leadership plan outlined the government of Alberta's commitment to replace coal-fired electricity generation with up to 30 per cent renewable electricity production by 2030. Our climate leadership plan will ensure that both renewables and natural gas generation are developed in the future in order to maintain a reliable electricity system.

**Mr. MacIntyre:** Okay. I understand the climate action plan, but there are some specifics that I'm asking for about a natural gas strategy. For example, if you're going to phase out a huge portion of generation – that's currently coal – and replace it with a different form of generation, that requires significant co-ordination. There are things that must happen concurrently. As your government creates a generation shortfall through the phase-out of coal, you must at the same time be replacing that capacity coming offline with something else to prevent shortfalls from occurring. Shortfalls, if not prevented, will result in costly purchases from the spot market. When will your department properly define its targets through a natural gas strategy, giving us a timeline for phase-out and phase-in of a different generation?

**Ms McCuaig-Boyd:** Generators have made private investment decisions to build natural gas generation because it is economic and it makes sense to invest in. The key reason for the government of Alberta's confidence in the electricity system reliability is because the AESO is responsible for ensuring the adequacy of Alberta's electricity supply.

**Mr. MacIntyre:** Excuse me, Minister. Do you have a plan for the phase-out and the phase-in in a timeline fashion that you could table and show us?

**Ms McCuaig-Boyd:** In fact, under the climate leadership plan almost 70 per cent of our electricity generation capacity will be from natural gas generation.

**Mr. MacIntyre:** I understand that, but do you have an estimate for achieving the volume of renewables? We're talking about 4,200 megawatts here. Do you have some sort of a timeline plan that shows us, "Okay; we're taking the coal off here, and we're bringing the gas and the renewables on here, and here's the timeline" so that everyone can see there isn't going to be a shortfall? Do you have a timeline?

**Ms McCuaig-Boyd:** It's part of everything that we're doing right now. The royalty recommendation looked at the hydrocarbon value chain. The climate leadership plan looks at the phase-in of renewables. The team leading the natural gas value-added strategy will be working with a crossministry team to consider all aspects of the natural gas market. The team will also meet with industry stakeholders and experts such as we did with the royalty review and the climate change plan. This includes co-ordinating with our upcoming energy diversification advisory committee, which will be announced later this spring.

**8:10**

**Mr. MacIntyre:** Okay. That's not an answer, Minister, with all due respect.

Now, because your department failed to develop a natural gas strategy, your government was blindsided by the PPA cancellations, and I'm wondering when your department will develop a proper, detailed plan for the transition away from coal and towards renewables. Again, I'm talking about a plan, a timeline. Will the plan include details on transition support for coal-dependent economies like Hanna and Forestburg? When will these transition plans be rolled out? I'm looking for a business plan, a business plan with timelines, with milestones so that Albertans can say: "Okay. The government has got this. We're phasing out coal at this rate. You have a transition plan in place for those people who are going to be losing their jobs that they can look to and count on, and you've got another plan with a timeline for the construction of natural gas to support renewables," because you have to have that. I'm looking for a plan, Minister. Has your government got one, and where is it?

**Ms McCuaig-Boyd:** Currently there's an integrated plan being developed affecting the electricity system. We have a coal facilitator working with the companies. We have a renewables program that is being developed. We have market forces to consider. We have our Minister of Economic Development and Trade working with the communities, and that'll require other ministries as we discover or learn the communities' needs. We'll be working with Labour and many different ministries to develop those plans. All of that is in an integrated plan that we are working on right now.

**Mr. MacIntyre:** Okay. So we have no plan in place right now, yet your government is just moving on ahead without it. This is not good.

Can we move on, please, to carbon capture and storage a bit? On page 95 we have a line item that's labelled Carbon Capture and Storage. Minister, both our parties campaigned on ending funding to the carbon capture and storage corporate welfare scheme. The carbon capture expenditures in this new budget are the result of previous commitments – I understand that – which your government, in spite of campaign promises, has chosen to honour. Now, we both campaigned on scrapping the program, and between the NDP and the Wildrose we do represent a significant amount of our population. Something within these contracts has resulted in the NDP changing their position, and we need to know so we can represent this issue accurately: is your department willing to either table or, if the information is too sensitive, to provide the Official Opposition with the privilege of viewing these contracts?

**Ms McCuaig-Boyd:** I would have to find out if they're public.

**Mr. MacIntyre:** Will you commit?

**Ms McCuaig-Boyd:** Apparently, the contracts are publicly available with the exception that there are some notations of confidentiality.

**Mr. MacIntyre:** Publicly available as in we can go to a site and look at it, or do you have to send it to us?

**Ms McCuaig-Boyd:** We can find it and get that information to you.

**Mr. MacIntyre:** Thank you very much. I appreciate that.

Minister, we were told that the grant contracts were set up in a way that triggers payments from the government when certain

milestones are reached. We see, however, a significant difference between the budgeted and the forecasted expenditure on that line item. If you have a look at it, you'll see a significant difference between budgeted and forecasted expenditures. Did they fail to meet a milestone? Can you explain what the difference is? Was that a milestone failure or something else?

**Ms McCuaig-Boyd:** The difference is because the carbon trunk line, Enhance, has been moved one year down in construction.

**Mr. MacIntyre:** So a milestone got missed and you moved it back?

**Ms McCuaig-Boyd:** No. The milestone hasn't been missed. It's just that the construction has been moved back. There was no milestone missed.

**Mr. MacIntyre:** Okay. Could you perhaps, you know, send a report as to why that occurred that way and get some elaboration on it?

**Ms McCuaig-Boyd:** We believe that that may be confidential.

**Mr. MacIntyre:** All right. What about the targets for the Quest project? Are they being met?

**Ms McCuaig-Boyd:** Yeah. They're on target.

**Mr. MacIntyre:** They're on time?

**Ms McCuaig-Boyd:** Yeah.

**Mr. MacIntyre:** Can you elaborate on where Quest is at right now?

**Ms McCuaig-Boyd:** They're in the injection phase, I think. As I mentioned, they started injecting last September, they're on time in injecting, and everything is working according to plan.

**Mr. MacIntyre:** All right. Thank you very much.

Oh, I've got one more. Here's a quick question for you.

**Ms McCuaig-Boyd:** Okay.

**Mr. MacIntyre:** On page 46 of the Energy business plan we see Linking Performance Measures to Outcomes. The Premier floated an idea recently of having the province purchase power from site C in British Columbia in exchange for pipeline access to the coast, and this performance measure mentions the importance of monitoring transmission losses to build industry confidence. Now, site C is nearly 800 kilometres from the capital region. Transmission line losses have been estimated as high as 22 per cent, and the cost of transmission losses will require an economic analysis. Will your department commit to undertaking a comparative economic analysis of using site C power versus distributed generation peaker plants?

**The Chair:** Thank you very much.

We're now going to move on to members of the third party.

**Mr. Fraser:** Thank you, Chair. Minister, if you'll allow us to go back and forth, and I'm going to share some of my time.

Thanks so much for being here. Again, on behalf of the PC caucus we truly appreciate the officials and civil servants in your department as I know they're working hard with other ministries, particularly around Fort McMurray, in trying to get the energy sector back online. We really appreciate their dedication. Thank you for that.

**Ms McCuaig-Boyd:** I'll pass that on. Thank you.

**Mr. Fraser:** Thanks.

Minister, we've heard from the Official Opposition on a few things. We're just going to kind of take a little bit of a different approach here, one of them being that we know that in Ontario they had the large renewable procurement kind of plan in place. Of course, in Ontario we all know it's taken them billions of dollars and many, many years to get to a point where maybe it's a bit more of an efficient system, and we've seen the cost of renewables come down. In that line, we know that you've talked about the AESO and working with them to come up with a plan on how to procure some of this renewable energy or electricity.

On the Bull Creek wind farm, Minister, I think it was a 600-day approval process. What are your plans within the department to take a look at Ontario's learnings and what they've done in terms of a best approach forward to make sure that Alberta doesn't get caught up in some of the regulatory processes that Ontario had and then not to revisit a 600-day approval process like we saw in the Bull Creek?

**Ms McCuaig-Boyd:** Yeah. Well, certainly, as I mentioned earlier, when the climate change plan was developed, they reached out, you know, not just to Albertans but across and talked to others, and research was done about what people had done in other provinces and in, indeed, North America. Certainly, success stories were looked at, also failures or mistakes. All that information was gathered to learn exactly that, so we don't have a long process when it's not necessary.

**Mr. Fraser:** Could we expect a report or an update from the AESO in terms of what they already know? Would it be possible for you to put that out so that we would be able to see where they're at in that process moving forward?

**Ms McCuaig-Boyd:** Apparently, in Alberta it's typically 180 days for approval through the AUC, so we're already doing better.

**Mr. Fraser:** Okay. Moving on, again some of these questions may have been asked before. We know that I believe it was CanWEA want to see about 4,000 megawatts of additional energy by 2030 to make up 30 per cent. Minister, there are a lot of questions in and around that. Part of that: is that achievable, and is there a plan? I mean, you'd have to look at it. I guess 300 megawatts, I believe, would have to be put in place over the coming years to achieve that.

I'm not sure if you're aware, Minister, but if you look at wind farms and what it takes to train somebody through the University of Lethbridge to run that wind farm, it's at least two years. The other part, too, is being able to again get the material and the labour and the land access that we've heard about before. I know that some of that may be going on already with private investors looking at land. Minister, is there a plan within your department to take a look at that, that there is a responsible approach moving forward to put renewables online? We'd essentially have to start now by adding roughly that 300 megawatts just if we're speaking about wind solely.

8:20

**Ms McCuaig-Boyd:** Yeah. Well, certainly, you know, we are working, as I mentioned, with the AESO because we want to be responsible and ensuring that we maintain an adequate and reliable supply while we're doing this. Some of the first RECs will be coming this fall with wind because that's the one that can be developed first. Absolutely, there will be a plan because we don't want lights to go out; we don't want costs to be high. We want reliability. You bring up a good point about who's doing the



educating. I know Lethbridge has a fine program for folks, so we make sure we have the trained people in the renewables section.

**Mr. Fraser:** Thank you, Minister.

Again, kind of moving forward, as we see that advancement to put more renewables online, the question is that with our coal-fired generation plants I think we would all agree that through the years they've provided a sustainable amount of energy for, you know, not just the personal consumer in their homes, but quite certainly they've been a partner with industry to make sure that we could grow our oil sands. Contracts are put in place based on agreement to make sure that we can have the energy we need and to grow the province. Minister, again, maybe coming at the question in a bit of a different manner, are there any incentives right now for those coal-fired generation companies to move to natural gas? Do you foresee incentives to help them to keep communities alive, again, and be part of that bigger part of the renewable energy provision?

**Ms McCuaig-Boyd:** Well, in fact, right now we have two groups working on that. We have the coal facilitator, who is meeting with each of the industry partners to discuss those very matters. As well, our Minister of Economic Development and Trade is meeting with the communities to look at their needs moving forward. Then, after, you know, they've done their work, it's those things. Really, what we don't want is the emissions. If they choose to look at other means to make those emissions clean, that can be natural gas or something, but that's all the work that those folks are looking at right now.

**Mr. Fraser:** Kind of in that same vein, Minister – it might have been mentioned with the environment minister in previous estimates – if there's a greater technology around coal that cleans it, scrubs it, gets rid of those noxious gases, that it becomes again a possibility, particularly with the cheap cost of coal, is your department prepared to take a look at that and allow technology to catch up, again facilitating that? Is that part of the business plan?

**Ms McCuaig-Boyd:** Again, I think that's, you know, part of those discussions, but as the minister of environment has said, it's the matter coming into the air. If somebody can come up with something that's commercially viable to make that air cleaner, that's what we're looking at. The air needs to be clean, so if there is a commercially viable means of making coal zero-emissions, then I don't see why that wouldn't be a possibility.

**Mr. Fraser:** Minister, again, just within all those questions, you've got a negotiator now, I believe from Pennsylvania, well sought after. Or is it . . .

**Ms McCuaig-Boyd:** Yeah. Somewhere in the U.S.

**Mr. Fraser:** At any rate, it sounds like he's done this before.

**Ms McCuaig-Boyd:** Absolutely.

**Mr. Fraser:** He must come with suggestions right away to ensure that there's an incentive and that investment will stay. Have you had those discussions, and could those not be implemented right away based on the experience and why he comes with such recommendation?

**Ms McCuaig-Boyd:** Well, he certainly comes with a great deal of experience, as you may be aware. We had a number of people apply, but he certainly comes with a lot of experience. His job right now is to meet with each of the companies to listen to them. We do not expect a formal, written report from Mr. Boston because a lot

of these things he's discussing with them will be commercially sensitive, but we will be considering Mr. Boston's recommendations and options, and we will communicate the government's decision to the public. But at present he is the coal facilitator, who is going around and meeting with those companies to learn their situations and their questions.

**Mr. Fraser:** Right. I just kind of want to move on. I may have some more questions regarding that in a bit.

Just around transmission I think there's been lots of conversation. Now that you've been head of the department for a year, you've seen a considerable amount of work on trying to make sure that there are enough transmission lines to provide the power that we need here in Alberta. Would you agree that a lot of work has been done already with that to ensure that the power grid is moving forward?

**Ms McCuaig-Boyd:** Yeah. We have a power grid that's pretty robust.

**Mr. Fraser:** Right. Again, has the department or has Mr. Boston come to you to speak a little bit about the rapid shift to renewable generation? Does he have any concerns that the grid may not, from the physics standpoint in terms of frequency and voltage, be able to handle it? We do know that in southern Alberta, where wind is viable, the transmission lines have been approved by the AUC. What timeline are we looking at to build those transmission lines, and will they be able to facilitate more wind farms in southern Alberta?

**Ms McCuaig-Boyd:** I think that's part of Mr. Boston's work right now. He will be working until September to meet with the companies and provide recommendations. Certainly, as we phase out coal-fired electricity and replace it with renewable natural gas, again the AESO and the AUC are going to play key roles in maintaining system reliability during transmission because we want to be uninterrupted. We want to be stable and affordable in our power prices for families and business. That's part of the work that Mr. Boston is doing right now.

**Mr. Fraser:** Right. Again, we've definitely seen over the last week how Mother Nature can play a role in affecting our lives. There's just no control around that. We definitely could see – and I think it's plausible – that with this rapid shift to renewables and having, you know, producers walk away from the PPAs, there may be losses in terms of the energy that we may need. What is the plan to make sure that that doesn't happen?

You did reference a little bit around – you know, perhaps the terminology is horse trading – buying power from B.C. in order to get pipeline access. I guess, Minister, that when we look at all this, part of it is: what is it going to cost the taxpayer? Ultimately, what kind of message are we sending to a group that already, Minister, with no disrespect, believes that some of the Alberta plan, if not a lot of it, seems to be theoretical versus practical? They're looking for, basically, co-operation with the government and a dialogue with people like Mr. Boston and your department heads to ensure that they can put together business plans. When you look at the folks that operate the Bull Creek wind farm and others, it doesn't make sense to say that we're going to support another jurisdiction for power when we're trying to get people to invest in Alberta here to take on more of the power and build the grid here.

**Ms McCuaig-Boyd:** Well, certainly, conversations with British Columbia are totally what-ifs, you know, just moving forward. Back to the matter here, as we move forward, it is going to be in

conjunction with many experts like Mr. Boston, like people at the AESO and the AUC and other experts within industry that we consult. We as a government have been pretty proud of the fact that we do seek the best advice from experts. We did so with climate change, we did so with the royalty review, and we'll do the same moving forward, seek out the best advice we can get to create a plan.

Right now that's what's happening. People are out getting that advice. It'll come back, and there'll be a prudent, sensible plan moving forward. It isn't going to be just a throw in the air and hope it works. Again, we've been pretty proud, and I think that in one short year we have proven that we have a good track record of working with industry, with our partners, to develop good work going forward. I am pretty proud of our climate change plan for doing this as well as our royalty review.

**Mr. Fraser:** Right. Minister, wouldn't you agree that a lot of that work took place before you came into the office? Again, it's the dedication and the knowledge of the people within the Energy department.

**Ms McCuaig-Boyd:** We have great people in this department, well, the whole government service. Yeah, certainly, work has been done over time, and we're concluding that along with our climate leadership plan to do that. But you're right. We have good transmission lines right now, and moving forward, that will probably hold us in good stead when we do this transition.

**Mr. Fraser:** Right. Minister, just one other thing. Again, we want to make sure that everything that we're talking about comes in a timely fashion around studies. Are there deadlines and timelines that you're putting out to your department to exact these things so that the message is clear and concise to investors, whether they be renewable or coal-fired generators moving to natural gas? I think you would agree that more than ever in this province we need to make sure that we're clear to investors that it is a good place to come and invest.

**8:30**

**Ms McCuaig-Boyd:** Yeah. Well, certainly, you know, we learned that when we did the royalty review, that certainty is very key to investors, and we will work quickly enough to get that certainty but not so quickly that we don't do it right. Government has formally committed to replacing, as I mentioned, two-thirds of retiring coal-fired electricity generation with renewable generation, achieving up to 30 per cent overall by 2030. Consequently, our government has tasked the AESO, as I mentioned, for recommendations on implementation, and the AESO is doing that work to help us develop a REC or renewable electricity program design and, again, to identify the best practices and emulate issues encountered elsewhere that we should avoid or that would work. The AESO is currently reviewing the results from questionnaires, which closed on March 24, and those questionnaires largely focused on potential renewable developers and investors. So we certainly are working to provide that certainty for investment as quickly as we can.

**Mr. Fraser:** Minister, just in that same vein, do the members of this committee have a commitment from you, if some of these plans don't work out, to ensure going back to some of these coal-fired generation plants to make sure that we're not losing energy that would cause shutdowns, you know, within our big industry, that, again, could affect jobs and families? If you see a curve in the road, are you going to go off the cliff, or are you going to adapt?

**Ms McCuaig-Boyd:** Certainly, that's the work of developing this plan, you know, to maintain stability, keep prices at a reasonable pace. We do need to look at those communities that are phasing out coal and make sure that people are taken care of and that there's a plan for transition. That's all going to be considered.

**Mr. Fraser:** Minister, I just want to move on to pipelines.

**Ms McCuaig-Boyd:** My favourite.

**Mr. Fraser:** Would you agree that all pipelines, any pipeline access that we can get would be the best option for Alberta?

**Ms McCuaig-Boyd:** Yeah. Pipeline access, market access is critical. As you know, a lot of money is being left on the table that could be used for schools and hospitals and that kind of thing if we got full and fair value for our product, so our ministry is working very hard with the companies and at many levels to get those pipelines east and west.

**Mr. Fraser:** Right. Minister, can you give us a bit of an update about any talks with the energy minister or their department in B.C. about, you know, reversing lines or trying to create that extra capacity so that we can actually get our bitumen to tide?

**Ms McCuaig-Boyd:** You know, it's just constant, and our departments meet on a fairly regular basis. In fact, Cynthia heads the market access department, and our staff is everywhere doing these talks. Our Premier, certainly, well ahead of the fires was doing a lot of good work behind the scenes with her Premier counterparts. Certainly, I've met with my ministers. My assistant deputy ministers have been meeting with them, have met with Trans Mountain, all those folks. It's pretty much weekly that somebody is meeting.

**Mr. Fraser:** Again, Minister, I think you've heard our caucus talk about different options, through the Mackenzie valley and the Northwest Territories and into the Yukon, to access the Trans-Alaska pipeline system, or TAPS, as they would call it. Have there been any talks around that with the northwest partnership or anything like that?

**Ms McCuaig-Boyd:** Yeah. With market access, if a company – again, industry builds these pipelines, but if they come forward with a plan that is reasonable, we would look at it and support it any way we could.

**Mr. Fraser:** Okay. Again, I'm just going to kind of move on to the petrochemicals diversification program, one of the highlights. It looked like when you put out the application – it closed on April 8, 2016, just two months and four days after it opened. That doesn't seem like a long time, you know, considering that in other areas it was a 600-day kind of approval process, and now what you've got is just a very short window for applications. I just want to ensure that, again, we stay away from the idea of picking winners and losers. Could you comment on that?

**Ms McCuaig-Boyd:** Yeah. I think we actually may have extended that slightly, a little bit beyond that. Anyway, I can't at this point give you the numbers, but we got significant interest in it. We actually had planned to have an announcement this week, that we didn't do because of the fires. The package for the program actually was extended to April 25, and that was in consideration of a little bit of extra time for folks. The next step: we've received the applications, and we will be . . .

**Mr. Fraser:** Minister, again, I just want to get one more question in here.

**Ms McCuaig-Boyd:** Sure.

**Mr. Fraser:** With that, how many companies actually showed interest?

**Ms McCuaig-Boyd:** I'm sorry. I have the number, but it can't be shared publicly at this point. There was more than one; there were quite a few. They were brought in on . . .

**Mr. Fraser:** Do you have a number for that?

**Ms McCuaig-Boyd:** I can't give it publicly.

**Mr. Fraser:** Even the number you can't say?

**Ms McCuaig-Boyd:** No.

**Mr. Fraser:** Okay.

**Ms McCuaig-Boyd:** But there was quite a bit of interest, and . . .

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

We'll now move on to the member from the fifth party.

**Mr. Clark:** Thank you very much, Mr. Chair. Thank you to the minister and to your staff for being here. I just wanted to echo and thank you for your comments about the energy industry and the work they're doing in Fort McMurray around the fires. It has been nothing short of remarkable and heroic and says everything we need to know about this province and the people who work in it, in particular in the energy industry.

Before I get started, I want to ask you the same question I've asked all of your ministerial colleagues. As we go through the process of evaluating the budget and, certainly in our caucus, putting together the shadow budget, it would be tremendously helpful if we were provided the data in Excel, manipulable electronic Excel format, especially the estimates tables of numbers. I've asked the Minister of Finance the same thing. I really ask you, please, in Budget 2017 to advocate for sharing that information, not just electronically in PDF format but in Excel format or similar open-data format.

**Ms McCuaig-Boyd:** Okay. I will speak to the Minister of Treasury Board and Finance.

**Mr. Clark:** It would be tremendously helpful. Let's put this at the top of your cabinet agenda. That'd be wonderful.

Now on to my questions. I'm going to start with APMC. You've committed to a 20-year TSA for 100,000 barrels a day capacity on the Energy East pipeline, which I'm a big supporter of and a big believer in. I'm wondering if you would please table or share with us today if you possibly can the cash-flow analysis evaluating the net income that APMC expects to earn on an annual basis by committing those bitumen barrels to the Energy East pipeline. Can you table that for us, please?

**Ms McCuaig-Boyd:** I think there'd be a difficulty. That one's commercially sensitive, and I won't be able to.

**Mr. Clark:** Okay. All right. Well, hopefully, we can answer this one, which is in relation to the Auditor General. He made some recommendations, provided – I'll just ask the question as written so I get all the words in the right order. Will you comply with the recommendations of the Auditor General to provide additional

information in the Ministry of Energy and APMC business plans and annual reports on the risks and rewards of the arrangement with Energy East, including the impact of credit-rating downgrades, low energy prices, and new carbon pricing policies and regulations on the economics of the project?

**Ms McCuaig-Boyd:** I understand that this was not a formal recommendation of the Auditor General.

**Mr. Clark:** All right. But given even its informality, I mean, given the risks of energy price changes, carbon pricing, regulations, credit-rating downgrades, will you comply with that suggestion all the same? I do think it's important from a budget and public policy perspective.

**Ms McCuaig-Boyd:** Okay. I understand that we have actually complied with that, and that information is available in the financial statements of the APMC.

**Mr. Clark:** Okay. Good. That's good news. Thank you very much.

Moving on to the Sturgeon refinery, then. Given that the previous government released some of the financing details, will you commit to releasing the complete transportation service agreement between APMC and the Energy East pipeline?

**Ms McCuaig-Boyd:** Sorry; can . . .

**Mr. Clark:** What I'm really looking for is the entire TSA. Using the example of the Sturgeon refinery – and I will on my next page move on to ask questions specific to that – there were some limited details released by the previous government on the Sturgeon refinery's financial arrangement. Will you release the complete TSA for the Energy East pipeline and their agreement, arrangement with APMC?

**8:40**

**Ms McCuaig-Boyd:** I understand that again that's a matter of commercial confidentiality.

**Mr. Clark:** Okay. Thank you.

I'll move on, then, to the Sturgeon refinery project. Moody's concluded in a recent report that there will be low levels of profitability for the Sturgeon refinery project in the first few years of operations, which will limit the ability of that project's credit rating to be upgraded until the economics improve. And even assuming that the construction is completed on time in the fall of 2017, as you said earlier, and assuming that the project operates as expected, what would – sorry; I've muddled up my question here. I'm going to backtrack and try that one again if I get my words in order. I think I put a paragraph in the wrong place. My apologies, Mr. Chair and to the minister.

Let me ask this question: is the Auditor General evaluating APMC's processes to manage strategic arrangements like the North West Redwater Partnership, including APMC's risk management activities? Really, this comes back to the questions that I was asking earlier this year. There's a tremendous amount of risk that Alberta taxpayers are taking on with the North West Redwater Partnership, and I just want to know if your department or the Auditor General is evaluating the risk management practices internal to your department.

**Ms McCuaig-Boyd:** Yes, absolutely. The Auditor General is doing that.

**Mr. Clark:** Okay. And that is something, obviously, that will be released through the Auditor General. Is there anything that you've learned through that process so far that you can share with us today?

**Ms McCuaig-Boyd:** He's just started the process, from what I understand.

**Mr. Clark:** Okay. One thing I wanted to pick up on that you talked about earlier: you said that the Alberta carbon trunk line has been moved back one year. Given that, what is the impact or what do you anticipate the impact will be on the carbon footprint of the Sturgeon refinery project and, therefore, on the cost and profitability of that project given your government's new carbon pricing scheme?

**Ms McCuaig-Boyd:** Yeah. First of all, it was moved back just one fiscal year. And no impact.

**Mr. Clark:** Do you believe there is any risk that – one of the key benefits of this project was touted, being carbon capture and having a very low carbon emissions refinery, which would be a wonderful thing if we can pull it off. But if for some reason the Alberta carbon trunk line is not built or is late, that carbon does not get sequestered, I presume; it gets emitted. If that happens, of course, that fundamentally alters the economics of the project. Do you believe there's a risk that that happens, how do you quantify that risk, and have you done any financial analysis of what that risk would be to Alberta taxpayers?

**Ms McCuaig-Boyd:** No, we don't believe there would be risk, and there would be other options. They could use Shell, or in Devon there are other options should they not be able to complete.

**Mr. Clark:** Okay. Thank you.

The Auditor General made some recommendations to provide additional information in the ministry and APMC business plans and annual reports on the risk and reward of its arrangement with the NWR Partnership, including the impact of credit-rating downgrades, et cetera. Have you done so? Have you done additional analysis in this regard?

**Ms McCuaig-Boyd:** Again, the Auditor General: that wasn't a formal recommendation, but as part of business practice for us we do look at those matters.

**Mr. Clark:** Okay. Have you prepared an updated cash-flow analysis for the Sturgeon refinery project based on the most recent projections for WTI, the differential, and other factors to determine the range of cost-of-service tolls and the net profits accruing to APMC on an annual basis?

**Ms McCuaig-Boyd:** Yeah. We did do one on December 31 of '15.

**Mr. Clark:** Okay. And has that been released, or can it be tabled?

**Ms McCuaig-Boyd:** Okay. It will be released when the APMC releases its financial statements. It'll be in there.

**Mr. Clark:** Okay. Thank you very much. That answers my next question.

**Ms McCuaig-Boyd:** Okay.

**Mr. Clark:** Thank you very much. You're one step ahead of me.

There's a significant amount of debt that APMC owes the province. Has either your ministry or APMC assessed the impact of the recent provincial credit downgrade on APMC's cost of funds given that APMC will likely be refinancing some of the \$328 million in debt it owes to the province and capital markets over the next three years, which would therefore be subject to increased costs and a risk premium arising from the recent credit downgrade? Have you done that calculation?

**Ms McCuaig-Boyd:** They have a fixed rate with TB and F, Treasury Board and Finance.

**Mr. Clark:** It's a fixed rate. There is no impact at all on that debt from the downgrade? Okay. That's the kind of deal I wish I could get.

Given that Moody's has indicated that the project's partner, CNRL, is now at a BAA3 credit rating with a negative outlook, there is at least a possibility that at some point during the term of the tolling agreement CNRL or its affiliates may not be able to supply their share of feedstock. Has the minister asked her department or the APMC to assess a scenario of the APMC supplying 100 per cent of the feedstock to the refinery in the event that CNRL or its affiliates are no longer able to supply their 25 per cent share? If so, what are the costs of the same?

**Ms McCuaig-Boyd:** The relationship with CNRL is something that the North West refinery, you know, manages. It's not a relationship managed by the government.

**Mr. Clark:** Okay. Thank you.

Then I'll move on to electricity and questions about PPAs. Can you confirm that the province will become the largest dispatcher of coal generation in Alberta now that the PPAs have elected to return fiscally challenged PPAs to the Balancing Pool due to the changes of carbon tax and other reasons? Will the province now be the largest dispatcher of coal-fired power?

**Ms McCuaig-Boyd:** The Balancing Pool will be.

**Mr. Clark:** All right, but the Balancing Pool is Alberta.

Given that, then, will you confirm that the province will be the largest payer of the carbon tax in the province now that PPA buyers have returned those PPAs to the Balancing Pool?

**Ms McCuaig-Boyd:** Well, again, the Balancing Pool will be in fact doing that. I've just got to find my note here on the PPAs, but yeah.

**Mr. Clark:** So is that a yes?

**Ms McCuaig-Boyd:** Yes.

**Mr. Clark:** That's a yes. All right. We got there.

Given that, have you calculated how much it will cost in fiscal '16-17, '17-18, and beyond?

**Ms McCuaig-Boyd:** What I can say is that on the issue of PPAs the government will be initiating an appropriate proceeding shortly, and all the facts will be before the public as issues are adjudicated.

**Mr. Clark:** I'm not quite sure what that means.

Perhaps I'll jump to this question, then. If you're referring to the review that you're conducting on the legality of Enmax's return of its PPA to the Balancing Pool, which you may or may not be – and I'll allow you, through the chair, then, to please clarify that – experts at the Balancing Pool said in a news release on February 24, 2016, that “the Balancing Pool sent a letter to Enmax verifying the occurrence of an extraordinary event and confirming their right to terminate the Battle River 5 PPA.” If that's the case, why are you conducting a review of the legality of something the Balancing Pool has already said is legal, which we know through the contracts is, by all analysis, legal? This seems to be something that's a fait accompli. I'm just curious why you're conducting that review.

**Ms McCuaig-Boyd:** Enmax's Battle River power purchase agreement has been validated and accepted by the Balancing Pool.

Enmax has given the Balancing Pool official notice of their intent to return the Keepphills PPA. The Balancing Pool is currently assessing the validity of TransCanada's and Capital Power's PPA surrenders as well, so information is required from TransCanada and Capital Power in order for the Balancing Pool to conduct this analysis.

8:50

**Mr. Clark:** Do you anticipate that those would be materially different than Enmax?

**Ms McCuaig-Boyd:** Each case is looked at on its own merits.

**Mr. Clark:** All right. I'm curious, through the chair, Madam Minister, if you or your ministry at all at any point was informed of the possibility of the termination of PPAs prior to the release of your government's climate leadership plan.

**Ms McCuaig-Boyd:** To be clear, in this matter the climate leadership plan is not making these arrangements unprofitable. Currently we have historically lower prices, and that's what's making companies unprofitable.

**Mr. Clark:** Right, but that's not the only reason they're returning their PPAs.

Also, just let me ask the question again, because I didn't get an answer to the question I asked, which is: were you or your ministry informed of the possibility of termination of PPAs prior to the release of the climate leadership plan on November 22, 2015?

**Ms McCuaig-Boyd:** I'm not aware of the first date, but I know that the issue that we're dealing with here is what companies believe they signed with the previous government. The companies believe that they signed contracts that send the profits in their direction and the losses to the public. Right now the Balancing Pool is looking at each of those individually on their merits. They have to open their books to the Balancing Pool and prove that the losses are a matter of . . .

**Mr. Clark:** Right.

**Ms McCuaig-Boyd:** But as far as the date, I am not aware of the first date.

**Mr. Clark:** Of the very first date, but you were notified at some point?

**Ms McCuaig-Boyd:** Yeah. I honestly am not aware . . .

**Mr. Clark:** Before or after the climate leadership plan came out? Do you know?

**Ms McCuaig-Boyd:** I don't recall when it was.

**Mr. Clark:** Let me ask this question, then. Turning back nearly 4,700 megawatts of coal PPAs will result in a liability to Alberta consumers. Is that correct, that that will cost ultimately, at the end of the day?

**Ms McCuaig-Boyd:** Well, as I mentioned, each one is individual, and currently I can't say much more, but we're initiating an appropriate proceeding shortly. When all the facts are available, the public will be made aware of the facts when these issues are adjudicated.

**Mr. Clark:** We're running out of time here, but if this does in fact result in a liability – and we've calculated that it could be as much as \$1.2 billion through 2020 – that would have the net effect of

applying a rate rider to Alberta consumers to cover the losses. If there are annual losses to the Balancing Pool from holding the PPAs, will that have to be covered by consumers using a rate rider? Just a simple yes or no on the mechanics of how this works.

**Ms McCuaig-Boyd:** Again, we inherited the power purchase agreement problem, but our role is to solve it. We are taking action to protect the interests of Alberta and put this issue behind us. We will announce our plan moving forward in the near future.

**Mr. Clark:** Okay. I appreciate that that's your answer. I just want to know: mechanically, can you confirm that if the Balancing Pool is in a net-loss position, that is covered by a rate rider payable by consumers? Yes or no? That's just a simple question.

**Ms McCuaig-Boyd:** Yes.

**Mr. Clark:** Yes. Thank you very much.

Let me just move on, then, to some financial questions. I'm curious. In looking at the business plan, page 47, carbon capture and storage, the funding for carbon capture and storage has increased 275 per cent from 2014 to the 2016 fiscal year. What has this funding gone towards, and what return on investment do the people of Alberta get? Carbon capture and storage under expense on page 47 of the Energy business plan: it's gone from \$53 million in 2014 to \$202 million in 2016.

**Ms McCuaig-Boyd:** Yeah. These numbers reflect commitments made for payments to Shell Quest and the Alberta carbon trunk line, and it's on a completion scale.

**Mr. Clark:** Okay. Thank you.

I'm going to ask about orphan well abandonment. We know that there's \$30,500,000 per year. Given that there are thousands of Albertans looking for work in this exact field, why have you not added more money directly to the orphan well fund? I know you've talked about the federal government, but in the final 30 seconds here perhaps I can ask if you would please consider adding more money to the orphan well fund to help not only reclaim orphan wells, which is important, but put Albertans back to work.

**Ms McCuaig-Boyd:** As I mentioned before, there certainly are lots of ideas about how to use support from the federal government to get Albertans back to work, including reclaiming wells. We share those concerns, for sure, over both the orphaned and the abandoned wells. We believe, however, that industry should continue covering the cost . . .

**Mr. Clark:** It's orphaned wells. These companies are gone, right?

**The Chair:** Thank you very much.

We'll now move on to the private members of the government caucus. MLA Nielsen.

**Mr. Nielsen:** Thank you, Mr. Chair. Thank you, Minister as well as your staff, for joining us here today.

Mr. Chair, three hours is certainly a very long time to sit in one spot, especially for our legislative staff. Members do have the chance to be able to get up and go to the washroom if they need to. We would like to cede five minutes of our time to allow those staff as well as, of course, the minister and her staff to take a quick bathroom break if they'd like.

**The Chair:** Okay. Thanks. We will do five minutes.

[The committee adjourned from 8:57 p.m. to 9:02 p.m.]

**The Chair:** MLA Nielsen, please proceed.

**Mr. Nielsen:** Well, thank you, Mr. Chair. Again thanks to the minister and her staff for joining us this evening.

Minister, I wonder if you could just quickly clarify, with the handing back of the PPA, the impact on the carbon levy, please.

**Ms McCuaig-Boyd:** Okay. Maybe just to clarify a little bit, the issue of the PPAs has not yet been resolved. The carbon levy has yet to come into force, and as I said, we will soon be initiating the appropriate proceedings.

I'd like to actually correct an earlier statement. We will not be using the PPAs to secure new renewables. I'd like the record to show that the AESO is working to develop the program for renewables. The Leach report recommended a renewables energy credit program.

**Mr. Nielsen:** Thank you, Minister.

Minister, it's no secret that the oil and gas industry is experiencing some difficult economic times right now. If I might direct you to page 97 of the government estimates, it indicates a projected revenue of \$1.77 billion, which, of course, is much lower than the \$3.24 billion received in 2015-16 and, of course, astronomically lower than the \$9.45 billion received in 2014-15. Would you be able to provide the committee with some highlights from the new royalty framework and explain how this new framework will support industry?

**Ms McCuaig-Boyd:** Absolutely. I'd love to. I love talking about the royalty framework. From the day we launched our royalty review, our government has said that it would be thoughtful, collaborative, and that there would be no surprises. We've worked very hard with industry associations, and I'm confident that these formulas are going to meet recommendations of the review panel and create the right system for the energy industry to remain competitive, grow, and create jobs.

Our new framework delivers on key recommendations made by the royalty review panel. It helps secure a strong energy sector for Albertans and industry for many years. It will set out a structure to encourage the reduction of costs in industry, which will increase net revenues shared by Albertans in industry in all price environments. The new royalty rates on oil and gas wells will preserve existing rates of return at the onset and harmonize allowable drilling costs for oil and gas wells to remove barriers to investment and help with investment decisions. Existing incentive programs will operate appropriately in both high and low.

So the new system has become very predictable, and as prices come back, energy companies can make those decisions based on a very reliable system.

**Mr. Nielsen:** Thank you, Minister.

If I could now maybe point you toward page 94, specifically line 2.3, of the government estimates, a \$6 million commitment to royalty review implementation. Would you be able to tell the committee what the new framework will do for Albertans as owners of the oil and gas resources in this province?

**Ms McCuaig-Boyd:** Yeah. Certainly, our new royalty framework recognizes the reality of today's economy and is designed to encourage more investment and create new jobs. It gives producers a certainty that they need to operate and expand and better compete with similar jurisdictions. A healthy energy sector will continue to be the source of jobs and stability for Albertans. Part of the recommendations from the royalty advisory panel was examining further ways to diversify our energy sector. Diversification will help expand our markets, create new jobs, and help moderate the

effects of global price swings such as we're going through right now. This kind of stability will benefit Albertans working in this sector. I'm confident that our work will meet the recommendations of the review panel and create the right system for industry to remain competitive, to grow, and to create jobs moving forward.

**Mr. Nielsen:** Thank you, Minister.

Just to shift gears here a little bit now with regard to market diversification, the government is absolutely aware that energy is central to Alberta's economy and long-term prosperity. Having said that, if I could direct you to page 42 of the ministry business plan, it states that "diversification starts by building on Alberta's core strength: energy." Could you please tell us what's being done to support diversification of our energy products here in Alberta?

**Ms McCuaig-Boyd:** Well, there are a couple of things. Certainly, we introduced the petrochemical diversification program, again, providing incentives of \$500 million in royalty credits to create two to three new petrochemical facilities. The beauty of that is that these royalty credits aren't used until the facilities are built, so in building these facilities, they're going to create a new value chain using propane and methane going forward. That \$500 million of royalty credits could become \$5 billion in investment, 3,000 new jobs in construction, and a thousand in maintaining those sites, so it's a pretty good return on investment.

**Mr. Nielsen:** Thank you, Minister.

I'm sorry, Chair. I probably should have clarified that I intended to share my time with the minister and also with one of my colleagues.

I only have one other question at the moment. Minister, key strategy 1.1 on page 43 of the ministry business plan speaks to the need to implement the recommendations from Alberta's royalty review advisory panel. Could you speak to what the royalty review panel said about the value-added processing? What are the opportunities you see for diversification of our energy product?

**Ms McCuaig-Boyd:** Well, certainly, they did speak to looking at methods, you know, ways to diversify our economy. They recommended that we look at market diversification. Like I said, one of the things we kicked out already is the petrochemical diversification plan.

They asked us to, in their words, "make a bold stretch and seize opportunities to enhance value-added processing in the province." We accepted this recommendation and are working in a variety of ways. We agree with the panel that there's significant promise to add value to our resources in Alberta, and these could include looking at partial upgrading, refining, and other ways that we can add value to existing resources and spur new markets and new demand. My department is creating a new value-added natural gas strategy for Alberta, which was the direct recommendation of the advisory panel. We are also currently looking at creating an energy diversification advisory council to look at those good ideas. It will be a panel of experts in the industry and in academia who will give us that best advice on what some next steps are that we could consider moving forward.

9:10

**Mr. Nielsen:** Thank you, Minister.

Chair, I'll pass it over to my colleague now.

**The Chair:** Go ahead.

**Mr. Malkinson:** Thank you, Mr. Chair. On page 43 of the ministry business plan, looking at key strategy 1.2, it speaks about the need

to strengthen energy-related enterprises nationally and globally to increase market access for Alberta's energy resources. As the minister knows, in my riding of Calgary-Currie the various oil and gas towers there overlook my riding, so market access is definitely on the minds of my constituents. Since currently we have a reliance on a single market for most of our energy exports, which means we currently sell our products in the United States at a discounted rate, being able to access international markets would not only give us a better chance at receiving something closer to a world market price for our product but also help us move away from our reliance on a single customer. Minister, could you please tell us what you are doing to promote market access? Can the minister speak to the funds that are allocated in Budget 2016 to achieve this goal?

**Ms McCuaig-Boyd:** As I've said many times, our government is deeply committed to securing new market access for Alberta and for our resources. We support the construction of modern and carefully regulated pipelines to both the west and east coasts. Alberta's ability to access energy markets is critical and crucial not only for our province's energy industry but for the economic future of Canada.

Last fall we led a joint industry and government delegation to China, that I was a part of, and it allowed us to encourage investment in Alberta's emerging unconventional plays and to promote Alberta's service and equipment companies. In addition, we were able to sit down with companies who have significant holdings in Alberta and encourage them to move on plans to make further multibillion-dollar investments. This mission was an opportunity to both cultivate important relationships and learn about new technologies being developed in China to reduce the environmental impact of unconventional resource extraction.

I further had the opportunity to attend the CERAAWeek conference in Houston. It's one of the foremost energy conferences in the world. There I was able to meet with other nations such as Mexico and Norway to not only tell them about our climate leadership plan but, you know, to promote our industry as one worthy of investing in. As you know, the U.S. at one time was our biggest customer, and now they've become our biggest competitor, so it's crucial that we do get out and find other markets in the world besides the U.S.

**Mr. Malkinson:** Thank you, Minister.

Just sort of expanding on your point there about the need for our energy resources to get to market, you mentioned our climate leadership plan. Have you found that that's had an effect on the conversation about pipelines, since you're speaking of need, in order to get our product to non-U.S. markets?

**Ms McCuaig-Boyd:** Absolutely, it has made a difference, and it made an impact a lot faster than I thought it might. A week after we announced our climate leadership plan, I had the opportunity to speak in Calgary to a group of folks from across Canada. Several of the pipeline companies were there, and they themselves remarked that the conversation had turned to quite a positive nature in a short period of time.

In fact, that weekend, after the plan, we got a quote from Premier Wynne of Ontario. She said, "Alberta's new climate plan – in particular the cap on emissions from the oil sands – makes the national conversation about [emissions] targets and pipelines [that much] easier." I've talked to ministers across the country, who see it as such a positive. We're gaining a lot of traction in our pipeline talks and our market access, so it's been very, very positive.

**Mr. Malkinson:** Thank you very much, Minister.

I'm going to switch gears into electricity, which seems to be the topic du jour, so to speak. Looking at key strategy 3.1, which is found on page 45 of your ministry's business plan, it shows our government's commitment to phase out emissions from coal-fired electricity by 2030. I was just wondering if you could explain where in the budget you have funding for the phase-out of coal-fired electricity, and how much is it?

**Ms McCuaig-Boyd:** Funding for the coal phase-out facilitator and the Coal Secretariat is provided through the Alberta climate change office. I can't speculate on the future costs of our coal phase-out plan. We have hired, as you know, an expert, Mr. Terry Boston, to help us determine those costs in consultation with industry. Electricity generation in Alberta is a multibillion-dollar industry, and it is critical that the government gets this right for future reliability of electricity and to keep costs to consumers stable.

**Mr. Malkinson:** All right. Thank you, Minister.

The next question is on the same topic. The climate leadership plan states having a goal of phasing out coal-fired electricity and having two-thirds of it replaced by renewable power. However, your own performance indicators on page 46 of the ministry business plan show very little growth in renewable power. I was just hoping that you could clarify how you plan to achieve the kind of growth that will be needed to meet that two-thirds goal.

**Ms McCuaig-Boyd:** Okay. Thank you for that question. As part of Alberta's climate leadership plan the government will work to accelerate the transition from coal to renewable energy sources. By 2030 renewable sources like wind and solar will account for up to 30 per cent of electricity generation. The government of Alberta anticipates that two-thirds of the generating capacity of coal will be replaced by renewable energy and that one-third will be replaced by natural gas in order to remain . . .

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

We'll now go back to the members of the opposition. Will you be going back and forth?

**Mr. MacIntyre:** Yeah.

Thank you, Minister. If we can go back to page 46 of the Energy business plan, we see 3(a) under Linking Performance Measures to Outcomes. Will your department commit today to undertaking a comparative economic analysis of using site C power projects versus using distributed generation peaker plants to determine whether this is an economical decision rather than a political decision?

**Ms McCuaig-Boyd:** Government officials in Alberta and British Columbia are discussing electricity interties between the two provinces. These discussions are focused on the what-ifs for now. Alberta has one intertie with British Columbia, and it is the single largest connection Alberta has to another jurisdiction. The AESO is currently working to restore the intertie to its full capability. Interties do support reliability, supply diversification, generation development, and continued economic growth in Alberta. Further intertie connections in electricity exchanges with British Columbia should take into consideration the impact on Alberta's competitive market, the linkages to Alberta's climate leadership plan, and the electricity system reliability in Alberta.

**Mr. MacIntyre:** Minister, regarding that, then, the decision to use site C or not use site C and use peaker plants: is it going to be solely based on economics?

**Ms McCuaig-Boyd:** Any exploration of any expansion of interties with B.C. or elsewhere would contemplate the line losses. Government would consider all the social and economic factors affecting new interties before making any decisions.

**Mr. MacIntyre:** Okay. Will you make those public? It sounds like that's a yes, that you're going to do a comparative economic analysis. Can I get a yes to that from you or a deputy minister, that you will do a comparative economic analysis?

**Ms McCuaig-Boyd:** We would do an analysis. I'm not sure if it can be public because there would be, again, confidentiality in industry.

**Mr. MacIntyre:** What confidentiality? This is a simple comparative economic analysis.

9:20

**Ms McCuaig-Boyd:** Yeah. It's all speculative at this point. You know, we would have to look at matters of confidentiality.

**Mr. MacIntyre:** Okay. Coming back to electricity again and PPAs and your business plan in phasing out coal, et cetera, my esteemed colleague from Calgary mistakenly said that the purchasers returned the PPAs because of the climate action plan, but the plan has not yet been executed.

Two, you and your leader both have repeatedly tried to sell Albertans on the narrative that the PPAs were returned to the Balancing Pool because the pool price made the PPAs unprofitable. That narrative is actually a misrepresentation of the facts, Minister. The Balancing Pool confirmed that under the terms of section 4.3(j), quote, an extraordinary event took place. End quote. That event was neither low pool prices nor was it a yet unexecuted climate action plan. The Balancing Pool confirmed that the extraordinary event was a change in law, and that change in law was an order in council dated June 2015 by your government increasing the SGER carbon levy by 33 per cent or so just weeks after you took power. When did your ministry know that changing the carbon levy under SGER was going to result in triggering 4.3(j)?

**Ms McCuaig-Boyd:** Just to be clear, the issue of the power purchase arrangements has not been resolved. It's currently being examined company by company. As I mentioned before, there will be a proceeding, and all the results from that proceeding will be announced once they're adjudicated.

**Mr. MacIntyre:** Are you telling this committee that you're going to be adjudicating all the PPAs that were returned to the Balancing Pool?

**Ms McCuaig-Boyd:** Each set of PPAs is judged on its own merit. It's looked at with the books. There will be a proceeding that will be adjudicated, and the findings will be made public.

**Mr. MacIntyre:** All the PPAs that came back to the Balancing Pool will be in this adjudication process?

**Ms McCuaig-Boyd:** So far Enmax has been adjudicated, and that would be made public, but the others are still being looked at.

**Mr. MacIntyre:** The question is: are they all going to be adjudicated? Yes or no?

**Ms McCuaig-Boyd:** Just Enmax.

**Mr. MacIntyre:** Just Enmax.

Second question. When did your department know that a change in the SGER carbon levy was going to trigger 4.3(j)?

**Ms McCuaig-Boyd:** There will be an appropriate proceeding, and the results will be made public when they are adjudicated.

**Mr. MacIntyre:** No, no. I'm not talking about adjudication. I'm talking about when your department was aware that that order in council was going to trigger 4.3(j)?

**Ms McCuaig-Boyd:** Once we have done the adjudication, that information will be available.

**Mr. MacIntyre:** Okay. I'll let my esteemed colleague from Chestermere-Rocky View ask the rest of the questions.

**Mrs. Aheer:** Thank you, Minister. With regard to the business plan I have just a simple question, actually, about upgrading and refining. Do you personally think that it's environmentally safer to ship refined product or raw bitumen?

**Ms McCuaig-Boyd:** I believe it's safe doing both. Again, we have good rules and regulations regarding that, but we know pipelines are by far the safest.

**Mrs. Aheer:** Sure. Absolutely. We believe the same thing. But, actually, my question is more about the product itself, not the method of transportation; for example, if refined product leaks onto the ground or anything like that. There are massive regulations for anything that leaks on the ground. So we're looking at a completely different product here, not to mention the volatility of the refined product. Speaking about the product itself, I'm just asking: environmentally speaking, which one is safer to transport?

**Ms McCuaig-Boyd:** I think we just have to look at each product and, you know, make sure that regardless of how it's being shipped, whether it's by rail or by pipeline, it's done in a safe manner.

**Mrs. Aheer:** I'd like to actually do an amendment quickly in the last few minutes here if I may, Chair.

**The Chair:** Please.

**Mrs. Aheer:** Thank you so much. I move that the 2016-17 main estimates of the Ministry of Energy be reduced as follows:

- (a) for the minister's office under reference 1.1 at page 94 by \$35,000
- (b) for the deputy minister's office under reference 1.2 at page 94 by \$24,000
- (c) for corporate services under reference 1.4 at page 94 by \$138,000

so that the amount to be voted at page 93 for expense is \$247,732,000.

Sorry, Minister. If I may, I'll continue with my questions if that's all right.

**Ms McCuaig-Boyd:** Yeah.

**Mrs. Aheer:** Thank you.

Just back to the idea now about the transport methods, if we're talking about an upgraded product, what is the plan if the pipelines are in place before the upgrader is ready to go?



**Ms McCuaig-Boyd:** Okay. Can you direct me to where in the business plan or the budget . . .

**Mrs. Aheer:** We're talking about the same thing. We're talking about the business plan again, refining and upgrading.

**Ms McCuaig-Boyd:** Can you refer me to which page, please?

**Mrs. Aheer:** That's at the beginning of your strategic plan, fifth paragraph, last line, and in response to your opening remarks.

**Ms McCuaig-Boyd:** Okay. Sorry. What is your question now?

**Mrs. Aheer:** If we're talking about upgrading and value-added and refined products, what are you going to do with your upgraded products if the pipelines are in place before the upgrader is ready to go?

**Ms McCuaig-Boyd:** Well, first of all, we have a panel we're establishing that'll help us give those good next steps or, you know, how we can upgrade and that.

**Mrs. Aheer:** What if you're overproducing?

**Ms McCuaig-Boyd:** That would be jumping ahead because we don't know what that would be. We would need pipelines . . .

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

We will now go on to Mr. Gotfried.

**Mr. Gotfried:** Thank you, Mr. Chairman, and thank you to the minister and your staff for taking your valuable time this evening to answer our questions. Minister, I'd like to go back and forth if that's fine with you.

Just a few questions. I know there's been lots asked today, but I've just got maybe some clarifications. With respect to the cost of renewable energy credits to ensure that companies will invest in a renewable energy technology future for us, including not only the coal phase-out but the baseload required for the renewables as well and maybe we should also be thinking about the stranded capital costs – it may or may not be liable there – am I clear in my understanding? You said that we do have the cost to do the preliminary review, including Terry Boston's charges and whatnot, but we're not really at a point where we have a great understanding of the costs of the renewable energy credits or any other costs associated with the phase-out and the dial-up of renewables?

**Ms McCuaig-Boyd:** Actually, the renewable energy credits part is part of the new climate change office. They will be doing that work with the AESO moving forward. We support the changes that will need to be made as a result of that work.

**Mr. Gotfried:** What we see in that budget now: does that reflect the full cost, or is that to be adjusted after Terry Boston's review, Minister?

**Ms McCuaig-Boyd:** The total cost for all of that will be in the environment budget.

**Mr. Gotfried:** In the environment budget. Okay. That's fine.

I know that the Independent Power Producers Society of Alberta estimated the stranded capital costs at somewhere between \$3 billion and \$16 billion. Quite a range, admittedly. Would you say, even if we took the lower number there, that it is likely that the stranded capital costs will be in that, let's say, \$3 billion range to

ensure, as reflected here in some of your information – you had actually said that we are going to treat the generators and investors fairly, so I'm assuming that that's going to be part of that. Could you maybe comment on those stranded capital costs and where you expect those to end up?

**Ms McCuaig-Boyd:** The numbers you're giving are speculated by one group. That's the work Terry Boston is doing right now to determine how that coal facilitation will go forward. It's preliminary right now.

**9:30**

**Mr. Gotfried:** Okay. I was encouraged. I mean, you showed some flexibility and latitude as opposed to what we've seen maybe stated as stone cold facts with respect to some of the coal files. I was encouraged to see in your business plan that you talk about stable prices for consumers. You talk about treating generators and investors fairly and also using Alberta energy resources and expertise as a foundation for developing clean energy solutions. Those are all very encouraging approaches to me. Am I to understand from some of your earlier comments that, in fact, based on our ability to replace coal technology and coal electricity generation with renewables, there is some latitude within the plan for phase-out of coal?

**Ms McCuaig-Boyd:** The phase-out will be done by 2030. The coal facilitator will help determine, you know, with each of the plants that part of the matter. Again, as our Minister of Economic Development and Trade will be working with the communities, we have till 2030 to work with the communities. So that is the end date, but how we get there could . . .

**Mr. Gotfried:** Okay. So that's still a hard-and-fast date.

Minister, with some prior work done on phase-out, it was projected that we need an additional 6,000 megawatts of electricity to meet the province's growing demand and to replace coal facilities for those facilities that were previously scheduled to close prior to 2030. At that time there were some that had life up to 2034 to 2061. Can you tell us what the additional capacity requirements are in addition to that 6,000 megawatts to ensure that not only can we replace the coal generation capacity but also have the baseload required to back up the renewables when they're not generating during peak times?

**Ms McCuaig-Boyd:** We would need about 2,300.

**Mr. Gotfried:** In addition to the 6,000 that we'd already . . .

**Ms McCuaig-Boyd:** Yeah.

**Mr. Gotfried:** Okay; that's fair.

Minister, you know, just to take a look maybe at the coal file a little bit more deeply here with respect to some opportunities, I think, with China. Obviously, there's a huge push in China to come up with a new clean coal technology, and obviously there are some great opportunities. We're hearing anecdotally about up to 2,000 new coal plants around the world, and I've actually even spoken with the consul general for China, who said that there's a lot of work going on in China at this point in time for clean coal technology.

I guess my question here is: is there an opportunity – it seems to me that, again, your quote, “energy resources and expertise can be used as a foundation for developing clean energy solutions,” would signal to me that if we shut down coal completely, we also shut down the research that is attached to it. Do you see any opportunities for us to actually work with other jurisdictions that may have a greater global impact on coal emissions if we were to

actually continue with the six plants that we have that are the cleaner ones and maybe even take one step further as to generate a pilot project, which is a world-class facility in co-operation with a foreign interest, the Chinese, who are investing a huge amount of resources towards clean coal technology? Do you see any opportunities for us to work with other jurisdictions to achieve global results and outcomes?

**Ms McCuaig-Boyd:** I think, first of all, you know, certainly, we were in China recently, and we're always looking to meet with other countries about all matters of energy. I can speak to that for our coal transition plan we've set that we'll phase out coal emissions by 2030. As I mentioned, part of that mix will be renewable energy; part will be clean-burning natural gas.

**Mr. Gotfried:** I'm sorry. I don't mean to interrupt you. Time is valuable. So the answer to that probably is no. If 2030 is a hard-and-fast goal, we're not, then, interested in working with other jurisdictions to continue developing research and technology beyond that standpoint if we're shutting it down here in Alberta.

**Ms McCuaig-Boyd:** We're shutting down coal, but how we get there: we will work with many countries on the matter of different issues with energy.

**Mr. Gotfried:** I guess my question around that as well is that if Alberta no longer requires the subbituminous coal that we would normally use for coal-fired electricity generation after 2030, will we as a province and will you support export of that product? If so, is your government okay with exporting those emissions to other parts of the globe?

**Ms McCuaig-Boyd:** We will support export of metallurgical, as we do now, used in steel making, but we won't be exporting the other coal.

**Mr. Gotfried:** So the subbituminous coal will be completely shut down for both domestic use and export?

**Ms McCuaig-Boyd:** We will be working, as I mentioned, with the communities and looking at alternatives, retraining, whatever it takes to help those communities stay viable.

**Mr. Gotfried:** Okay. Just to shift gears a little bit. On the royalties issue, Minister, do you have any metrics to know how much investment was lost? Obviously, the royalty review, I think, reached a very positive outcome, but during that time of instability and uncertainty do you have any metrics, which, I think, are very important to Albertans, of how much investment was lost because of that delay in doing the royalty review?

**Ms McCuaig-Boyd:** I wouldn't have numbers, but, you know, to be fair, the global oil prices have been pretty low, so even when we completed our review, which I'm very proud of, we worked with the energy industry, we worked with Albertans and came up with a way to go forward, but the prices are still pretty low, and we have to wait for those to come up before investment will occur.

**Mr. Gotfried:** Okay. Minister, do you believe that the previous royalty system was shortchanging Albertans?

**Ms McCuaig-Boyd:** I believe there were some issues that needed to be addressed. As I mentioned in my opening comments, technology has been amazing in the last five years even. Those in the industry will tell you that five years ago it was a very different industry, so we needed to address some of those issues. For

example, we had different royalties for gas liquids as opposed to oil, so if you were drilling for one and found the other, you had to stop and decide: is this going to be worth my while to keep going? Now we've moved to harmonize those together, so it's a much easier decision for them.

**Mr. Gotfried:** Thank you, Minister. I've just got 30 seconds left, so I apologize.

**Ms McCuaig-Boyd:** Yeah. Okay.

**Mr. Gotfried:** I just have one last question with respect to orphan well abandonment. I'm hearing from a lot of industry leaders that they're concerned because of the liabilities around orphan wells, which is actually stranding assets. It's tying up assets. It could be productive for Albertans in the future. Do you have an approach to how we're going to deal with that issue?

**Ms McCuaig-Boyd:** The orphan wells?

**Mr. Gotfried:** Orphan wells and the fact that they're unsaleable because of the liability.

**Ms McCuaig-Boyd:** Certainly, again, we continue – we've put \$30 million into this year, you know, from industry. The AER works with industry to correct this matter.

**Mr. Gotfried:** Thank you, Minister.

**The Chair:** Thank you very much, Minister.

We'll now move on to the private members of the government caucus. MLA Nielsen.

**Mr. Nielsen:** Thank you, Mr. Chair. Thanks, Minister. I just wanted to touch back on the Sturgeon refinery. Having had the chance to take a little tour of the facility, it was quite impressive to say the least. What's the status of the Sturgeon refinery, and how is it reflected in the budget?

**Ms McCuaig-Boyd:** Right now the Sturgeon refinery is on budget and is on time from their perspective. Sorry; what was the other part of your question?

**Mr. Nielsen:** How is it reflected in the budget?

**Ms McCuaig-Boyd:** We are continuing to make our commitments, as I mentioned. It's 75 per cent complete on the overall basis, including the engineering and procurement and construction. Construction is over 40 per cent complete, and right now it's in peak construction season. There are 3,600 skilled tradespeople working on-site, and this summer it'll rise to 5,000 workers. Hundreds of additional skilled tradespeople working in module shops in the Edmonton region are fabricating the modules that will be moved to the site over the coming months. The project is on track to achieve commercial operation in the fourth quarter of 2017.

**Mr. Nielsen:** Thank you, Minister.

What is Petrinex, assuming I pronounce that correctly, and where does it sit in the budget?

**Ms McCuaig-Boyd:** Petrinex stands for petroleum information excellence. It helps facilitate information essential to the operation of our petroleum sector. Petrinex delivers critical business information needed for the collection of royalties in Alberta and Saskatchewan. We're looking at expanding this system to include British Columbia, Manitoba, and the Yukon. The system also facilitates important industry commercial activities, including

partner-to-partner reporting, oil marketing, financial analytics, compliance assurance, and production accounting. Petrinex provides a way to effect significant cost reduction and improvement in accessing information in the oil and gas sector.

9:40

Petrinex is a joint strategic organization supporting Canada's petroleum industry and is currently represented by the Alberta and Saskatchewan governments, the Alberta Energy Regulator, the industry represented by CAPP, and the explorers and petroleum producers association of Canada, EPAC. An executive board with representatives from all members is responsible for managing this system. The deputy minister for the Alberta Department of Energy chairs this group. Leveraging Petrinex will improve our position in Alberta in the global context and advance other priorities, including access to markets and responsible management of the environment.

In the budget Petrinex, as you mentioned, is in 2.1 under revenue collection. It collects production information from industry, which is used in calculating the royalties.

**Mr. Nielsen:** Thank you very much, Minister.

Mr. Chair, I'll pass it over to my colleague, Mr. Malkinson.

**Ms McCuaig-Boyd:** Sorry. Before you ask a question, there is one correction I need to make regarding the coal. The climate plan is about ending coal emissions by 2030, but what happens to those coal mines and the coal exports really is up to the market forces, not the government. I want to make that clear.

**Mr. Malkinson:** Thank you very much, Minister. I thought we'd switch gears a bit to kind of a topic that I think is top of mind at the moment. I was wondering how our oil and gas industry has been impacted by the fires in Fort McMurray. I was wondering if you could give an update on that.

**Ms McCuaig-Boyd:** Yeah, absolutely. Again, I have to reiterate that it's such a devastating experience, but I'm so proud of how our industry has, you know, responded to that. I need to thank our partners and neighbours for the tremendous assistance.

Industry opened their doors and welcomed tens of thousands of people from Fort McMurray into their work camps. They provided food, water, and shelter for people who desperately needed it. Without this assistance I have no doubt the situation in Fort McMurray would have been worse and made more dire. In terms of industry impacts more than 20 oil sands operations are clustered in a 100-kilometre radius of Fort McMurray. Most of them lie to the north of the fire and mainly to the south in the city. I am pleased to say that there has been no significant damage to any major oil sands operations from the fires, which – thank God.

However, due to the potential for further danger and to help evacuate their own staff, most facilities did shut down production or cut back. There has been a loss in production. However, the exact number is changing frequently, as companies assess their individual situations. The fire may also slow the progress of projects that were under construction. The impact of this is being determined, and I have to say that we will be meeting with our energy leaders tomorrow and hope to have more to report in the days to come.

**Mr. Malkinson:** Thank you very much, Minister. I'm sure all members look forward to continued updates on that.

For my next question I'm just going to go to a bit more of a general budget question. I noticed that the overall expenses in Budget 2016 have decreased by 55.3 per cent, or approximately \$123.4 million. Could the minister take a moment to detail how

your ministry is finding ways to reduce spending and where you found those efficiencies in the department?

**Ms McCuaig-Boyd:** Yeah. Certainly. Energy was asked to reduce its budget by 2 per cent as part of the overall government budgeting process. This has been achieved through strategic savings and efficiencies. I'm proud to say that no staff were laid off to achieve this reduction. All permanent employees will continue to have a job within the department. The department is planning to slow down hiring of new employees when positions become vacant and to reduce funds allocated to the cost of selling oil. The department is forecasting that the cost of selling oil will be reduced in 2016-17. The forecast decrease in the total cost of purchases and transportation from this oil is from lower royalty volumes, resulting in reduced oil prices.

In my own office I can say that we are taking care to manage our expenses by being prudent in our operating expenses and being focused and thoughtful in choosing travel opportunities to support our market access activities. Some of my recent travel has included strategic missions to China and Texas to address major industry conferences and to meet with other governments and potential investors to help inform them of our climate leadership plan and our support for the energy sector.

**Mr. Malkinson:** Excellent. It looks like you're just moving some people around in there.

Going back to electricity now, which, as we all know, is the topic du jour today, you made a commitment to the climate leadership plan in Budget 2016. Could you describe the role of the coal facilitator and where the funding for the coal facilitator's work is coming from?

**Ms McCuaig-Boyd:** Yes. We needed a coal facilitator to work with those coal companies, coal plants, and we considered a large number of candidates from across North America before determining that Mr. Terry Boston had the necessary skills and expertise to lead this initiative. His forward-thinking leadership and focus on service reliability and customer satisfaction make him the best candidate to move Alberta forward on this most critical file. His track record does speak for itself. As I mentioned previously, Mr. Boston will be working closely with us, with AESO, and with the coal-fired generation owners with units expected to operate beyond 2030. Following this, the coal phase-out facilitator, Mr. Boston, will be providing recommendations to cabinet for decision. We do not expect a formal, written report from Mr. Boston. As I mentioned, many of the topics he will be discussing with companies are commercially sensitive.

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

We'll now move on to the members of the opposition.

**Mrs. Aheer:** Thank you, Mr. Chair.

I have quite a few questions left, Minister, so please forgive me if I cut you off midstream. This is in regard to page 94, under operating expenses, line item 2.1, revenue collection, and under capital investment, again 2.1, revenue collection. Will you please provide to Albertans a detailed breakdown of exactly what expenses these two line items entail? We just need a tabling on that if that's possible. I don't know if you can answer that question right now.

**Ms McCuaig-Boyd:** So a tabling on revenue collection?

**Mrs. Aheer:** Yes.

Secondly, on the same page, page 94, under operating expenses we have line item 2.2, resource development. Is this line item containing the department's expenditure on gaining market access?

**Ms McCuaig-Boyd:** Yes.

**Mrs. Aheer:** Then we see that the estimated expenses for this line item have fallen by more than \$5 million. Has the government made a decision to reduce expenditure on gaining market access?

**Ms McCuaig-Boyd:** The difference there reflects some monies that were moved into another area for developing the new royalty implementation program as well as a transfer to Environment and Parks of the policy management office into the Integrated Resource Management System Secretariat.

**Mrs. Aheer:** Thank you, Minister.

Okay. Out of the total of \$37 million, how much of that \$37 million, then, is spent on market access? I mean, we need some transparency.

**Ms McCuaig-Boyd:** Market access involves policy and a series of activities, so it involves a number of things in that line item.

**Mrs. Aheer:** How much, though, Minister?

**Ms McCuaig-Boyd:** We can table that for you.

**Mrs. Aheer:** Thank you.

Just with regard to transparency on market access, it's a multibillion-dollar issue, and in previous budgets market access was presented as an independent line item. Will the department commit to presenting market access as an independent line item again in the next budget?

**Ms McCuaig-Boyd:** No. We have a whole division on it, so it's not one line item. It's a whole division.

**Mrs. Aheer:** Well, would you be able to table a detailed breakdown of the rest of the money spent under the resource development line item, then, including market access and the various convolutions of that?

9:50

**Ms McCuaig-Boyd:** Yeah.

**Mrs. Aheer:** Okay. Thank you.

On page 94 again, item 1.2, the deputy minister's office. There are a few lines that relate to this. When asked about the cost of the royalty review in the November 2015 estimates, we were told by the minister that everything will be "just absorbed . . . within our departments for now" and that "right now we've just been lending staff out and absorbing all the costs within our own budget lines." Minister, now that the royalty review is over, could you speak to the level of staffing in the ministry department? Have the staffing levels been decreased accordingly now that the review is over?

**Ms McCuaig-Boyd:** We pulled them from different work to do that work, and now they're back doing other work. There was no staff hired, and there's no staff decrease. We just used our current staff to do that work.

**Mrs. Aheer:** Okay. Again on staffing levels within the department and the ministry. You told us last time that staff being lent to the royalty review may be "delaying other work being done." Would you mind, then, at this point, now that the royalty review is over,

telling us what nonessential work was delayed by the royalty review? Was that market access?

**Ms McCuaig-Boyd:** We just readjusted some priorities. There wasn't work left. It was just a focus changed to different priorities, but all work was still being done.

**Mrs. Aheer:** Do you have any details on that, Minister? I mean, it was a very particular aspect of how you determined how your royalty review was going to go forward. Obviously, you can do the same amount of work with fewer people now that that review is over.

**Ms McCuaig-Boyd:** Some of the things that were slowed down were in our IT department and in our policy department. It's not work that is insignificant, but we had to make a priority of the royalty review, and now we're going back to those matters. It's just a matter of different focuses being placed, but it's all essential work.

**Mrs. Aheer:** You've obviously found some room for efficiencies. Is it possible to detail where those efficiencies will be? Obviously, you had IT people working on the royalty review.

**Ms McCuaig-Boyd:** In that \$6 million we've just redeployed people. Like, there are IT people now working on that new system. People have been moved around to do different work, and we're just trying to, you know, get it all done with, honestly, fewer people. We were already last year down in numbers, and we just haven't replaced them, and we've continued to do the work. Efficiencies have already been found in not replacing people and still trying to get the work done.

**Mrs. Aheer:** I'm sure there's still room to be found for efficiencies in there. Thank you, Minister.

Again on page 94, under operating expenses, we have line item 4, the cost of selling oil. The province is facing a projected 69 per cent decline in royalty revenue. The value of our oil has decreased substantially. Why has the cost of selling our oil gone up by \$36 million from last year's forecasted expenses?

**Ms McCuaig-Boyd:** The 2016-17 budget is lower than the 2015-16 budget because lower oil prices result in lower royalty volumes. The lower royalty volumes in turn result in lower transportation costs and reduced purchases for both volumes and prices. The 2016-17 budget is higher than the 2015-16 forecast because we expect some oil price recovery in 2016-17, resulting in higher transportation costs and purchases.

**Mrs. Aheer:** Just to clarify, Minister, you're saying that volume is down or that volume is up?

**Ms McCuaig-Boyd:** The volume is down from the '16-17.

**Mrs. Aheer:** Okay. So for that same line item, then, Minister, why is the forecasted expense approximately \$64 million lower than the 2015 budgeted expenses?

**Ms McCuaig-Boyd:** It's a relationship between the volume and the purchase of condensate to move that oil or that product.

**Mrs. Aheer:** Condensate. Okay. Thank you.

Page 94, under operating expenses, line item 2.1, revenue collection. The province is facing, again, the same number, a 69 per cent decline in royalty revenue, yet we are only seeing a 6 per cent decline in the cost of revenue collection. Why?

**Ms McCuaig-Boyd:** Even when we have low-productivity wells, we require tracking and pipelining, so those costs do not go down.

**Mrs. Aheer:** Has your department been able to find any efficiencies on this file?

**Ms McCuaig-Boyd:** No, because the activity doesn't change. There's still the same activity, just lower productivity and low prices.

**Mrs. Aheer:** What do you mean by activity?

**Ms McCuaig-Boyd:** Every well still needs a bill. You still need to work with all those companies and all those different accounts, so that activity doesn't slow down regardless. They might not be producing as much, but the work is still there to calculate all that.

**Mrs. Aheer:** Sure, but, Minister, the growth isn't at the same rate, so there's quite a discrepancy there.

**Ms McCuaig-Boyd:** The number of wells producing still stays the same. You still have to produce the invoices and all that for those wells.

**Mrs. Aheer:** Thank you, Minister.

I have one last question here, and this is just related, again, back to the business plan. Has your department been asked for recommendations on linear assessments for the MGA review?

**Ms McCuaig-Boyd:** That's a matter of Municipal Affairs. It's not our department.

**Mrs. Aheer:** But have you been consulted? I imagine this is a humongous amount of crossministry work. Linear assessments are completely related to your industry.

**Ms McCuaig-Boyd:** No. That's part of their ministry. It's a part of our industry, but they do the assessments. That's part of their ministry, the linear assessments.

**Mrs. Aheer:** So you haven't been consulted, and you don't know the impact?

**Ms McCuaig-Boyd:** We've had discussions.

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

The third party.

**Mr. Fraser:** Minister, thanks again for everything tonight. Just to reiterate a couple of things, you did mention that the AER has been mentioned by other governments as world class. Do you agree with that? In fact, the Norwegian Minister of Petroleum and Energy said that the carbon capture and storage in Alberta would actually

strengthen natural gas and that it's an important energy source in a low-emission future because of its ability to prevent emissions from entering the atmosphere. Minister, your department has obviously gone over with you the potential of CCS. What's your personal opinion on it?

**Ms McCuaig-Boyd:** This one, actually, is talking about estimates, so I'm not sure my personal opinion is appropriate. But we certainly did get a chance to meet the minister from Norway when I was in Houston and discuss this very matter. He was very interested in it.

**Mr. Fraser:** Right. Well, I think that personal opinion would be important. I mean, you do bring your personality and your demeanour, and that's important to provide some stability in the market. I think it would be fair that your personal opinion and the way that you lead have a role to play.

**Ms McCuaig-Boyd:** Well, I think that technology along with a lot of it will be a matter of examination when we have, in Energy, our development advisory group. You know, we'll look at a lot of technologies. As I mentioned, five years ago the world of energy was quite different than now, so there'll be more emerging technologies. I think we have to keep an open mind to everything that comes forth to us.

**Mr. Fraser:** Okay. Thank you.

**The Chair:** All good?

**Mr. Fraser:** Thanks for your time, Minister.

**Ms McCuaig-Boyd:** Thank you.

**The Chair:** Okay. Are there any other members wishing to speak? We've got 20 seconds.

**Mr. Hanson:** Just if you could clarify what the government's role is in the sale of oil, for that line item where it says I think it was \$6 million in oil sales. What's our role in that?

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

I apologize for the interruption, but I must advise the committee that the time allotted for the items of business has concluded.

We found a tie clip just outside the door, so if you're missing one, come and see me.

I'd like to remind everyone that the next scheduled meeting is May 11 at 9 a.m. here in the Foothills Room to consider the estimates of the Ministry of Transportation.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 10 p.m.]





