

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Tuesday, July 18, 1989 8:00 p.m.**

Date: 89/07/18

[The Committee of Supply met at 8 p.m.]

head: **COMMITTEE OF SUPPLY**

[Mr. Schumacher in the Chair]

MR. CHAIRMAN: Members of the committee, it's now 8 o'clock. If you'd like to come to order.

head: **Main Estimates 1989-90****Energy**

MR. CHAIRMAN: I would like to welcome the Minister of Energy this evening, whose main estimates are to be found commencing at page 127 of the big book, with the elements commencing at page 49.

I'd invite the minister to make any introductory comments or remarks that he would care to with respect to his estimates.

MR. ORMAN: Thank you. Mr. Chairman, I want to at the outset tell you and members of the Assembly how honoured I am to present the estimates for the Department of Energy. As many of my colleagues know on this side of the House and in that corner of the House, my background is the oil and gas industry as was my father's business the oil and gas industry. Having worked as an executive assistant to two ministers of energy, Bill Dickie and Don Getty, I feel that I have spent a great deal of my life around this industry. It's a pleasure to be able to deliver these estimates.

However, I should say, Mr. Chairman: let there be no mistake. I am fundamentally clear on my responsibilities as a legislator and a minister of the Crown. My previous involvement in the industry is now history, and my current responsibilities are to the people of Alberta, dispatching those responsibilities to the best of my ability and, I hope, to the credit of my colleagues and our government.

Mr. Chairman, I will be presenting the estimates for the Department of Energy, the Alberta Petroleum Marketing Commission, the Alberta Oil Sands Equity, and the Alberta Oil Sands Technology and Research Authority. Following some comments about my priorities as a minister and the priorities of our government as it relates to the energy sector in this province, I would like to, for a moment, discuss the outlook for the industry.

I set out some priorities, Mr. Chairman, when I first became minister. That was to promote to the greatest extent possible the consultative process with the industry. I felt that it was extremely important to develop a good communication with the industry. This industry has been good for this province. This government since 1971 has been responsive to lower energy prices and endeavoured, when necessary, to support this industry. I should say, Mr. Chairman, that I have opened that dialogue. I have spent a great deal of time at it, and although the industry may agree or disagree with the position of this government, and although I may disagree with the industry from time to time, I have endeavoured to relay to them that it will be in a constructive and consultative process and that we agree to

disagree.

One of the first and foremost priorities I set, Mr. Chairman, was with respect to the conventional industry. We have over the last number of years paid a great deal of attention to the megaprojects. I will talk about oil sands projects, particularly Syncrude and the biprovincial Upgrader. But I felt at this particular time in the industry that it was in the nature of the economy worldwide that it was very important that we pay a great deal of attention to the conventional industry. Within my priority with the conventional industry I wanted to do what I could to reinforce and encourage a positive investment climate in that industry.

We all know the importance of equity to the oil and gas business, Mr. Chairman. I have been spending and will spend more time encouraging the equity markets, not only domestically, not only in Vancouver or Toronto or Montreal, but in New York and international marketplaces where the traditional equity investment for this industry comes from. I believe there are some real opportunities in the oil and gas business, Mr. Chairman. I plan to take that message to the equity markets. In terms of opportunity and optimism, we have some very exciting events coming at us as a government and as a province with regard to pipeline expansion for natural gas into the United States. I will be working with the industry to support the expansion of those pipelines. I have taken the opportunity to encourage expansion.

We have tremendous natural gas reserves in this province, and I have taken the opportunity to meet with the chairman of the Power Authority of the State of New York when I was in New York, Mr. Dick Flynn. I invited Mr. Flynn to come to Alberta because the New York power authority is responsible for a significant portion of power generation in the state of New York. Mr. Flynn will be coming here in the next 30 days, and I will be encouraging him to meet with various segments of the industry to discuss natural gas into the New York area. I also had the opportunity to do a teleconference with Michael Dukakis, the governor of Massachusetts. Governor Dukakis will be visiting Alberta. There are plans in the works for him and I to spend some time at dinner, Mr. Chairman, so we can continue to talk about the great opportunities for natural gas in the northeast United States.

Coupled with that, of course, we have opportunities in the midwest United States and California. We are assessing those projects. The Department of Energy and the Alberta Petroleum Marketing Commission will be looking at the nature of markets, how solid they are, their netbacks to the province of Alberta, not only to the industry but to Albertans as the owners of the resource. There are some major decisions that are going to be made. As a matter of fact, the Iroquois project is facing a producers' support vote to determine whether or not or the extent to which the producers will support the expansion of the natural gas market into the northeast.

Now, for us to accomplish or at least take advantage of these exciting opportunities, Mr. Chairman, we must have a stable fiscal regime in place. It must be in a manner that allows the industry to plan. It cannot be shortsighted or unfocused. It must be presented in a way that allows them to plan for the future, because planning is a long-range scenario for the industry. So we plan to do what we can in that area. As an example, we will be moving to a price sensitive Alberta royalty tax credit program. It will give the industry predictability. It will be connected to the international price for oil so that as the price falls, government is there to support the infrastructure of the industry;

as the price rises, we will reduce the amount of support that we give under that credit program.

As I've indicated to the industry, the crude oil royalty holiday will expire on October 31, 1989. It is my view, Mr. Chairman, and I know that I'm supported by my colleagues, that when we see prices for oil in the area of \$20 U.S. for west Texas intermediate, we must carefully consider the extent to which government is involved in incentive programs. I believe that at that price level it is sufficiently high to generate activity unto itself.

We want to simplify the royalty calculation. It's been something of a wide discussion in the industry. I am not saying that because it's complicated it's not the right system. It may be the right system, albeit complicated. But we will review it. If the industry feels it important that we review the calculation, then I'm open to that. It should be said along with that that there is no intention of reducing the royalty, although we will be reviewing the simple calculation. Mr. Chairman, we will continue to encourage and nurture the development of our heavy oil and oil sands. I'll be speaking about that in a moment.

One of the other priorities is with regard to the environment. We have a rigorous process of environmental assessment and approval through the Energy Resources Conservation Board. We will be encouraging new technologies to minimize environmental impact. The oil and gas industry has done a good job in this area, Mr. Chairman, and they are world-renowned for their attention to the environment, particularly in the area of sour gas. I will be spending more time, and I've already told the chairman of the Energy Resources Conservation Board that one of my priorities is to maintain a close watch on the environment and to make sure that the industry continues to do a good job and that we are contemporary with the demands of Albertans in this area.

With regard to the market review, Mr. Chairman, we can all remember that prices weakened in October 1988 to \$14 U.S. a barrel. We have seen them strengthen. This fiscal year, beginning in April, we have seen an average of \$20 U.S. Following the OPEC agreement in December 1988, we have seen firm prices, and it reflects some short-term and long-term developments.

In my trip to New York, as I've alluded to, Mr. Chairman, I had a long discussion with market analysts with regard to the international market scene for oil. I was pleased to hear of their consensus that the outlook is very positive and that now it is based on a return to fundamentals in the marketplace. It is not so much the inner dynamics of OPEC but that there is a return to supply/demand economics. I do believe, as the market analysts believe, that we will see a moderate increase in price, a moderate increase in supply, and it will be, as I indicated, moderate and deliberate, and I believe that this is the intention of OPEC.

Prices in the short term have strengthened by special demand factors, Mr. Chairman. We have seen some anomalies, occurrences that have, I guess, in an anomalous way affected supply and demand in the United States and the free world market. The first, obviously, was the Valdez accident that temporarily created a glitch in the supply of world oil. There has also been a greater than normal reduction in nuclear power output, due to maintenance in Europe and Japan. We can also point to some disruptions in the North Sea that resulted in lower production in North Sea crude oil on the world market. These all reduced the level of world production and thereby created an increase in price because the supply was not there to match the demand to any great extent.

I had the opportunity to meet with Dr. Subroto, who is the secretary-general of OPEC, Mr. Chairman. I went to Reno, Nevada, to meet him. He was speaking to the Interstate Oil Compact Commission, which is the producing states in the United States. He had a real sense of optimism, and he basically confirmed what the market analysts were saying in New York, that there will be a deliberate way of following supply and demand economics and that prices will maintain, and was encouraged by the commitment by Kuwait and the United Arab Emirates to reduce their volume of overproduction.

Mr. Chairman, there also is another aspect of the anomalies in the marketplace that is creating higher prices, in our view. West Texas intermediate is currently \$1 to \$1.50 per barrel above the normal relationship with Persian crudes. As we all know, there is a gap between the price of Persian crude and west Texas intermediate. In early July that gap rose to \$4.50. That has to do with the high demand for gasoline, which is generally favourably oriented to west Texas intermediate crude because of its high quality. It is good crude for gasoline yields. Now, we expect that to taper off once the peak gasoline season passes, and we expect that west Texas intermediate will fall to about the \$19 per barrel U.S. price, assuming that there are no major changes in OPEC behaviour or in the nature of the world economy.

Mr. Chairman, I'd also like to point out that although there is a great deal of optimism, and there are obvious reasons for optimism, there has not been the level of activity in the industry which we would like to see. I believe that there is some uncertainty as regards price, but I do believe that there will be a revision upwards of budgets. As you know, budgets are set for the year in the fall and the spring, and I believe that as the summer passes, the industry will be responding to some of the market optimism for oil and natural gas.

With regard to natural gas, Mr. Chairman, we see that exports have increased 80 percent in the last two years. That is a significant increase in the export of our product to the United States. It reflects the real interest in Alberta natural gas, and I believe that that will continue to occur. Certainly we are only restrained by capacity to move the gas to that market. Hopefully, we'll be able to address that issue within the next 15 to 20 months.

With the expansion into the United States, we do believe that the supply bubble in Alberta will abate. There are some exciting construction possibilities. As I've indicated, there are the Iroquois and Champlain projects, two competing projects into the northeastern United States. We will see total sales volumes permitted by those expansions of 1.5 billion to 1.7 billion cubic feet of gas per day, Mr. Chairman. That's 500 billion to 550 billion cubic feet per year. That assumes only one of the projects, Iroquois or Champlain, would proceed.

There are additional opportunities that will be occurring in the midwest and in California. There is a great deal of activity for pipeline expansion. As I've indicated, we are only constrained by our ability to move the gas into those markets. This generates a mind-boggling amount of capital investment, Mr. Chairman, and it generates a mind-boggling amount of jobs and gas sales to the United States, and we will see in Alberta alone \$3 billion of facilities addition by Nova over the next six years.

Coupled with the demand or, I guess, driving a portion of the demand are certainly environmental considerations in the United States. We all will recall President George Bush making some

statements with regard to SO₂ emissions and how the United States would like to move to a cleaner burning fuel, low-sulphur -- movement to natural gas from high-sulphur content coal and to low-sulphur coal.

With regard to coal just briefly, Mr. Chairman, we have some major initiatives in that area. I just recently announced the Smoky River Coal Limited project, a joint venture with the federal government to develop thick-seam coal mining techniques and continuous transportation of coal on flexible conveyors. This is an initiative that is directed at reducing the overall cost of coal into the Ontario market, because our coal is very attractive because of its low-sulphur content. We believe that if we can be competitive with the United States coal going into Ontario, the environmental solution of low-sulphur coal from Alberta will address many of the environmental concerns that are being expressed in that province. We have some other initiatives that we will be developing and sharing with this Legislature in the future.

On the project side, Mr. Chairman, I'd like to give you a little bit of a status update on OSLO. We have now moved to a situation where we are converting the terms and conditions of the statement of principles into a binding agreement. It was a very difficult matter to deal with because there were so many different documents and understandings between the levels of government and the industry, and to bring that all together into one document was a cumbersome task. The parties were in a lockup last week or two weeks ago, and they have now resolved all of the outstanding matters and will be able to move to a binding agreement.

The biprovincial Upgrader, a joint venture between Husky and the governments of Canada and Alberta and Saskatchewan, is proceeding well. There has been to May 27, 1989, \$115 million spent, and we are working with a joint venture board that is working on the construction management agreement. We are very encouraged with the progress of the biprovincial Upgrader.

In closing, Mr. Chairman, I would just like to point to some of the activities that the department is engaged in at the present time. I've indicated to you about the market analysis for oil and gas and the assessment of pipeline expansions. We will continue to evaluate the alternative markets for increased natural gas exports, assess policy, and monitor NEB hearings. We have the issue of the core market with Ontario that I've been working diligently on on behalf of all Albertans. I have met on a couple of different occasions with the Minister of Energy for Ontario, and I am trying to encourage him, Mr. Chairman, to see the wisdom of contracting long-term for Alberta natural gas. I pointed out to him that the United States has moved to Alberta's biggest customer, beyond Ontario. It used be that Ontario was our biggest customer for Alberta natural gas; no longer is that the case. The Americans are willing to contract long-term, and I'm trying to encourage Ontario to see the wisdom of that, and there will be further discussions.

The Alberta Petroleum Marketing Commission is working very hard in the area of marketing our Alberta crude oil and are playing a significant role in natural gas marketing. They are providing price information and assessments of costs, and they are presiding over producer approval mechanisms for netback contracts. That is something I referred to earlier about the industry making assessments now as to which pipeline projects to support into the United States, and they provide a very valuable role in that area as well as attending upon regulatory hearings

that are relevant to Alberta and those hearings throughout North America.

AOSTRA continues to play a vital role, stimulating research and development in enhancement of oil recovery in heavy oil and oil sand development and upgrading. Our Alberta Oil Sands Equity has taken on new responsibilities with this government's, this province's participation in Lloydminster in OSLO.

With regard to my budget, Mr. Chairman, members of the Legislature will see an overall decrease of 17.7 percent from the comparable 1988-89 budget. That is for a couple of reasons. First is the phaseout of the Alberta petroleum incentive program; second, the successful completion of the Syncrude expansion. Other changes have to do with changes in the natural gas royalty system in addressing some of the concerns of the Auditor General.

So, Mr. Chairman, those are my comments, and I welcome any questions or advice from my colleagues in the Legislature.

MR. CHAIRMAN: Thank you.

The hon. Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman.

It's traditional to welcome a new minister to his portfolio, and I do that unstintingly. But I'd also like to offer the minister my condolences as well because I think he's going to face a task that's going to be much more difficult than previous ministers in his portfolio have had to face. I'll go into those reasons in a moment.

First of all, I'd like to say that I'm pleased that the minister is unequivocal in his sense of responsibility to all Albertans and that he's engaged in a consultative process with the energy industry. Even though I don't have quite his history of experience in the energy industry, I've always found the industry most open and most accessible to me when I've had questions that I wanted answered. In fact, I agree with much of what the minister had to say in his opening remarks, and I intend to touch on many of the same points that he touched on, although I'll approach them from a different point of view.

Now, some of the reasons I think the minister is going to be in a slightly different situation than his previous ministers. The previous ministers were confronted with situations in which the price of oil in this province was rising. There were good times. It seemed that the minister's only responsibility was to maximize the share of energy resources that came to the province. Now, we have statements by certain university professors that as a result of some of those disputes, Alberta lost something like \$56 billion that otherwise should have gone to the province. But that may not exactly be the case. Perhaps the multinationals might have picked off a good chunk of that. In any event, that was the level of the disputes, trying to maximize the share of revenue from the energy sector.

Then the second big problem was how to spend that money wisely, and I'm not sure that previous governments always did that. What real diversification, for example, has taken place in the economic structure of this province? It seems to me as well that we spent money like mad fools at times. We built an infrastructure here of services, of hospitals, schools, universities, that were all well and good. But now with declining oil revenues we find ourselves in the very difficult position of paying for the operating costs of these facilities.

Today the situation is really quite different. I don't think it's quite as rosy as the minister suggested. The reality is that today

we have really a declining energy industry on our hands, and I don't think the province and the government and many people in the province have really taken a hard look at what that means. Let me just give some examples and try to put this current situation into some sort of perspective.

Since 1985 we've experienced a general overall decline in revenues. In '85-86 the revenue from the energy sector was \$3.65 billion. In '86-87 we experienced the most severe decline when it fell off to \$1.4 billion. It came up slightly in '87-88 to \$2.55 billion and then tumbled seriously during the last fiscal year to \$2.17 billion. At least that's the forecast. Next year we're estimating that we'll receive about \$2.61 billion from our nonrenewable energy operations. But this estimate is based on \$19 a barrel oil, and it's based also in part on other measures, like increased land sales.

But what is actually happening? Now, I agree with the minister that \$19 a barrel perhaps isn't an unrealistic estimate this year, but there's no certainty attached to that figure. Exports are off 6.3 percent in the first quarter of this year, and revenues are down by 2.1 percent from what they were a year ago during that same quarter. Overall energy revenue for 1988 was down by 5 percent over the previous year. Drilling activity, as the minister well knows, is in a serious state of decline. Seventy percent fewer wells were drilled in the first half of 1989 than in 1988. Today there are approximately 95 rigs operating in the province, compared with 154 rigs operating one year ago. There are continuous reports of major companies downsizing: Mobil Oil selling off its properties and reducing its number of employees; Petro-Canada has stated their intention to lay off 1,000 employees in this country by September 1. Recent reports in the *Financial Post* indicate that Gulf Canada is transferring much of its exploration interests to Indonesia, Malaysia, and Egypt. The same thing is true of Canadian Occidental Petroleum; they're shifting to Syria, Lebanon, and Aruba. Husky is moving exploration activity and interest to Libya, west Africa, and the Middle East. Other reports indicate that major companies like Esso, Shell, and Amoco intend to concentrate not on conventional crude exploration and development but on synthetic oil and off-shore oil production.

Now, the reason for this shift away from the western sedimentary basin is obvious and disturbing. According to the vice-president of Gulf, 90 percent of Canada's conventional oil and gas reserves have been discovered. What that means is obvious. Our small towns in many cases in this province have depended on oil crews and seismic crews and development crews going into those towns to boost revenues and boost local economies. But what happens if basically all of the oil and gas is virtually discovered?

In addition, on the heavy oil and synthetic crude side there are also problems. I think by way of an aside that where the future of Alberta really lies is with heavy oil and synthetic crude. But as long as oil can be obtained in different parts of the globe at \$10 a barrel, we're not going to see any great spurts in development in either heavy crude or tar sands. As a matter of fact, Suncor just shut down a \$450 million Burnt Lake project. They closed down their Fort Kent project. Syncrude itself has indicated that it's not going ahead with its expansion plans. Now, that may have more to do with OSLO and the fact that Imperial's a heavy partner both in Syncrude and in OSLO. If OSLO's going to go ahead and get a billion dollar grant from the federal government and an additional \$1.6 billion loan, why would Imperial Oil have any interest in paying its own money to

expand Syncrude when it can take advantage of the public purse to go ahead with the development at OSLO? In any event, it looks like the Syncrude expansion is on hold.

On the petrochemical side there are also alarm bells ringing. The government's dithering over the ethane policy may have cost us a third ethylene plant at Sundre, and I would think that the members for Red Deer might be concerned about that. I understand that particular plant is threatened by a shortage of reasonably priced feedstock, which would be the ethane, plus the Chinese company that had indicated it might go into a partnership with Novacor to build a polyethylene plant has apparently backed out. Those two factors together are putting pressure on the need to locate a further ethylene plant in the Sundre area. I'd just like to hear the minister's comments on that. Perhaps he can bring us up to date and give us a status report on what's happening with respect to that third ethylene plant at Sundre.

To return to exploration and development, an area in which the minister not only has some background but has indicated that that's a primary concern of his, it seems to me it's quite clear that government incentive programs haven't worked. They've benefited the big oil companies who have the cash flows and who haven't really needed the assistance. All, in fact, that they've really done is speeded up drilling activity, with that has come a series of very serious accidents in the oil industry, including deaths. So I think there's some justification in his plans to terminate the royalty holiday program this fall.

The Petroleum Services Association has said that we could have as many as 300 rigs drilling in late October to take advantage of the remaining days of that program, with the likelihood that that amount of drilling activity will fall off substantially, maybe down to 100 rigs or fewer, by the end of November. I just mention that because it does provide some evidence to support the contention I just made that the royalty holiday programs really haven't done much other than to speed up drilling activity that probably would have taken place in any event.

The president of Chase Drilling has said that rig utilization will be down to about 30 percent by the end of this year. What can we do about it? I have some suggestions for the minister. I don't profess to be an expert in the energy sector, and some of these ideas I just picked up from talking to people in the industry. I offer them in the hope that maybe they will help an ailing industry. Perhaps I could get the minister's comments to some of these suggestions.

I think the Alberta royalty tax credit program should be established on a permanent basis. That seems to be one of the major problems in the industry, the kind of instability that surrounds a lot of government incentive programs. One of the things that most people in the industry have told me, and I think I heard the minister say that in his remarks earlier today, is that the industry really wants stability. So I'm not sure that the present program is operating at the right rates either. Currently a company gets 75 percent of the royalty it pays by way of a rebate to a maximum of \$3 million. This program seems to be mistargeted. It seems to benefit big companies, because there are only, I think, 69 companies that received the full \$3 million benefit from this program. There may be some things that could be reconsidered. Maybe companies shouldn't be able to get that full rebate each year. Maybe there should be a sliding rebate, or maybe the companies should only get it three or four times. But I would hope that the minister would review that program and bring some suggestions back to the House.

I think that when it comes to drilling incentives, they should

be based on success, and they should be applied only to wells that are clearly expanding our reserves, perhaps outpost wells or wildcats and that kind of thing, and give these companies that do that royalty forgiveness until they recover the cost of bringing those wells into production.

Another suggestion for increasing drilling activity in the province and locating the remaining reserves that are there to be discovered would be to do with those shallower horizons: carry on the same programs that's done with deeper horizons; that is, have a kind of shallow-rights reversion as well as a deep-rights reversion and make some of the shallower zones open to new exploration and new development and new drilling.

Fourthly, there is a problem with some of the big companies, particularly those companies that had railroad interests holding on to their freehold land and not making it available for drilling and exploration and development. What Saskatchewan did in this case -- and I'm not necessarily recommending it for Alberta -- was they increased the tax on freehold land. Now, I know we have a tax on freehold land, and if we impose that right across the board, it would not only force big companies to perhaps make their land available for development, but it might work a hardship on some of the smaller freehold leaseholders. At least I think it's an issue that the minister should look at.

Finally, the CEDIP program that the federal government terminated rather abruptly seemed to be a program that many of the smaller companies favoured. It did, in their view, lead to an increase in drilling activity. I wonder if the province in some way could consider a provincial version of the CEDIP program.

Now, there are some other issues on the gas side that I'd like to go into, because I think these are probably the really crucial issues that face the province at the moment. The upside of what's happening in the gas I think the minister has dealt with quite effectively. We're increasing our export capability through pipeline expansions. The Nova system has indicated that they're prepared to spend up to \$5.5 billion in expanding their system over the next few years. TransCanada PipeLines is looking at a \$1.2 billion expansion. The minister has mentioned a number of projects into the U.S., including the Iroquois and Champlain projects into the U.S. northeast, but there's the Pacific Gas Transmission proposal to California, the Northern Border proposal, the east leg of the Alaska natural gas transmission, as well as the Niagara-Tennessee proposal. In total, these projects would probably lead to well over another trillion cubic feet of additional sales into the U.S. market.

It's also estimated that sometime this year the U.S. gas bubble will finally burst. The minister mentioned President Bush's concern about the high sulphur content in other fuels and the need to replace them with natural gas. Another pressure on increased demand that's occurring throughout North America is the use of natural gas in automobiles. It can reduce environmentally reactive hydrocarbons by as much as 90 percent. Natural gas is a winner in terms of economy. I note that Canadian Western Natural Gas is developing home compression units that will allow individuals who use natural gas fuels to refuel themselves out of their own natural gas supply system. As a result of these pressures Rick Hillary of IPAC, quoted in *Oilweek*, has predicted that gas will at least double in price by 1995. Fuel price for gas is currently in the \$1.20 a thousand cubic foot range to \$1.30, so that should go up to \$3.50, by 1995 that is.

That's the upside. The downside. Some of my concerns are these. If these projects go ahead, Albertans are in danger of los-

ing their historical protection with respect to both price and supply. Free market forces will determine who gets the gas, and the U.S. customers have already shown they are prepared to pay for long-term security of supply, so much so that recently both the Energy Resources Conservation Board and the National Energy Board have had to cut back on the length of terms of contracts on the basis that so much gas is being contracted that the contractual obligations in those contracts could never be met.

A fear is that we are planning on increasing beyond that. Currently, we are producing about 4 trillion cubic feet and moving beyond that. We only have about 70 trillion cubic feet of reserves in this country; at least, that's the CPA's estimate. If you divide 4 trillion into the 70 trillion cubic feet of reserves, that means we've got about 16 years of natural gas left in this country. We know how important and crucial a fuel it is for all Canadians.

Well, what about the question of adding to those reserves? Well, last year, again according to the Canadian Petroleum Association, conventional oil and gas discoveries replaced only 80 percent of oil production and less than that in terms of gas production. Only 50 percent of gas production that was consumed was replaced by new discoveries, and I should point out that this Caroline field that we're so excited about is the first major gas find in over 20 years in this province. So I think we have to be careful about protecting our gas reserves.

A big issue left, as far as gas marketing is concerned, is Ontario's attempt to provide short-term gas to its core market, and I know that the minister has addressed this question publicly. The minister has said that the trade agreement might cause Ontario anguish later on, if they don't enter into long-term contracts for their core customers. Now, I think that Albertans should be wary of this. Either Ontario at some point along the line will have influence on the federal government to change and force Alberta to supply them with security of supply, or if we get into this free trade agreement and we're locked into it, it means that we're going to have to continue to sell a proportionate share of our gas into the U.S. market at prices that are determined by market forces North Americanwise. That means that we won't be able to shelter our own consumers against rising gas prices.

MR. ORMAN: A point of order, Mr. Chairman. I think the record should be set straight that I made absolutely no connection to the free trade agreement and long-term supply contracts to Ontario. If the member has a quote that he'd like to table in the Legislature, I'd like to see it, but outside of that I think he should review his comments.

MR. CHAIRMAN: Thank you.

MR. PASHAK: Well, Mr. Chairman, I'll take the minister's word on that, but I did read the quote. Whether he's misquoted or not is another question, and I'll bring it to his attention.

Anyway, some additional concerns on the gas side. The Auditor General has brought to our attention a number of problems with the way in which his department is calculating the amount of royalty that should accrue to the province, and I'd just like his reaction to those comments. Does he consider them to be meaningful comments, and what steps is he taking to assure compliance with the Auditor General's recommendation? Normally I would have raised those questions with the minister in the Public Accounts Committee, but it doesn't appear as if the minister will appear before the Public Accounts Committee.

The Auditor General in his comments does raise the question of whether the correct amounts of gas cost allowance have been allocated to royalty holiday wells. I'd like to raise a question with respect to gas cost allowance, and in doing so, I'd like to thank the minister for making available to me some members of his department to go over the business of the way in which gas royalties are collected. There are really two issues here, it seems to me. The first one is this: does the Crown charge the same for its share of custom gas that is brought to a gas plant that gas producers are charged for processing their share of the gas? If that is the case, then it seems to me the Crown could be losing money.

The issue here is simply that gas producers are often forced into a monopoly relationship with the gas plants, and there is some concern that the gas plants are charging excessive rates to process the gas of those producers. In fact, there are excessive costs; is the Crown's share being charged at that same general rate? If that is the case, then the province could be losing a considerable degree of money. So in any event, I think that what that means is the gas cost allowance process has to be thoroughly reviewed, since many producers feel they're a victim of a monopoly. Finally with respect to that issue, there's a 15 per cent return on capital built into the gas cost equation. It seems to me that that's excessive, and I'd appreciate the minister's comment on that.

To ensure that the Crown gets its fair share in terms of its royalty that it's entitled to in terms of production of gas, I would make the suggestion to the minister that the minister might consider having the province become a partner in all future gas plants that are built in this province, such as the Caroline plant, to the extent that a percentage of that gas is really Crown gas, so 33 per cent of the gas is Crown gas. Then I think the province should consider taking a one-third interest in all gas plants that are produced in the province, and that would substantially increase revenues going into the provincial Treasury.

Finally, one last question to the minister, and it's again on the gas side. I would like to hear the minister's view of Nova's mandate and its relationship to gas producers in this province. As the minister is no doubt aware, some of the producers have expressed concerns that Nova is going to use its pipeline system to move gas out of northeast British Columbia down into the California market, and there's a fear that that gas might displace Alberta gas in the pipeline and also create more gas on gas competition. I'd like, as I say, just to hear the minister's view on that issue.

With that I'll ask the minister to respond.

MR. CHAIRMAN: Thank you.

The hon. Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Chairman. I'd also like to offer my commensurate congratulations to the minister on his new portfolio and say how good it is to have him here with us after he spent so much time rubbing elbows with the Subrotos and the Dukakis of this world.

Now, the hon. Member for Calgary-Forest Lawn has in his usual thorough way covered the field on many of the topics that I wish to raise, and when I deal with them, I'll deal with them in rather brief form.

[Mr. Jonson in the Chair]

I propose to discuss a number of issues and raise some questions, but perhaps I might start with just noting that there are many changes in funding within the minister's budget from the previous year. There are some dramatic increases, some dramatic declines. I'm not going to get into them in detail, but I'm wondering whether or not, perhaps if the minister has time during this evening, he might comment on some of the more significant differences and perhaps, if he doesn't, whether he might have members of his department comment on them in writing to members. Indeed, in many of the questions we're going to be asking this evening, the minister traditionally does not have time to respond, and I would appreciate the courtesy, if possible, of some written comment from members of his department in that regard.

Now, these comments running through my mind just moments ago brought to mind a concern that I've had for some time and haven't expressed. It's a concern that doesn't relate simply to the estimates in respect of the Energy department, it relates to all departments, and that is that the budget process is really not a very effective process from the point of view of the democratic process, and it seems that we would do much better, Mr. Chairman, if we were able to get some form of written report of the very basic information that the minister has available to him. Much of that is undoubtedly in form prepared by his department. Lots of his own thoughts are no doubt in there, but I can't see why that and far more extensive material and information can't and shouldn't accompany the budget estimates for each and every department in each and every year so that we could get into some more substantive dialogue here. I'm sure the minister agrees that this particular process leaves a lot to be desired.

Now, it's quite clear that we're in a tough time for the oil and gas industry at this particular time. It's somewhat paradoxical in the sense that oil prices have a degree of stability at the present time that they haven't had for a while. The ultimate prospects for gas markets, at least in terms of volumes, appear good. But the reality is that there is very little drilling going on at the present time; numbers of jobs are down; a tremendous amount of money has gone into and is going into the purchase of properties rather than into drilling; many of the large companies are winding down and pulling out of the industry. I'm wondering whether the minister might give us some general assessment with respect to what trends he discerns in this, whether or not the bleak view as expressed from the perspective of Calgary-Forest Lawn is one that he shares. I know this must be of concern to all Albertans, and the minister is traveling widely and talking to many people in the field, and the information he's gleaned would certainly be of use.

Now, the minister has noted that the government is adopting a policy of letting the market govern in respect of the oil and gas industry. The fact is there may be some merits to that when one views the success or lack of success of the programs we've seen over the last three or four years. Our policies and programs in many ways have been very erratic. They've been crisis oriented. Often they're not very effective. They create a rush of drilling. They are very expensive. They've created a lot of accidents and a lot of employment problems. On the other hand, a total hands-off policy may be unrealistic, particularly if the industry continues in the doldrums. We've historically recognized the special needs of the energy industry through our tax policies, and in the event that the industry continues in decline, we're going to have to keep a close watch to ensure that the health of

this very important industry remains stable.

Now, one thing that's concerned me since early 1986, when prices went down to the \$10 or \$12 range and we found that free enterprise oilmen were virtually taking to the streets and almost demonstrating in front of the Legislature in respect of the need for government action, is that since we're in an international environment where that type of experience could be repeated -- let's hope it isn't, but it could be repeated. The thing that struck me is the need for some contingency plan in the event that we do get into a situation like that. The government cannot keep out of a situation like that. The structure of the whole industry, not just individual companies, is at stake in circumstances like that where there may be a prolonged period of total drying up of drilling. I've never heard any comment from any ministers that there is such a contingency plan. There seems to be no plan. There was obviously no plan in 1986. What ensued was the series of stop-go proposals that we had which are now being abandoned by the minister. I don't think that we should just go from one extreme to the other. I think we have to recognize the nuance that there are times when some form of intervention is required. I'd be very interested to hear whether there is such a contingency plan, and if there isn't, urge the minister to look into that.

Now, I'd like to talk a little bit and ask some questions about the natural gas industry. I'm particularly concerned with respect to the impact of pricing. The fact is that there has still been some downward pressure on prices in the last year. They are now lower than they were a year ago. This is having a significant impact not only on the industry but on provincial revenues. I'm wondering whether the minister might advise the House as to what price estimate, what average natural gas price was used in estimating the budget revenues for his department for natural gas sales for this year as compared to the estimate last year.

Now, one of the factors affecting price in Canada, of course, is the gas bubble in the United States. This bubble has been a disappearing bubble ostensibly for many years, but it still lingers on, and the United States seems to have a very elastic supply of gas which increases very rapidly when prices go up. I would appreciate if the minister could give us what his experts are telling him with respect to when that gas bubble is likely to deplete itself significantly enough to result in increased bottom lines for Alberta gas.

Now, I've spoken very extensively in the past few years, Mr. Chairman, with respect to the concerns that I have relating to the drop in the natural gas pricing, the problems with deregulation. I would appreciate if he might comment a bit more extensively on where he sees the situation moving with respect to the core market in Ontario. Our party has been very supportive of the efforts of his predecessor and now himself to ensure that we get the best price for our natural gas in the core market in Ontario. There seems to be a reluctance of Ontario core purchasers to enter into long-term contracts, and I'd be very interested in getting a more extensive report from the minister on that.

Now, last year the government introduced a mechanism, in order to stop the decline in provincial royalty revenue, by setting a minimum royalty price based on 80 percent of the average provincial market price, and I was supportive of that proposal in concept, Mr. Chairman, although I noted there were some problems with it, the most significant of which was its retroactive application to some contracts that were already in effect. I've never heard as to whether or not the previous minister responded to my entreaties to look into that issue of the retroactivity, and

perhaps the minister might advise whether that has been resolved. Perhaps he might further advise as to how that program generally is working. What are the problems, and what are the successes of the program?

Now, I note that as the minister has stated, there are many pipeline projects in the works, particularly with respect to export to the United States. There seems to be insatiable demand for our gas in the United States, and the concern that any Albertan must have, of course, and any Canadian, is that we may end up selling huge amounts of our gas very cheaply and be left with the need to pay for more expensive gas in the future. The reality is that while exports may be up 80 percent, our revenues are relatively flat, if not down, and we may be selling our inheritance very, very cheaply.

There is in addition to that, when we authorize extensive exports, in fact a rather valid concern with respect to the impact of the free trade agreement, because there is a formula there which precludes us from subsequently cutting back on exports below the proportion of the previous 36 months. In the event there is some sudden reassessment of our reserves or some sudden problem in future years, this could present a trap. The only way the free trade agreement formula works is if we are watchful.

I remember your predecessor in office, Mr. Minister. In my discussions with him, he said there was every intention that the department would keep watchful in that regard. I found it very, very interesting to note that while the National Energy Board was having its supply and surplus tests totally eliminated, on the other hand the Energy Resources Conservation Board continued to apply a policy of requiring a 15-year supply of gas for Alberta purposes before export was to be allowed. So I'm wondering whether or not the minister might comment with respect to his philosophy and the philosophy of the government with respect to the balance in terms of encouraging export to get some revenue into the industry at the same time as we look at the long-term interests of keeping prices up, keeping supplies in this country, and not getting trapped by the formula in the free trade agreement.

Now, one thing I would appreciate some specific comment on as well is the role which the provincial government plays in supporting particular pipeline projects over other pipeline projects. I know that producers are very watchful. Costs of pipeline projects, of course, come out of the bottom line of the pricing, but I am very interested to know whether or not the minister and the government play some role in that regard.

One of the main concerns I have in this deregulated environment, which caters and serves the needs of larger companies very significantly, is the future of our small oil and gas companies. These have served very much as an engine of activity in the province. We've seen in recent times how many of the large companies, happily not all, seem to be losing interest in the type of drilling action we have here in Alberta. The small and medium sized companies have been having many problems in this deregulated environment. It's a big company's game. There are serious marketing and pipeline problems which present advantages to the large companies, but the smaller companies are the ones which are ready to tackle drilling. To do so, they're very desperately in need of capital, which has almost dried up in the last while. I'm very encouraged by the minister's enthusiasm and recognition of that need, but I was grasping for some particular concrete program that may provide some assistance. I'd be very interested if there is anything in sight.

In particular, I would ask him about the Alberta stock sav-

ings plan. There have been representations made by industry organizations, particularly IPAC and I believe SEPAC, with respect to changes that might be made to the stock savings plan. I know those representations have been in the hopper some while, so I'm wondering whether or not there is any intention on the part of the government to act on that. If the proposals have been good, why has there been no action? In the same breath, I must say that I have been very critical of some of the other uses of the Alberta stock savings plan. I think their money has been thrown down the drain and put into the hands of promoters by putting public money into schemes which do not create jobs or provide any benefits. So if we do change this stock savings plan, I want to make sure we get bangs for our bucks: some activity and some job creation. But it's certainly worth looking at.

Now, a second concern, in addition to capital, relates to the Alberta royalty tax credit, which has already been dealt with extensively by Calgary-Forest Lawn here. The minister is no doubt aware of how important this has been for small companies. I'm not going to get into this in any detail -- I dealt with it extensively in my comments last year -- but I would like to endorse the philosophy that the Alberta royalty tax credit should be made more price sensitive. Indeed, in a general sense I endorse the concept that our whole royalty system needs to be more price sensitive in many ways. In addition to price sensitivity, we need to work on formulae that are more favourable to the smaller companies and provide less of a benefit to the larger companies that don't really need it as takes place at the present time. In addition to this, in the current environment where the province is having such budgetary difficulties, we need to make sure the money that's going into the Alberta royalty tax credit gives us value for that money in terms of jobs and in terms of assistance to the industry and is not going where it isn't being particularly effective or needed.

At the same time and in the same vein, when we talk about waste, isn't it about time, Mr. Minister, that the government did something to stop the waste arising out of what is called double dipping with respect to the Alberta royalty tax credit? I know it's a difficult problem. There are some vested interests there, but every objective person I've spoken to in the oil industry is appalled and offended by what has been going on for quite a long time now, and the department has been addressing it for a long time. There may be some need for some grandfathering or some partial grandfathering, but surely we can get on with doing something to deal with that drain of significant funds at a time when we're having such serious budget problems in this province.

Now, my friend, another concern of the small companies which has been transmitted to me relates to a matter which was raised moments ago as well. That relates to the cost of processing gas, and it's not just small companies. I'm sure that the Minister of Agriculture is scratching his head over what to do with respect to the complaints by farmers, some of whom find that the royalties they receive are totally eaten up by gas processing costs. I'm made to understand by those who are in the industry and forced to process their gas through gas plants owned by third parties that in many instances the fee is nothing short of a gouge. I know the minister has been consulted, and I assume he's aware that there are some serious concerns with respect to the potential erosion and the significant potential erosion of provincial revenues.

Now, we're in a situation where gas plant operation is virtually a monopoly enterprise. There's the need for the consent of

the Energy Resources Conservation Board before a gas plant can be put in place. The ERCB has recently issued a position paper indicating that it's going to be much more reluctant to provide approval and to authorize. I think it's time. The time has come some while ago to recognize this monopoly situation, to recognize that there is a public interest in controlling the charges with respect to gas plant operations in some manner that is fair to the gas plant operators as well as fair to those who produce our resources. I would urge the minister to give great priority attention to that matter, because I think there is a significant amount of money at stake, both for the government and for individual producers.

Another concern that has been raised by small producers -- I'm sure the minister has been made aware of this, and I know the ministers of Agriculture have been made aware with contrary concerns -- relates to the Surface Rights Board and compensation and procedures relating to access to land for drilling for oil and gas. I don't pretend to have any magic answers or solutions to that difficult problem. There are direct conflicts from differing jurisdictions. The oil and gas operators state that one of their primary concerns is a perceived bias in the way in which the system is monitored and handled because it's run through the department of the Minister of Agriculture. The suggestion was: well, let's get it into the hands or under the jurisdiction of a more neutral body. No, not the Minister of Energy, but the suggestion has been the Department of the Attorney General. I have questions rather than answers, Mr. Minister, but this is something that I'm sure is being addressed by your department and by the minister, and I would appreciate some comment on that.

In terms of megaprojects, the minister has said he's going to place a priority on conventional projects. That certainly makes sense where costs per barrel of oil are far less than those for some of the megaprojects where more jobs are created but is certainly at odds with the policy of his predecessors, who have poured a tremendous amount of resources, in terms of provincial funding, into some of the megaprojects where private industry has been loathe to make the commitment. And I must say, our party has some concerns about the provincial government exposing significant sums of money in an area where the industry itself is not prepared to put up a major chunk of the cash upon the same terms as the province. I think that's providing a better deal for the industry. Where the government takes a higher risk with public money is a quick way to cost the taxpayers of this province a lot of money.

[Mr. Schumacher in the Chair]

It's in that connection that I have expressed doubts about the wisdom of the provincial support of the Husky Upgrader. We've had a partial report from the minister, and I'm wondering whether he could tell us when he anticipates it will be completed and in production. In particular, I'm wondering whether the minister now has a focus on the price differential between the heavy and conventional crude, because that is the litmus test of whether or not this is viable, not the absolute price of conventional oil but the differential. Is it now, Mr. Minister, at a level which would be adequate to support that project?

In terms of the OSLO project, the minister has said that the government is proceeding to a binding agreement with the participants. I am wondering whether there is any change or has been any enlargement in the commitment of public funds be-

yond what has been announced so far. I'm wondering when we expect to have a final agreement. When do we expect to have construction start, and when is it anticipated it will be completed and we'll have production?

I share the concerns that have been expressed with respect to the fate of the Syncrude project, which was apparently proposed without government funding and would have been more economical per barrel. Of course, why would oil companies proceed to put their own money into a project when they can get the government to put up the largess that it has with respect to the OSLO project? I would appreciate if the minister might comment as to why the government would not have encouraged the Syncrude project to go ahead at the expense of the participants as opposed to supporting the competing OSLO project.

In terms of coal, Mr. Chairman, the former minister stated last year that research was being conducted into a coal/oil slurry pipeline. I'd be very interested if the minister might give us the results of that experiment.

There was also reference last year to \$400,000 being put into hydrogen research, hydrogen being a product that has great potential for energy in the future and particularly environmentally safe and sound energy.

Finally, Mr. Chairman, last year we saw that legislative initiative was taken to encourage the use of solar and wind power by small energy producers. I'd be very appreciative if the minister might give us a brief update as to how successful or otherwise that's been.

MR. CHAIRMAN: I regret to inform the hon. member that his time has expired.

The hon. Minister of Energy.

MR. ORMAN: Thank goodness, Mr. Chairman.

I'd like to respond firstly to my learned colleague from Calgary-Forest Lawn. Mr. Chairman, I will briefly run through some responses to the questions. I was quite taken aback by the NDP members quoting the president of Gulf. I find that some strange occurrence. But in any case, Mr. Chairman, let me respond by saying that ever since I've been associated with this industry, since I graduated from university in 1971, I have heard how there are no more reserves of oil or natural gas in this province and how the western sedimentary basin is declining. Then we get discoveries like Caroline, and we get the suggestion: well, that was an anomaly; the trillions of cubic feet that will add to the reserves is the last one, I promise you. That's the suggestion you get from the detractors, Mr. Chairman. I can tell you there is tremendous optimism for oil and natural gas exploration and development in this province, and I have touched on some of those points.

On natural gas, it's simply constrained by pipeline capacity. There is not an inclination by the industry to go out and replace reserves that they cannot produce into the States. So his comment with regard to 16 years -- some say 18 years -- of reserve life for natural gas is quite accurate. But I can assure the member that if we start moving some of the existing supplies, the industry would move quickly to replace those supplies. That has traditionally been the way the industry has worked over the years.

I should also point out to the member that I can recall clearly, as though it were yesterday, when the NDP opposition strongly opposed the Syncrude agreement in this province. That was 1974, and I was an executive assistant to the minister of

energy, Mr. Chairman. I am pleased now to report to that member that Syncrude has delivered in excess of \$1 billion of royalty to the coffers of the province of Alberta. So I would suggest it is in fact a success and something we should continue to encourage.

Mr. Chairman, I did send a note to the member, and I did indicate to him that I was pleased to see his level of understanding of the industry. I think that's appropriate for an MLA from Calgary. I must say, though, I cannot extend that to his knowledge of ethane and ethylene. But perhaps I can try and extract, from the words I heard, his intentions in terms of questions. I'm sure he was referring to the AGECE plant, the Alberta Gas Ethylene plant at Joffre. Mr. Chairman, there was a successful negotiation of ethane feedstock to the petrochemical complex, and it was due to the good offices of the former Minister of Economic Development and Trade. I should say that the Dow project is proceeding. As a matter of fact, I'm meeting with the Dow people tomorrow morning at 8 o'clock to discuss this project with them. We must understand that there are some pretty significant swings in the ethane/ethylene business, in the petrochemical business in general worldwide. So there is obviously nervousness in the context of these swings, but I can tell you that from this government's point of view we moved quickly to be sure there was an adequate feedstock arrangement for them.

I would like to thank the Member for Calgary-Forest Lawn, Mr. Chairman, for supporting the concept of price sensitivity for the Alberta royalty tax credit program. I have gone through extensive consultation and review with the industry. I've met on a number of different occasions with each of the industry groups, I've met with individuals to get their views on ARTC, and certainly will be announcing a program. The effective date is January 1, 1990, and we are moving towards that date to come up with a program that meets the needs of the industry and the government of Alberta as the gatekeepers of the provincial resource, Mr. Chairman.

The member also suggested a royalty forgiveness program, and I can tell him that the crude oil royalty holiday incentive program was just that: it was a royalty forgiveness program. It was staged over five, three, and one years, depending on the point at which activity occurred. So if he's suggesting that program, he's three years too late, Mr. Chairman. It was successful, and the industry was pleased with it.

Shallow rights reversion is an interesting concept, and it's a difficult one to administer, Mr. Chairman. I know that the Member for Calgary-Buffalo has probably some production, and he has probably some shallow rights that are behind pipe. I'm sure he understands the difficult nature of shallow rights reversion. Deep rights reversion is a different issue because there was no exploration below the level to the deepest zone penetrated. Therefore, there is no geological knowledge associated with it, so it made sense to revert back to the Crown. Shallow rights is a different matter. But I am not of a closed mind to it, and I have talked to the proponents of it, who are particularly the small explorers and producers, and we'll continue our discussions in that connection.

CEDIP: all members of this Legislature, I'm sure, share the concerns in the manner in which CEDIP expired. I did express my concerns to the minister of energy, Jake Epp, on three separate occasions, most recently in Weyburn, Saskatchewan. It was an important program to the industry. It's just unfortunate the way it was handled, and I don't think there's much we can do.

In terms of replacing that program, I believe the programs we've had in place are more appropriate for the nature of the industry as it relates to the government of Alberta, but we will on a regular basis review our programming. And as I've indicated, if we see a significant decline in price, we will then again review our incentive programs.

Mr. Chairman, he referred to supply contracts for natural gas and pointed out that the National Energy Board is endeavouring to get a closer match between production and contract term. I have no particular problem with that. I think it's appropriate that we seek a closer match between the two. But at the same time, knowing the nature of the industry and history of the industry, they are very capable, once they have a contract, of replacing the reserves and in meeting the contract obligations. So we are watching that very carefully, and the Alberta Petroleum Marketing Commission is monitoring the movement in that area.

Mr. Chairman, with regard to the Member for Calgary-Forest Lawn's comments with regard to the Auditor General's report, I can tell the member that with regard to gas cost allowance it is a complex formula, and it goes back to what's called the Jumping Pound formula. It's a manner in which there are deductions allowed against natural gas produced to recover capital in operating costs associated with the processing of that gas. There is a formula that allows for those deductions against the royalty share of natural gas. I'll let the hon. member know, Mr. Chairman, that there is a maximum which the processor can deduct against processing of Crown natural gas. So I think that should allay to some extent his concerns.

With regard to the concern of the small producers, the small producers and explorers have made representations to Nova expressing a concern about British Columbia natural gas backing out their gas. Mr. Chairman, I know that SEPAC has been very effective in discussions with Nova, and I understand they were very close to coming to an agreement this week. I cannot give a current status report, but I know they were very close.

Mr. Chairman, with regard to the Member for Calgary-Buffalo, I did try and give him a flavour of how the activity in the industry is going to be over the coming year or two by giving him my reflections on the comments I heard from the market analysts in New York and the secretary-general of OPEC. Basically, the activity in the industry is tied to price with regard to oil. Therefore, to a large extent we are at the mercy of the international price, and that's not bad. That's an international marketplace, and I don't think it's unacceptable.

With regard to natural gas, we're simply constrained by capacity, and we're moving very quickly to get our natural gas to market. I do find disturbing, Mr. Chairman, the Member for Calgary-Buffalo's suggestion -- I guess it's a suggestion -- that we shut in Alberta natural gas. He has a concern that there is not enough supply there for our future needs in this country. Maybe he should take his suggestion to the industry and see what response he would get. I wonder how he would feel -- maybe we should shut in your natural gas production, Mr. Chumir, save it for future generations. Being a bit facetious, Mr. Chairman.

There is plenty of natural gas proven in this province. There are plenty of natural gas reserves to be found. There are tremendous resources in the Arctic. I do not believe that we at this particular time should have any concerns with regard to the ability to supply future generations natural gas. It is not something that should go unchecked, and it is something that we are doing. But

at this particular time our priority is to move the tremendous reserves now that are established in this province to the marketplace.

He asked about a contingency plan in the advent of a downturn in price. I don't believe it is prudent at this particular time to share a contingency plan that we may have, particularly in the face of \$20 oil. I can assure the member that, as in the past, we will in the future keep a close eye on price and activity and move in if we deem it necessary.

Mr. Chairman, the Member for Calgary-Buffalo also asked about gas-to-gas competition in the United States: U.S. gas competing with Alberta gas. I can tell the hon. member that I had the opportunity to have dinner with the governor of Wyoming, and I can tell you that he is extremely concerned about the competitiveness of Alberta gas in the northern California market. We supply 41 percent of northern California's natural gas needs right now, and I don't blame some of the American producing states being nervous, because we are competitive. We can get gas, albeit a longer distance, into that marketplace at a cheaper price, and it's one of our highest netback areas in our marketplace, Mr. Chairman. But we will continue to compete with American gas head-to-head in the United States, and I believe myself that there is room for both domestic gas and Alberta gas in the United States marketplace.

With regard to the equity issue, I am pleased that the member, too, recognizes the importance of equity. It's the lifeblood of the industry. The Alberta stock savings plan has been considered, and there have been suggestions. It's under the aegis of the Provincial Treasurer, and I know that he is giving active consideration to how the ASSP can be responsive in this connection.

ARTC: I guess the three of us see the importance of this program, support price sensitivity, and we know the importance of this program to the small producers.

With regard to gas processing, I can tell the hon. member that his nose is growing. I can tell the hon. member that the initiative by the Energy Resources Conservation Board in the area of gas processing was at my initiative, and I share the concern that somehow negotiations between the producer and the plant processor can be skewed by the nature of the application mechanism at the ERCB. We are reviewing that and seeing if there is a way in which there can be a better relationship between producer and gas processor that is not skewed by ERCB regulations, and I have asked the industry to respond to me in ways in which we can accomplish this particular concern.

The Member for Calgary-Buffalo asked about the binding agreement for the OSLO project. I believe I touched on it in my opening comments. That binding agreement will be completed sometime this fall, I hope, and we can get on with the project. We were delayed, Mr. Chairman. Unfortunately, there were too many lawyers involved. It just seemed to back the project up. We're three months delayed because they all had a different view of the world. But the governments and the industry have cut through that problem and now will be . . .

AN HON. MEMBER: More money?

MR. ORMAN: Yeah, I'm sure it has a lot to do with money to the lawyers, Mr. Chairman. But we are working our way through that in a satisfactory way. We have resolved the differences, and that's the key. Now it's a matter of putting it into the legalese that's required by all the parties.

Syncrude expansion, Mr. Chairman. I don't believe, I'm sure the industry doesn't believe, and I'm sure the people of Fort McMurray don't believe that there is room for two plants -- the plant expansion and OSLO -- to go ahead at the same time. Trying to do an expansion and the OSLO project at the same time would be 30,000 jobs in the Fort McMurray area, not to mention the billions of dollars of capital investment. The decision was made, and I believe it was a prudent one, that we go ahead with the OSLO project. I should say that the OSLO project is more cost-effective in terms of job creation, much more job creation on the lease that OSLO will be building the new plant. It is a higher grade of bitumen, and I think that was the right decision. I do also, however, believe that once the OSLO project is under way, there will be active consideration back around a Syncrude expansion.

I was a little concerned that the Member for Calgary-Buffalo was going to steal some of my thunder on coal slurry and wind power generation, Mr. Chairman. I have an initiative to be announced under each one of those headings coming in the near future. We're just wrapping up some of the loose ends, and he'll be pleased to hear of these initiatives. The coal slurry one is very exciting and is connected with the coal to Ontario initiative I talked about earlier. We have moved from the bench stage of this experiment to a pilot project, and if that pilot project's successful, then that bodes well.

My colleague for Pincher Creek-Crowsnest I know is very pleased with the direction we're going on the wind power generation. He has been a strong proponent of it. I met with him and one of the proponents of this project from Pincher Creek. We have come to an understanding and will be making an announcement in the near future.

Thank you, Mr. Chairman.

MR. CHAIRMAN: The hon. Member for Calgary-Fish Creek.

MR. PAYNE: Well, Mr. Chairman, there appears to be such interest in asking the questions, I hesitate to stand. But I would like to reassure the members that this will be five minutes or less, and I've instructed the Table officers to put the five-minute egg timer on me.

First of all, Mr. Chairman, I'd like to echo the congratulatory comments made by the Member for Calgary-Forest Lawn earlier this evening. Although I regret I can't echo his expression of condolences, I have every confidence that this new minister can readily handle the portfolio of challenges ahead.

Mr. Chairman, I recognize full well that the primary purpose of this committee is to examine a minister's statement of his spending intentions and to direct information-seeking questions to the minister regarding those intentions. With your forbearance, Mr. Chairman, and that of the committee members here this evening, I'd like to make a comment rather about the revenue side of the Department of Energy, specifically resource royalty income. I'm concerned, frankly, with the increasingly frequent efforts of some columnists and right-wing think tank residents to categorize our resource royalties as taxes. I invite the minister, if he feels it appropriate, to use this forum tonight to establish for the record once again that royalties indeed are not taxes, that they constitute an utterly legitimate return on the sale of an asset, a form of economic rent, if you will.

On a different note, Mr. Chairman, I would like to mention that the Advisory Committee on Heavy Oil and Oil Sands Development, which I've had the privilege of chairing for sev-

eral years, is funded under vote 1, Minister's Office, I believe. Earlier in this legislative sitting I distributed to all the members the 1988 annual report of the advisory committee and trust that this committee of community representatives and industry representatives has satisfactorily discharged its mandate to the government on behalf of those communities impacted by heavy oil and oil sands developments.

Mr. Chairman, I trust it's not inappropriate for me to raise a question flowing not so much from the minister's estimates but rather from the Auditor General's most recent annual report. In January last year, as the minister will recall, changes were made to the natural gas royalty regime. One change involved the introduction of an Alberta average market price, or AMP, for natural gas, which is calculated and published each month by the department. For the benefit of the members that may not be familiar with the use of AMP, if the actual contract value for sale of gas is less than 80 percent of AMP, then for Crown royalty evaluation purposes the unit value must be adjusted up to 80 percent of the AMP for that month. In that context, Mr. Chairman, the Auditor General recommended that the department improve its gas royalty verification procedures so that instances where gas selling prices are less than 80 percent of the AMP are promptly identified and investigated. I'm wondering tonight if the minister would be prepared to comment on the progress he's made in responding to that quite worthwhile recommendation from the Auditor General.

Now, I was intrigued with the Member for Calgary-Buffalo's conclusion that sometimes government intervention is warranted in the oil and gas industry. I believe that the Member for Calgary-Buffalo came to that conclusion in the context of a request for the minister to develop a contingency plan in the event of another serious downturn in energy prices. Although I do not necessarily share the bleak outlook of the Member for Calgary-Forest Lawn nor the nervous insecurity of the Member for Calgary-Buffalo, I do agree that in an international, indeed global, marketplace government intervention is sometimes warranted. However, in this remaining 30 seconds of my comments I would like to add the proviso that such intervention should never be developed in isolation from the industry. The minister well knows that the industry wants to be in some kind of planning partnership with government, not just be the occasional recipient of unexpected or even inappropriate largess, and I'd like to suggest that the minister's consultations with industry on his developments for a price-sensitive royalty tax credit are illustrative of the kind of partnership that industry seeks.

Finally, the Member for Calgary-Forest Lawn took exception to what he called "dithering" over ethane policy development. Mr. Chairman, I'd like to emphasize that the rigorous analysis that such a far-reaching policy deserves can hardly be regarded as dithering, and I look forward to any comments the minister might make regarding the status of that policy's development and planned implementation.

At the outset of my remarks this evening, Mr. Chairman, I expressed confidence in the minister's ability to handle the portfolio challenges ahead. I'd like to conclude by emphasizing that that confidence is shared by a great number of his colleagues in the Assembly this evening. I suspect on both sides of the House.

MR. BRADLEY: Mr. Chairman, I too would like to congratulate the minister on his appointment as Minister of Energy and for the broad grasp he has of the Energy portfolio and the efforts

he's making.

I did want to mention tonight that early in February of this year there was mention of discovery of gold in the province of Alberta. Particularly it was in the Crowsnest Pass, stemming from the legend of the Lost Lemon gold mine. I know there's been a lot of activity in the minerals disposition branch of his department. I wonder if he might be able to comment on the number of claims that have been filed in terms of mineral quartz dispositions in that area and what predictions he may have with regards to that discovery coming forth in terms of further exploration and perhaps development and establishment of a gold mine industry in the province.

I also wanted to ask the minister, in a related matter, as to the status of a Canada/Alberta minerals development agreement, as to what impact this might have with regards to exploration for minerals in the province of Alberta.

I wanted to congratulate the minister on the initiatives in his budget related to western coal. He's alluded to the Smoky Lake project and, I believe, answered questions relating to the coal slurry pipeline in terms of its possibilities for the future in terms of reducing costs. I think, in terms of coal, the department's approach and the government's approach is appropriate: that we narrow in on reducing costs and improving the economics of coal, improving the competitiveness of coal, rather than looking at subsidies, which has been suggested by other parties in this province and in Canada. So I congratulate him on those efforts.

He's made mention in his remarks of the solar and wind renewable energy advisory board and the progress that has been made there. I note that there is some \$500,000 in the Heritage Savings Trust Fund estimates to begin on this project and would comment further on that in those estimates but would like to congratulate the minister and his department on the co-operation they've shown to date with the Southwest Alberta Solar, Wind and Renewable Energy Advisory Board and look forward to that project moving forward in the near future.

I wanted to mention just briefly that a constituent of mine has had a problem with gas in his home, and the minister, through his office and the office of the Energy Resources Conservation Board, has been of assistance in determining where the source of this gas is. The problem has not yet been fully resolved. I know there is a proposal before his office for further investigation and would ask his assistance in moving forward as quickly as possible to review that proposal and to provide whatever assistance may be necessary to bring this matter to a conclusion. Again I'd like to thank his office for the co-operation on that matter.

Finally, I wanted to mention that there is a proposal to develop a coal mine in the Crowsnest Pass by Chinook Coals. The citizens in Crowsnest Pass have suffered economically over the past number of years and are looking forward to economic development. A preliminary disclosure is currently before the government, and I would ask the minister if he could expedite the review of that proposal and come to a conclusion on it so that the company could proceed, if the preliminary disclosure is approved, so we could see coal mining activity in the Crowsnest Pass and return to a higher level of economic activity there.

In conclusion, I again would like to congratulate the minister on the grasp of his portfolio and the efforts he is making on behalf of all Albertans.

MR. CHAIRMAN: The hon. Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. On behalf of the citizens of West Yellowhead, I would like to congratulate the minister on his very important position as Minister of Energy. You, sir, have been well-qualified in your past posts, and I certainly wish you will do as well in the future.

Vote 2, Mr. Chairman, addresses a very key element of energy, as mentioned by the Member for Pincher Creek-Crowsnest. It especially relates to my riding, the riding of West Yellowhead: coal, the black gold of our community. For the increasing financial benefit of the economy of West Yellowhead, Mr. Minister, we must find a market for that coal. Jobs in West Yellowhead are at an all-time low due to layoffs in the Coal Branch in the Edson-Hinton area and in Grande Cache. I appreciate the recent provincial funds spent on the new recovery techniques for Smoky River Coal, as do the company and the citizens of Grande Cache. As the past chairman of the coal mining communities of western Canada, it is well to realize the importance of the sale of western coal, especially to the eastern markets.

The Alberta Research Council has done some great work on coal projects, especially under the leadership of Mr. Bradley. I'd like to congratulate Mr. Bradley on those efforts. I wonder, Mr. Minister: does vote 24.3 -- it has a cut of 25.7 percent, leaving \$4.24 million -- go totally to the Research Council, or will this be spent on the actual movement of coal?

Vote 2.4.4, Coal for Ontario: \$3.58 million. Is this for the actual movement of coal, or is this for some more studies? Studies certainly have served their purpose but, Mr. Chairman, now I think it's time for action and movement of the low-sulphur western Canadian coal to the eastern markets. Ontario's plan for pollution cutback to their environment by 1992 is closely approaching us, and without our help I don't think the government of Ontario can meet those challenges. We must encourage the Ontario government to more and more purchases of our low-sulphur Canadian coal. If we do not assist now in whatever is necessary -- whether it be freight rate adjustments or royalty adjustments, one way or another we have to start acting. If we sit back and do not find the resolve to this massive import of filthy, low-grade, high-sulphur content from the U.S., then we will all have to pay the cleanup costs of those eastern provinces with our future federal tax dollars.

Alberta has 80 percent of all the known coal reserves in Canada. In Alberta, Mr. Chairman, TransAlta Utilities alone produces 90 percent of their energy needs by this low-sulphur western Canadian coal. TransAlta at Wabamun Lake mines 14 million tonnes of coal per year and makes up the largest coal mining operation in Canada, or 24 percent of all the coal mined in Canada, employing over 500 people in that operation. Coal sales to Ontario would especially benefit not only West Yellowhead but greatly enhance the long-term jobs in the Crowsnest Pass area.

In West Yellowhead, Edson, Robb, Cadomin, Hinton areas, and in Grande Cache we have both thermal and metallurgical coal. The metallurgical coal could also be used in the steel mills of Ontario and assist them in their environmental thoughts and endeavours in the future. Low-sulphur western Canadian coal has several advantages over this filthy, environmentally damaging U.S. coal. First, it is abundant. Secondly, it lies very close to the surface and allows conventional open pit mining, and thirdly, low-sulphur content western Canadian coal has one-tenth the sulphur content of the eastern American coal.

Coal mining companies at Wabamun and West Yellowhead

have a very good record of reclamation and monitoring of the environmental impact and are very qualified in the esthetics of the sites they have already mined. TransAlta at Wabamun, Keephills, and Sundance uses electrostatic precipitators and removes 99 percent of the fly ash, and because of the low-sulphur content its effects are only minimal, as emissions are well controlled. Ontario Hydro could do the same, and it's high time that the minister and this government caused action by moving our coal to the eastern markets in some more economical way. Mr. Chairman, I'd also like to ask the minister to at least put coal on the same level of importance as oil and gas. It is at least as important.

In vote 2, under Minerals Management, it is mentioned that there's financial assistance for renewable and alternative energy sources. Perhaps the minister could clear up for me what he means by those alternative and renewable resources: how much money will be spent and where it will be spent. Wind power and solar power to me have some benefit but are very unreliable in our climate and with our seasons.

What I see for renewable energy is a resource that is both abundant and plentiful in the riding of West Yellowhead and in many other parts of this province. That, Mr. Chairman, is geothermal, which is only used in small quantities in our country. Geothermal is used in many countries around the world, in the northwestern United States and in California. They use it for hospitals, heating buildings, heating sidewalks, heating pools, and extensively in the treatment of arthritis and diseases for seniors. It is generally used in European countries in medical treatment through leisure activities. One of these geothermal facilities is in my riding at Miette Hotsprings. Miette last summer had more than half a million people visit their site just for leisure activities. By far, Mr. Chairman, geothermal should be a priority of this minister and his government as we look to alternative sources of renewable energy. Many of these bodies of hot geothermal water are throughout West Yellowhead, and many of them have been recorded in the past. They are environmentally safe. The sources are abundant and will have no effect on our environment. The water is simply returned to the ground and brought back up again by the use of either a down hole heat exchanger or a surface heat exchanger.

At another date I would like to meet with the minister and discuss the potential of geothermal in Alberta and especially in my riding. I wish him well in his endeavours as the Minister of Energy, and I would really like to stress the importance of energy in the total riding of West Yellowhead. We not only have oil, gas, and coal, but we also have a very unique renewable resource, environmentally safe, and that is the geothermal throughout our riding.

Thank you.

MR. ORMAN: Mr. Chairman, I'd like to briefly respond to some of the questions and comments.

First, my colleague for Calgary-Fish Creek picked up on a comment that was made earlier about the average market price. The member is quite right, Mr. Chairman. It was suggested by the Auditor General that the Department of Energy improve its gas royalty verification procedures, and the average market price facilitates that calculation. I should also point out that in our budget we have an increase of \$423,000 and three permanent positions to upgrade our audit of natural gas royalties. So that is occurring, and we hope that will be able deal with it.

You can imagine, Mr. Chairman, the complex nature of monitoring the production of thousands and thousands of gas wells by the department. It's a very difficult task, but we are continuing to improve.

The Member for Calgary-Fish Creek also brought up the issue of ethane on the heels of the comments made by the Member for Calgary-Forest Lawn, and I believe the arrangement that was negotiated by the industry and under the auspices of the government's policy on ethane to address the issue of the needs of ethane for enhanced recovery, for instance in the conventional sector, and also our commitment to development of a petrochemical complex in the province of Alberta -- there were successful negotiations. They were difficult negotiations, Mr. Chairman, because for obvious reasons the owners of the ethane had a particular view of how that ethane should be used and marketed. But they were able to sit down with us, and they presented their concerns to the energy committee. We did come up with a successful arrangement, and it has resulted in Nova committing to AGE III at Joffre and for Dow Chemical to proceed with their petrochemical plant at Fort Saskatchewan.

Mr. Chairman, the Member for Pincher Creek-Crowsnest -- I've got Fish Creek and Pincher Creek -- brought up a concern or at least a suggestion, a question I guess, on the staking of gold claims. He has mentioned this to me in the past, and as the MLA for the area he's quite excited about the prospects of gold being discovered in the area. I will ask the department for any details they have on the administrative side of gold claims, Mr. Chairman. I cannot give him that information at this particular time.

The mineral development agreement is proceeding with negotiations with the federal government, and the ball is actually in the federal government's court at this particular time. We are on top of that issue. We would like to see it proceed, and it will be on my agenda for further discussions with the federal minister of energy.

Coal slurry was brought up. Again, Mr. Chairman, I am very encouraged by the research that has been done in this area. As I indicated, we will be moving from the benchtop stage to a pilot project, and we will be making announcements in the future.

I would like to acknowledge the Member for Pincher Creek-Crowsnest for his input and advice to me on the wind advisory committee. It's something that has been a long process, a great deal of discussion, and we are now getting to the stage where we can move to an initiative.

He did bring up in this Legislature the concern of a Dr. Hay, a constituent of his who is experiencing some difficulty with methane seeping up through his house. We have bent over backwards, I believe, Mr. Chairman, not only my department. I had a staff member down in Pincher Creek meeting with Dr. Hay. The Energy Resources Conservation Board has been actively involved, as has the Department of the Environment, and we are hoping to find a solution to the problem that is satisfactory to all involved.

Chinook Coals and their preliminary disclosure application. It is under review in the government interdepartmental process, and we will be advising the member shortly of the results of that review. I can tell the member that this minister is very interested in coal. As a matter of fact, I have a meeting set up with Manalta Coal to discuss further initiatives in Alberta on the Eastern Slopes, and hope that this renewed interest in coal bodes well not only for his constituency but for the constituency of West Yellowhead.

With regard to West Yellowhead, Mr. Chairman, I did point out to him the initiatives that we are taking as a government on the western Canadian low-sulphur coal to Ontario initiative. If I could refresh his memory, it was an initiative that was announced in March of '87 with the Deputy Prime Minister and the Premiers of Ontario, Saskatchewan, British Columbia, and Alberta. The sole purpose of that committee is to improve the competitiveness of western Canadian coal in the Ontario market. My hon. predecessor, Dr. Neil Webber, announced on June 29, 1988, in a press release, the outline of this initiative. It is an initiative that the estimated cost of a four-year program amongst all parties concerned is \$82 million, and as I recall, our share of that initiative was \$16 million.

I hope this addresses the concern of the Member for West Yellowhead. I think it does address our commitment to coal and our ongoing endeavours to improve the competitiveness of coal into Ontario. Certainly if we can deliver our low-sulphur coal there and it could reduce the use of scrubbers that are used on United States coal into Ontario, then we're all for it. It must be competitive though, Mr. Chairman. There are environmental pressures, but we do want to be competitive in that marketplace and we will continue to do so. I can assure the hon. member that my commitment to the development of coal resources in this province is very strong. I'm sure that if he asked the Member for Pincher Creek-Crowsnest, he would get that acknowledgment that I am interested, and we discuss coal matters on a regular basis.

In closing on these comments, Mr. Chairman, I would like to acknowledge and thank the Member for Pincher Creek-Crowsnest for his commitment and interest in coal. He has been able to take on some of my responsibilities in the coal area in representing this government in other jurisdictions on coal matters. Because of his vast knowledge in this area, I will continue to draw on his abilities in this connection.

Thank you.

MR. CHAIRMAN: The hon. Member for Drayton Valley.

MR. THURBER: Thank you, Mr. Chairman. I, too, would like to add my congratulations to the minister on his appointment to this portfolio, and not just because it is a traditional expectation of anybody speaking to the estimates but because of the conversations I've had with people in the industry. They have told me he's a very sincere person, he's approachable, and they recognize his knowledge of the industry. I, too, have recognized that in my dealings with him.

When you talk to the industry people in the Drayton Valley-Devon area, you know that you're talking to the oil patch. If there are any two towns in Alberta, I guess, that people recognize as oil patch towns or oil field towns, it would have to be Drayton Valley and Devon and the country in between.

AN HON. MEMBER: St. Paul.

AN HON. MEMBER: Slave Lake.

AN HON. MEMBER: Are you from there?

MR. THURBER: Yes, I am from there.

Mr. Chairman, the one thing I get from the people in the industry out there is that they're very happy to see the incentive programs have ended basically. If they saw vote 4, where

there's a 100 percent reduction in incentive programs, it makes them feel good that the government has kind of gotten out of the business. There have been times when they have appreciated the government's input into the industry because of some downturns and some hard times. But at the same time, any non-market incentive that's put into any industry always brings about bad news in the long run. People start making decisions based on the incentive or the stabilization factor rather than the market factors. The industry recognizes finally, after a lot of years of boom-and-bust cycles -- primarily the last big bust cycle -- that booms are not always that healthy and busts certainly aren't that healthy.

One of the opposition members mentioned a while ago the increase in accidents and things in the oil patch. Some of that was brought about by the boom conditions that prevailed at that time. They were put in a position where they had to hire people and they didn't have time to train them. There were a lot of people put on the line without any experience. So you get accidents in that area. When the bust came, of course all these people hit the road, and they didn't have jobs. It hurt the whole economy of Alberta, not just the oil industry. The cattle industry, which I'm very familiar with because I'm into it -- we suffered because of that bust ourselves. The people who were once ordering steak no longer had a job, so they were eating hamburger or something else that was cheaper. So it had a drastic effect on the whole economy of Alberta.

I think because of these economic factors and the guidelines developed by this government, a lot of the oil companies had to change their ways of management. They went into enhanced recovery in a lot of areas. I can remember when if you looked from here clean through to Drayton Valley, nearly every oil well, and certainly every battery, had a flare going. There was gas going up in these flares. There was enough in flares I was very close to, in one flare in particular, to heat the whole city of Edmonton, and it was just being thrown into the air. By the encouragement and the guidelines of this government, these flares stopped, and this gas was recovered and contained and put to other uses.

When we talk about the gas factor, the ability to export gas from this country, I have no worries about there being an end to the gas in this country. We've capped wells; we've shut in wells. In a lot of cases the only factor they had to consider to produce their oil was: could they sell the gas? There was gas in with it. There are lots of areas of gas that haven't been developed, and with the modern technology we have today, I don't think we have anything to worry about for a good number of years.

I recall working on wells in the late '40s and early '50s not too far from the city of Edmonton, primarily around Leduc and Devon, and they said, "Well, these wells will last from 15 to 20 years." Now, we're looking at 40 to 45 in some cases, 50 years ago now. They've gone in with modern technology and fracked them. They've water flooded and gas flooded and done a variety of things in the enhanced recovery area, and some of these wells, in fact the majority of them, are still producing at a profit to the people that owned them, because they have no more money in them after a certain period of time and everything they get out of them is profit. So it's been a very educational thing. I have to agree with the minister when I think it's something that has to be monitored, but I don't think any of us have to worry, certainly not in our lifetime and probably in the next generation's lifetime, about gas or oil in the province of Alberta.

The programs we hear talked about with pushing gas in the United States again is another area of mobilization -- I won't say diversification -- of the oil patch which will vastly add to our economy because of the fact of the labour, the welders, the truckers, and the other people that are working on these projects.

I guess the other thing I would like to talk about is the doom-and-gloom type of thing that's being forecast by the opposition members. The oil patch, in my view and the view of the constituents I represent, has become more or less a stable thing. They recognize the fact that they've gone through a big bust. A lot of people went broke. They had some good times, they had some boom times, they didn't save their money, and so let's get on with the job. It's settled down now, and if the oil can remain somewhere near the same price it is now, they feel better with a stable economy in the energy sector, much better with that than they did with the boom and bust.

I do know of several major oil companies that are expanding their gas plants to a significant degree, and that indicates to me that they have a little bit of confidence in the future. I think this will continue as long as we have a stable kind of market and if our government, which has done so much for this province and for the oil sector -- and the oil sector has in turn done so much for the development primarily of the west area of my constituency and a lot of the areas along the foothills. I do recall when there were no farms out there -- very few, if any. Now it's a large agriculture sector, but not on account of agriculture primarily. The people came in there because of the oil industry. They're staying there now because of agriculture. We have the forestry industry that goes along with the energy sector in the same area, and I think things bode very well for that area because of that.

I think this government should continue to support this industry in a way that we stay as far away from it as possible and support it in the best manner without pouring a bunch of money into it so they're forced into making the wrong decisions. I do know of small oil companies that got involved in the incentive programs, that drilled wells they couldn't afford to complete, couldn't afford to build the batteries for, couldn't afford to build the pipelines to move the oil away from. They didn't have a market for their gas. The incentive program did them more harm than good, and I think if this government continues -- and I'm certain this minister will -- in a forthright manner and a manner that's good for the province of Alberta and good for the industry, why, good luck to you, Mr. Minister.

MR. PASZKOWSKI: Mr. Minister, I would like to take this opportunity of congratulating you on your appointment. I would like to feel that indeed you will fulfill the needs of this very important industry, important portfolio within our province. At this time I would like to take the opportunity of commending our government on the development of a tremendously rich supply and a rich source of energy, one that has to be recognized for the contribution it makes to the province and to the coffers of this province.

We do have tremendous opportunity for growth, particularly in the area of natural gas and the coal developments. We have hardly touched our coal opportunities. The Smoky River pilot project is one we must all be excited about, and with the excellent quality, if it produces, we must all anticipate that if we are sincere about our environmental problems, as our members across the way keep harping day after day after day, we have an excellent opportunity to work together to encourage our eastern

friends to utilize the excellent product we are able to produce in Alberta. Rather than hacking away at us day after day, perhaps they should take their adventure to Ontario and mention to them that there is an excellent opportunity here with the product we have and use some of their energies in convincing others in a more beneficial way.

Throughout my constituency travels, Mr. Minister, I've had three issues that have been addressed on almost a continuing basis. We too, though we're not quite as famous as Drayton Valley and Devon for our oil patch activities, do have the Valleyviews and the likes of that that are quite significant in the oil and gas production within the province. But the three major questions I keep being asked and those that seem to be a concern to the people in the industry are: number one, the complexity of the royalty calculation. Time after time that issue seems to be addressed, and I wonder if indeed we could spend a little more time in trying to simplify the process and trying to make it easier so these people can save a great deal of money in the accountants' fees they have to bring forward, in the consultants' studies they have to bring forward on how to better utilize their production capabilities.

The other item is the threat of what the federal sales tax is going to do to the oil patch. This is a real, genuine concern out there. I'm not sure there is a great deal we can do about it, but nevertheless it is perhaps one of the negative concerns that I'm afraid may impact positive development in the short term.

The third is the institution of some sort of stability within programs so there isn't a constant change from year to year, so if there are programs, they will indeed be of a long-lasting nature.

The industry, as I've mentioned, would certainly appreciate the simplification of the wide variety of calculation of royalties. Mr. Minister, I understand you are working in that. There has been work done, but I wonder if you could continue and explore ways of simplifying it so it's a much easier process of calculation.

Just before closing, Mr. Minister, I have three questions that regard the energy industry. That's the status of the solids pipeline transmission of coal, the liquifaction of natural gas, and the gasification of coal. I wonder if perhaps you could give us some insight as to the developments in these areas. I know the feasibility at the present time is not there financially, but is there an ongoing process, are there ongoing studies, to perhaps make the feasibility there? I think there is potential in all three of those for this province to indeed enhance its energy opportunities.

With that, I would like to wish you well. I'm sure you'll do very well, Mr. Minister, in your portfolio, and we look forward to great things in the industry. Thank you.

MR. CHAIRMAN: The hon. Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. With the hour, I will try to be very brief, and a lot of the comments I was going to deal with have been addressed already.

I would like to extend congratulations to the new minister. I personally feel very confident in his abilities, and I know the industry is very pleased with his appointment as minister. In his opening comments he talked about a positive investment climate, which I think is a reality today. I think the industry is feeling some cautious optimism for the future, particularly with the increases in prices the last few months. I'd like to ask him --

and I know we have a commitment for pipeline expansion in the province, and I think that's something that has been looked at for many years. I think back to the middle-70s when I was first in the industry and we were looking at pipelines at that point. I think it was the Berger commission out of the federal government that decided the pipelines were not feasible at that point and stopped the development. I know the industry is very grateful for the pipeline expansions and the markets they will open up to the United States.

There seems to be a continued misconception over the royalty tax credit program, and I'd like to compliment the province and this government on the insight and foresight they've had with this industry in dealing with the royalty tax credit program. I know the Member for Calgary-Forest Lawn mentioned that this was an advantage to the multinationals and the major corporations. But I'd like to comment that this is not correct, that the ARTC program has in fact been almost the lifeblood of many junior and intermediate companies, particularly in the last few years when they were burdened with tremendous drops in prices. Had the ARTC program not been available, a lot of them would not be here today.

I'm particularly keen on the minister's comments on the review of the royalty program itself and the structuring, because one of the things in the industry that I think needs to be addressed is an equitable and more simplified royalty scheme. The complexity within the royalty calculations and the forms, et cetera, that must be filed have been rather burdensome to the industry for a number of years. The royalty calculations have been adjusted to reflect the market and to help the industry in general. I know we went, I believe about two years ago, to a new royalty scheme, and I think there are other things that can be reflected within the royalty program that would be beneficial to the government and to the industry, particularly when we're dealing with the juniors and the intermediates. I was very disappointed, as was expressed earlier by other members, to see that program discontinued by the federal government. That was a program that helped a lot of the juniors and the intermediates with their drilling programs. But those that survive will be stronger for it, and I think we'll see increased drilling in the fall when there is continued confidence in the pricing schemes.

I had the fortune of working for a company that was, I guess, the forerunner in the heavy oils program. They were the first to develop in the province at Fort McMurray. They were called Great Canadian Oil Sands at that point. There's been tremendous development in heavy oils, and I think our commitment to see a replacement of our resources through the oil sands projects is tremendous. It shows tremendous foresight on the part of the minister and this government, and I commend you for those projects. I'm sure you'll stay with them, and I know people are anxious to see the projects proceed in a timely fashion.

The other misconception, I think, that keeps coming up -- and I don't know why it's a misconception -- is the fact of deregulation. Deregulation came about in this industry not from the government but as a push and a request from the industry. It had nothing to do with the government. The industry itself pushed for many years for deregulation to take place. Now, unfortunately it happened when prices were down. But the industry wanted deregulation. I keep hearing from our members in opposition that the government was somehow responsible, and that really is not correct at all.

I guess most of the other comments I was going to make have already been made, so I won't continue on any further,

other than to say that I am particularly pleased the minister is in place and I know we have confidence in him and are pleased to be able to work with him.

Thank you.

MR. CHAIRMAN: The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman.

It's interesting listening to the debate tonight. There's been a lot of good debate back and forth and some points well made. The last speaker, however, prompted me to hold up this document, which is the *Financial Post* for July 15 to 17. The headline says "Oil Exploration Moving Out," and these are some of the numbers in here that were quoted by my colleague. So there is cautious optimism in the oil industry, but I think right now it's not very optimistic when you see 132 oil rigs as the level at which exploration is going on right now.

If there is any doubt on the part of the minister that we have a declining industry on our hands, perhaps I could quote him some numbers from the government's own public accounts figures and a combination of that in StatsCan. In 1985 the oil industry contributed some \$4 billion to the coffers of the Alberta government. That was after you took off the incentive programs. In 1986 it was \$3.6 billion; in 1987 -- and there was a lag here, of course, because really '86 was the downturn and it just took until '87 to show up -- \$1.4 billion, and then in 1988, \$2.5 billion. While there's been some recovery this year, it's a long way from where it was in 1985. So we do have, in fact, a declining industry that we are talking about.

In fact, if you want to look at the total petroleum industry figures for the province, again from the Energy Resources Conservation Board this time and from StatsCan, in 1985 the industry -- value of marketable production is what these figures are. In 1985 it was \$22.5 billion; in 1986, \$13.7 billion, an incredible drop; in 1987, \$16.5 billion; and in 1988, \$12.4 billion. So let there be no doubt that we are dealing with an industry that is on the decline. That's not to say that one likes that or wants that. Of course we would like to see some stability, and certainly we do not want to see a sort of boom/bust kind of approach to the energy industry which the Member for Drayton Valley seemed to spend some time talking about, saying that now we seem to be in a more stable period. I think and hope he's right. But what I couldn't help noticing was the way he put together his statements. It made it sound like it was the government incentives that caused the boom and the bust, when we all know in fact it was OPEC pushing the price up and then the subsequent fall, which I will get back to.

Some time was spent talking about the various incentive programs that have come and gone in the Alberta oil patch. I just want to raise a couple of points. I'm not going to cover all these programs; they've been debated and talked about considerably already tonight. But I would just mention the drilling, well servicing, and geophysical incentive program.

According to the numbers I have here for 1985, '86, '87, and '88, in that four-year period the government handed out some \$538 million to the oil companies. Now, my question to the minister related to this is: is that not more than the government intended when they . . . I remember in 1986 when they put forward this program, there was a ceiling placed on it, according to the press release, of \$500 million. I forget over what number of years, but obviously it's been going for four years.

The reason I remember it quite well is that there was a Bill

brought into the House by the former minister who happened to be absent at either second reading or Committee of the Whole, and this member, the present minister, was left to defend not only that Bill but several others. In fact, he did an admirable job on the other three. But when we got to this one and we were suggesting that instead of having a blank cheque, so to speak, which is what the Bill did . . . I believe it was Bill 41. What it did was give the minister a blank cheque to hand out money under this program -- not only return all the oil money to the oil companies but he could use tax dollars to the oil companies, the way the Bill was written. My friend from Strathcona calls that a Henry VIII clause, where there's no limit on the grants a minister can make. We were arguing on this side of the House that there should be a ceiling of \$500 million. Finally, in great frustration, this present minister stood up and said, "I don't know what you're talking about; there's a limit of \$114 million in the estimates for energy," not realizing of course that the two things were not at all connected.

So, Mr. Chairman, I would ask the minister, having now perhaps made the connection between that program and the original announcement of some \$500 million for that program, to check whether or not it is indeed over that amount and, if so, how much and how accurate these figures are and what has been given out in 1989 and how long that program will be continuing.

The other point I would just make -- and I guess somebody else did, so I won't elaborate too much on it -- is that a lot of these incentive programs have been a sort of quick start and quick stop type of program, and consequently we've ended up killing a lot of people in the oil patches, as has been mentioned by some of the other members of this House. December 1986: 11 people killed in the oil patch as companies rushed to get in on the last of the incentives before they ran out on a particular program. The first two months of 1988: nine people killed in a two-month period as companies rushed to get into the oil patch and take advantage of some incentives. Now, the government's reaction has been very slow and very tardy. I know it isn't solely the responsibility of this minister, but after all, a lot of the worker health and safety problems in this province are related to the oil patch, and the oil patch has a very bad record.

The minister of occupational health and safety, or community and occupational health I believe it was, set up a task force in the oil industry. IPAC was involved. PSAAC, CPA, CODA, CAODC, and SEPAC were all involved in that study. Really, Mr. Chairman, I've read it over fairly carefully, and I find it totally inadequate. I find what it lacks is any commitment on the part of the government to see to it that the industry does in fact do something about the incredible amount of injuries and death we've had in the oil patch. I think the Minister of Energy should be as concerned about that as the minister responsible for community and occupational health.

There was some talk earlier about the natural gas and sales to the U.S. and the number of reserves we have and that sort of thing. I'd just like to say that the first numbers I remember hearing about the gas and oil industry were put forward by the federal minister of energy, a fellow by the name of Joe Greene, who was one of the first Liberals to jump on Pierre Trudeau's bandwagon. In 1969 he said that based on oil company figures, we had over 400 years of oil supplies in this country and over 900 years' supply of natural gas. Within two years the same minister was standing up and telling us we're going to be out of oil within about 20 years. That's the kind of information we're getting from the oil patch. Of course, in '69 they wanted to be

able to sell gas and oil, so we had lots of it. In 1971 all of a sudden they needed a higher price so they could go out and do the big tough job of finding more because we had a shortage.

We were manipulated back and forth by the oil industry in that manner many, many times in this country. That is why our party insisted on the federal government setting up Petro-Canada when we had the Trudeau minority government. Eventually they got started using that company, in about 1977-78, to some effect. However, I do believe the Tories now are not using that company as an instrument of government policy, and that's a mistake. Petro-Canada, under the Tory government, has turned into just another big multinational oil company that is out to look after its own interests and couldn't care less about the people of Canada and the stewardship of our resource, which belongs to the people of this country, not to the oil companies.

Somebody mentioned deregulation. I guess we could talk about the Western Accord and the deregulation of the oil industry and then talk about the fact that free trade sort of consolidates that move in that direction. I think we'd have to admit that there are some loopholes in that scene and in that direction. For example, if you were to take the production of Canada and look at it right now and then think in terms of 10 years down the road we get a bit of a cutback of our oil production, you could get a scene something like this. At the present time we're selling to America about 40 percent of our oil that we produce in Canada. We then turn around and import about 40 percent on the east coast. Under the free trade deal, if we find ourselves in a situation where the production of oil is cut back, then supposedly we can cut back proportionately in the United States and in Canada as to what we use here. That's what one clause says in the free trade deal, but in fact there is a second clause which defines production as not only what we produce in Canada but what we import as well. Looked at in that way, you could see this scene developing.

Mr. Chairman, I'm finding it very hard to talk in here over the number of voices that are competing with me. Mr. Chairman, do you think we could have some quiet in here? I find it . . .

MR. CHAIRMAN: Order. Order please.

MR. McEACHERN: Well, I have the right to have my say the same as anybody else. A number of other people have been heard tonight, so I would prefer to be heard.

Let's look at some numbers. If we take the production of Canada as 100 barrels -- just so we can use the percentage figures, only we'll just call them barrels -- and then look at what happens under the free trade arrangement, we can get an idea of what kind of a deal we've bought with the free trade arrangement. If we produce 100 barrels and keep 60 for ourselves and sell 40 to the United States, we also import 40 barrels in the east to make up for what we've sold to the United States, because we produce about as much as we use in this country. Now, according to the previous Minister of Energy, Neil Webber, we are running out of light crude oil in this province and in this country. So it is not an unfair statement to assume that we might in 10 years' time find ourselves producing, say, only 75 barrels of oil instead of 100 barrels of oil -- 75 percent, of course, I mean, but I'll use 75 barrels -- in which case, then, if we were to use the proportional sharing with the United States idea, we would be able to keep 45 barrels of that production and sell 30 barrels of it to the United States. That would seem to be

not all that unfair perhaps, although you would think that we might be able to keep more of that ourselves if we thought we needed it rather than importing more to make up.

But, in fact, it's worse than that, Mr. Chairman. You see, production is defined not as what we produce but what we import as well; in other words, all the oil available. Now, since we need 100 barrels of oil, then we would have to import enough oil to make it up. Instead of importing 40 barrels, we would find ourselves importing 65 barrels, and then we would have to divide it this way. We would get to keep 35 percent of our production and continue to sell to the Americans 40 barrels, or 40 percent of our production in other words. Well, that is totally ridiculous, Mr. Chairman, because we would be the ones who have to make up all the shortfall of our own production.

Now, of course we hope that we don't have a shortfall of production one year over previous years. But in order not to, we're going to have to shift more and more from the conventional oils into the more expensive heavy oils, the oils sands, that sort of thing. So the costs are going to keep being pushed upward for our own production here, and we're going to be at more and more risk of having to buy or import more and more oil while we continue to sell to the Americans our production at the same rate that we were before the shortfall occurred. So it puts us into rather an untenable position of having to rely on trying to talk big corporations into coming into this country or -- at least under Conservative governments, the way it's been going -- to talk them into investing more in our more costly gas and oil, or certainly more in the more costly oil reserves in this country, while we continue to sell to our neighbour south of the border. Quite a deal.

Now, just in case you think that's considered a good deal by all the people in the oil patch and that they all wanted deregulation, I'd like to tell you that a short time ago -- in fact, it was April 22 -- I was down in Calgary along with Dave Barrett and some other New Democrats listening to some free trade hearings that he was holding across this country. A fellow by the name of Bob McLennan from SEPAC was speaking on behalf of SEPAC, and I have a copy of his presentation. Now, he put out the usual blurb that all the people in the industry put out saying they're in favour of free trade and think it's wonderful, but he had a couple of reservations. I'll just read you the couple of reservations. This is the fourth paragraph of their submission to that hearing:

For what we believe are significant compromises to Canada's sovereignty and the security of Canada's own energy supplies, we did not obtain the right to compete in the U.S. market on the same basis as the U.S. producer -- a basic premise of free trade. The arrangements are not balanced between the parties.

In other words, he didn't think we got a very good deal. The last paragraph on the second page is this, and it's quite short too.

The U.S. has improved its energy security [under the free trade deal], and Canada has improved the security of its access to the U.S. energy market with this agreement, but the role for SEPAC members under the agreement must still be worked out during a very difficult economic climate in the oil and gas industry in Canada.

On that point we pressed him and asked him more questions about the oil industry and about this whole deregulatory process and the free trade deal. I put it to him pretty straight. It's on tape, and we will be getting the transcript back on this, so I can verify later what I'm going to tell you now.

We pressed him and asked him quite a few questions. We said, "Well, by deregulating, what we seem to have done is tied

the hands of the Alberta government and put more control, or released control if you like, of the oil industry to OPEC and the big oil companies." And I said, "Is that in the best interests of SEPAC?" He unequivocally said, "No, it's not in our best interests." We don't know what the hell is coming down the pipe now. That's my words, not his, the last sentence. But he basically said that it's a very uncertain world he's moving into because he knows that the oil industry can be manipulated up and down by the big oil companies.

The reason I mention that particularly is because I want to tell a particular little story about Imperial Oil, one of the big companies that helps do the manipulating. In the middle of the federal campaign last fall I turned on the radio, CBC radio, and I heard a conversation that went something like this. Ruth Anderson phoned up -- I forget which one of the big brokerage firms it is -- to ask for the daily stock market report. She said, "Good morning, John." He said, "Good morning, Ruth." She said, "What's new?" He said, "Do you mean you have not heard?" She said, "What have I not heard?" He said, "Yesterday the Freedom of Information Bill in the United States was used to force the release of a document showing that Imperial Oil . . ." -- and two other companies which he named, big oil companies, I have forgotten which -- "along with the United States government conspired" -- and that was his word, not mine -- "to talk Saudi Arabia into lowering the price of oil in 1986 down to \$8 a barrel." I thought: that's a fairly funny word to use, "conspired," and I kind of wonder why.

But then you stop to analyze what the picture is. I don't think it takes any conspiracy to come to the conclusion, if one were Saudi Arabia and had the cheapest and lightest crude in the world, that if you can't hold the prices up really high, like \$32 U.S. a barrel, at some point along the line you're going to push the price down to wipe out some of your competitors. So I was a little surprised at the word "conspiracy." Nonetheless, it was used, and you could think of it this way. The United States would obviously gain by lower oil prices, because they are a net consumer of oil. So it is totally logical that they would do that, that they would help talk Saudi Arabia into lowering the pricing of oil. Imperial Oil and the other two big oil companies also, when you stop to think about it, would benefit in this way. What they basically did was leave the price of oil at the pump the same. Did anybody here notice much of a drop in the price they were paying for gasoline at the pump? No. As a matter of fact, they did not go down at all. Yet, the input costs for the oil had dropped from \$32 a barrel U.S. down to \$8 a barrel U.S.

Imperial Oil, being forewarned and being part of the planning to lower that price, could merely cut back on its upstream side, on its exploration side, emphasize the downstream side -- in fact, they had record profits in 1986 and were able, in the upstream side, in the exploration side, to pick up the best people, the best equipment, and the best leases from all the little companies going bankrupt. And there were lots of them in 1986. What happened to the Alberta government coffers? We lost nearly \$3 billion in oil revenues that year and 50,000 jobs in the oil patch.

The point to be made from this is that what is in the best interests of Imperial Oil may or may not be in the best interests of Albertans who own that resource. What the government needs to learn is that it is elected to look after the interests of Albertans, not of Imperial Oil. So if the government would just realize that while free market forces are okay, and you must listen to the industry -- yes, I agree -- nonetheless you do not have

to listen totally to the industry and assume that what the industry wants is always good for us, the owners of the resource. There are times when the interests are different. They are not always the same, as my little story just illustrates.

Mr. Chairman . . . [interjections] I'm nearly finished; don't too get too excited. The fact is that the energy revenues of this province have declined considerably in the last few years, and that is the main reason why we are facing the kind of deficit we are. You can laugh, you guys, but the Treasurer today just brought in a Bill giving him the authority to borrow \$9.5 billion. That's his anticipated deficit by the end of this fiscal year. Now, that's really great management, isn't it? We have a heritage trust fund that is almost that big, but not quite. So this government has gone through a boom and bust and has blown the great wealth that was created by the boom in the late '70s and early '80s in a matter of a few years, with very little to show for it.

So I just say to you, Mr. Minister of Energy, that you need to take a really careful look at where we're going in the energy industry, and I know you will. You have some very serious ideas. You've listened to some of the debate on this side of the House tonight, but it is not going to be an easy road. We are moving into a very difficult period of time in the oil industry in this province, and by entering into a free trade arrangement, you have rather tied your hands; that is, the government of Alberta does not have all the cards that it could play before it entered into that agreement. We have gained very little, because the Americans, if they want our oil and gas -- and they will always want our oil and gas because we have security of supply; we are next-door neighbours; it's easy to get; it's stable compared to OPEC and some of the other Arab countries; and America will always be a net importer of gas and oil -- would always have found ways to buy our gas and oil. What we've done is tied our hands and said we will leave it up to "free market forces" to decide what the terms will be. It may be a mistake. I'm not saying you can live in a fool's paradise and that you can control everything; I wouldn't want to try to do that. But you cannot also just assume that what Imperial Oil wants, Imperial Oil should have, and that that's good for Albertans who own that resource.

MR. CHAIRMAN: The hon. minister would like to reply briefly?

MR. ORMAN: Yeah, Mr. Chairman, just briefly. I'd like to go back to the question by the Member for West Yellowhead and point out to him that section 2.4.3 on Coal Research -- he asked the question about the reduction in the budget amount there, and I'd like to point out to him that that is simply a reallocation of coal slurry pipeline funds into the Coal for Ontario element. He asked about a transportation subsidy in 2.4.4, and I can assure him that it is not a transportation subsidy. The dollars are to improve the competitiveness.

I would like to just briefly thank the members for Drayton Valley and Smoky River for their interest and commitment to a healthy oil and gas industry. I will be reporting back to the Member for Smoky River on coal gasification; I do not have that information for him. The Member for Calgary-Foothills -- again, her interest and commitment to a healthy industry. I'd like to thank her for her comments on a simplification of the royalty calculation. We'll take them under advisement and also thank the member for taking on a speaking engagement for me

to the industry in Jasper.

Mr. Chairman, with regard to Edmonton-Kingsway, I know he believes what he says, and I admire his commitment to his views. But I'm going to have to review the Blues tomorrow to see if I can follow his reasoning. It must be too late tonight. I do believe, though, he suffers from acute paranoia. But again, he's entitled to his point of view. I will review his argument in the Blues and report back to him to the extent possible at a later date.

Thank you.

MR. GOGO: Mr. Chairman, I move the committee rise, report progress, and beg leave to sit again.

[Motion carried]

[Mr. Deputy Speaker in the Chair]

MR. JONSON: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions, reports progress thereon, and requests leave to sit again.

MR. DEPUTY SPEAKER: Having heard the report from the hon Member for Ponoka-Rimbey, all those in favour, please say aye.

HON. MEMBERS: Aye.

MR. DEPUTY SPEAKER: Opposed, please say no. Carried.

MR. GOGO: Mr. Speaker, as hon. members are probably aware, the Leader of the Opposition has requested under Standing Order 58(4) that the Treasury Department would be designated for discussion tomorrow in the event that estimates were called. It's my information that, indeed, estimates probably will be called.

Mr. Speaker, I do now move the House do adjourn to tomorrow afternoon at half past two.

MR. DEPUTY SPEAKER: Does the Assembly agree with the motion of the hon. Deputy Government House Leader? [interjections]

SOME HON. MEMBERS: Agreed.

MR. DEPUTY SPEAKER: Opposed?

MR. McEACHERN: Probably. [interjections]

MR. DEPUTY SPEAKER: Order. Order please. Hon. Member for Edmonton-Kingsway, I have put the question to the House, and once the question has been put, it must be proceeded with.

MR. McEACHERN: Can I not ask the House leader a question?

MR. DEPUTY SPEAKER: No, you may not. I have put the question to the House. All those in favour of the motion of the Deputy Government House Leader, please say aye.

SOME HON. MEMBERS: Aye.

MR. DEPUTY SPEAKER: Opposed please say no.

MR. DEPUTY SPEAKER: Carried.

SOME HON. MEMBERS: No.

[At 10:51 p.m. the House adjourned to Wednesday at 2:30 p.m.]