



Province of Alberta

The 27th Legislature  
First Session

# Alberta Hansard

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The Honourable Kenneth R. Kowalski, Speaker

# Legislative Assembly of Alberta

## The 27th Legislature

First Session

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[Errata, if any, appear inside back cover]

## Legislative Assembly of Alberta

7:30 p.m.

Tuesday, April 29, 2008

### Committee of Supply

[Mr. Cao in the chair]

**The Chair:** Hon. members, I would like to call the Committee of Supply to order.

### Main Estimates 2008-09

#### Energy

**The Chair:** The hon. Minister of Energy will have some comments to start. Hon. minister.

**Mr. Knight:** Thank you, Mr. Chairman. I do have some comments. Initially what I'd like to do is introduce the staff that are here with me this evening. First of all, Jason Chance, our communications director, is in the gallery, and we have the deputy, Peter Watson. We have ADM David Breakwell; Douglas Borland; from the ERCB, Tom Heywood; AUC, Jim Van Horne. Those are the gentlemen that will assist me this evening as we go through what I think will be a very positive exercise with respect to having some good discussion regarding the Energy department's estimates for the upcoming fiscal year.

The hon. Leader of the Opposition has asked – and I think that it is a good way for us to proceed – that we don't structure the thing as 10-minute kind of answers and 10-minute responses. He's asked for a more fluid operation with respect to what we'll do this evening, Mr. Chairman, and I think it'll work well. I've agreed that we can have a more fluid discussion with respect to the issues if we have give-and-take questions and answers asked in a shorter space of time than the 10-minute allotment.

With that, Mr. Chairman, I'll just make a few remarks with respect to the department and where we see ourselves headed in this fiscal year. This year's budget reflects Premier Stelmach's highest priorities, or at least one of his highest priorities, and that is ensuring that our resources are developed in a sustainable and environmental way. The plan that we have put forward and our budget will enable us to further build on energy resources and ensure that Albertans continue to enjoy the prosperity and high quality of life that comes with being blessed with such an abundance of resources. The energy resources in the province of Alberta account for over 30 per cent of the government's total revenue, and these revenues certainly will continue to help fund priority programs in the province. I think that the benefit to all Albertans is definitely quite obvious with respect to this particular industry, and I do speak about energy full stop, not just limited to our hydrocarbon resources.

Our plan as we move ahead also reflects some changes, changes such as the change that's taken place with respect to the Energy and Utilities Board. Our regulators, of course, now are divided into two separate entities. The implementation of legislation created two entities. You see the result here this evening: we have individuals with us from both the ERCB and AUC.

Certainly, Mr. Chairman, the implementation of the new royalty framework is, indeed, a change. I think that as we move into the acceptance of a new royalty framework for the province of Alberta, I believe that there are certainly opportunities there for us to be innovative and to show that these resources are a tremendous benefit to Alberta and, at the same time, can be managed in a sustainable and an environmentally friendly manner.

Another change that we're going through was initiated, of course, some time ago. There is going to be a greater focus as we move ahead on innovation and technology. We do have in our budget and cross-ministry budgets as well the opportunities for investment in innovation and technology. Again, that all ties back to the idea that we will be able to develop our resources in a very sustainable and responsible manner.

We've got a number of priorities in our plan and priorities in the budget. Again, these are priorities that the Premier had developed and set out for us earlier. Certainly, one of the things that we're working with and continue to do and, again, is very important, is provincial energy strategy. This budget will support some of that work as well. As we go forward here, we've got, I think, a great group of people assembled to give us some help with respect to the energy strategy. We're going to do implementation work on carbon capture and storage. There'll be work with respect to research and demonstration projects, we hope, and certainly some of that, of course, is reflected in some of the money that's in our budget. The Premier has asked to support some research with respect to new oil sands extraction opportunities, and we're looking at opportunities here to produce this particular resource using less energy, less water, reducing things like tailings ponds, and, certainly, improving the opportunities that we have with respect to land reclamation.

Value-added activity is, I think, a major piece of work for the Department of Energy; certainly, again, cross-ministry initiatives with respect to value-added. The innovation and technology involved in value-added, the opportunities for us to build and employ a skilled workforce with respect to value-added industries in Alberta are important to us. We believe that the long-term sustainability of the province itself and our economy will be related to issues around value-added and changes with respect to how we manage these resources and, of course, what resources we'll actually employ at any given time.

There are a number of changes that come to mind when we start talking about opportunities in the energy strategy and making sure that we're, I think, aware and have a capability to integrate all of the opportunities that Albertans have. As many of our members will know, we very recently – and I mean in the last kind of five years when I say recent – have been developing a fairly major block of wind power in the province of Alberta. We see that as a huge opportunity, and most certainly we'll go ahead with a lot more opportunities with respect to alternates such as wind power. There are opportunities for us, and we're happy to be able to work with industry players and others – community people, aboriginal groups, and people such as that – with respect to alternate energy in the form of hydro development and other opportunities in the province.

Mr. Chairman, we think that this is an exciting time for Alberta. We think that the estimates that we've laid out here for discussion this evening and our opportunity to explain more about where we see our opportunities and where we see the province headed with respect to development of energy resources is certainly a very good opportunity for us this evening, I think, to discuss those issues. I look forward to all members in the House tonight being engaged in the dialogue. I think at this point I would engage that dialogue.

Thank you.

**The Chair:** Thank you, Minister. I notice that there's a group of guests up in the gallery there, so I would like to ask for the Assembly's unanimous consent to revert briefly to Introduction of Guests.

[Unanimous consent granted]

7:40

**Introduction of Guests**

**The Chair:** The hon. Member for Edmonton-Calder.

**Mr. Elniski:** Yes. Thank you, Mr. Speaker. To you and through you and to this hallowed Assembly I would like to introduce tonight 30 members of the 395 Squadron air cadets. They're Officer Cadet David Northam, with his firm yet fair leadership, and his adjuncts, Warrant Officer First Class Alex Millham and Flight Sergeant Daniel Cunningham. I'd also like to assure them that while the business of governance is not always exciting, it is always important. I would invite them all to rise, please, and receive the traditional welcome of this Assembly.

Thank you.

**Main Estimates 2008-09****Energy (continued)**

**The Chair:** The hon. Leader of the Official Opposition.

**Dr. Taft:** Thank you, Mr. Chairman. Just to explain how the minister and I sorted things out, how we'd like to proceed, we prefer a more fluid, conversational, back-and-forth process, if that's okay, as opposed to 10 minutes.

**The Chair:** You have 20 minutes combined.

**Dr. Taft:** Yes. I'm happy to share it with the minister, and I understand I actually have until 8:30 as the opposition. Right?

**The Chair:** Yes. Proceed.

**Dr. Taft:** Thank you. Okay. Appreciate the comments from the minister. We can refer to page 170 of the estimates. Of course, the royalties turn up in many different places, but I think we might as well just start addressing some of the questions around royalties. Obviously, we all know the basis on which the royalties are calculated for the budget – it's very important – so we have some questions about how those were done.

I guess, first of all, assuming there's a deal pending with Syncrude as well as the deal for Suncor, how is that worked into the calculation, the royalty forecasts here? I'm assuming it would be under the line Synthetic Crude Oil and Bitumen Royalty. In fact, I'm not sure that the deal for Suncor is absolutely finalized, but the deal with Syncrude, I understand, is still open for negotiation. So I'm wondering what basis was used for calculating the royalties that company would pay in the line that indicates Synthetic Crude Oil and Bitumen Royalty.

Also, I'd like to hear an explanation about the impact, in a little bit of detail, of the change to the royalty structure announced for deep oil and gas and how that was factored into the royalty calculations. Frankly, it could be elucidating, informative for me and for, perhaps, all of us to get a bit of explanation about how the royalty structure as it is now set up for deep oil and particularly deep gas will work. So just some explanation of how that's going to work and how that has affected the budgeted numbers here. Any detail on that would be helpful to me and probably to all Albertans who are interested.

Of course, I suppose the flip side of those royalty changes is that maybe there are some additional costs that the department faces on that. I'm not sure but am looking for information. It would be very helpful.

Perhaps I'll just leave that for now if the minister is prepared to respond, and we'll move ahead step-by-step like that. Thank you.

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you. Of course, the document that we have here, for the hon. member's information, with respect to the couple of questions that were asked about what we're doing in the new royalty framework – my suggestion would be that the '08-09 numbers that we have here are prior to implementation. But, you know, it's a good question. If you want a little bit of a discussion around Crown agreements and so on, I think it's a good opportunity for us to perhaps have a little discussion with respect to the issue. And as you know, we made a public comment and Suncor made a public comment with respect to their Crown agreement and the fact that we have reached agreement. But as you also will know, we're still in stages of discussion with Syncrude, and I'll say to you that it's positive and progressive. The discussions are moving along.

Interestingly enough, I think, something that we need to be aware of with respect to not particularly these budget estimates but most certainly the ones in our plan going forward is that there are, of course, a number of Crown agreement holders, I think in total six or seven of them, and we'll deal with all of them in due course. The smaller ones, of course, have already indicated that they would not be averse to falling in step with the other two major Crown agreement holders whenever we get to the point where we have that concluded. So discussion is ongoing. Suncor's agreement contains, of course, a Most Favoured Nation clause. I know that that's been mentioned a number of times, and I know that you understand that. It's incumbent on us, then, to continue our negotiations in good faith, and those negotiations are moving along quite well.

With respect to the deep oil and deep gas programs, of course, the member will know that that's also implementation in the '09 time frame and beyond. Although we don't have numbers in these particular estimates relative to that, those numbers will show up in the go-forward. We do have, though, in this budget and in these estimates a dollar amount with respect to the programs because, in fact, in this cycle some of those programs will indeed begin to show up. I think it was April 10 that we made the announcement with respect to the programs. Spuds prior to that, of course, would be able to apply for some of that programming, and in the first quarter of the '09 calendar year there could be some effect with respect to that.

Discussion around how the programs are going to work. If you want me to try to explain what we're doing there, we can certainly have that discussion as well, but I don't know if you want to use up your time with respect to that issue at this point. It's relative but, really, more relative to some outgoing years and budgets beyond this one.

**The Chair:** The hon. Leader of the Official Opposition.

**Dr. Taft:** Thank you, Mr. Chairman. Actually, if the minister could give a brief explanation of the adjustments made to the royalty plan for the unforeseen problems that arose, you know, compactly, that would be terrific. As well, actually, I'm interested because as I understand it, at least if I'm correct, a good portion of this budget will include changes to the oil sands royalties. I might be incorrect on that, but my understanding of the staging of the changes to the oil sands royalty agreement is that that will come in and an awful lot of this fiscal year will still be remaining, I think three-quarters of it, more or less, if I'm right.

The last quarter of this budget should be capturing the changes made to the conventional oil and gas royalty structure. I guess what would be really interesting given that you've forecast the year with set prices for oil and gas: in the last quarter of the year with the new

royalty regime pretty well fully kicked in, are we seeing an up or a down or a level on the royalty collection?

Am I making myself clear to the minister here? I'm looking for a sense of the impact as the year progresses of the changes that are being brought in on the royalty regimes both on the oil sands side and on the conventional side. That then, presumably, will give some guideposts of where the longer term future might be, as well. I hope I was clear there. I'm trying.

7:50

**Mr. Knight:** Okay. Certainly, I think what we see in the '09 budget year here would be an increase, actually, on a number of fronts. This is the most recent information that we would have for the member with respect to commodity pricing as we move forward into this new year. Certainly, all of us are very aware, and I know that the member opposite is as well. It will be, of course, an estimate that is based on the best possible information that we can employ, and it comes from a number of different areas. So I'll give you what I have.

With respect to the oil sands we're currently forecasting an increase in revenue from oil sands of about \$485 million, on the natural gas side about \$475 million, and around \$905 million with respect to conventional oil in the province. So we're looking at an increase of about 23 per cent from where we would have been and a total increase, I believe, in '09 of about \$1.8 billion.

**Dr. Taft:** Thank you. I appreciate that very much.

Now, a couple of the big issues that need to be talked about a little bit here so that we're all informed, still relating to royalties. One is the bitumen valuation method, what method is actually in place and how that's being implemented. Secondly, I would be very interested in knowing how much natural gas was provided to oil sands operators on a reduced or royalty-free basis for use in their operations. I understand, if that's still the case, that the oil sands operators consume a significant amount of natural gas without paying royalty on it. In this given year, '08-09, what would be that volume of natural gas that's provided at a royalty-free rate? So those were the two issues: the bitumen valuation method and the amount of natural gas that is provided to oil sands operators at a royalty-reduced or royalty-free rate. That would be very helpful.

Thank you.

**The Chair:** The hon. minister.

**Mr. Knight:** Thank you, Mr. Chairman. Certainly, with respect to the bitumen valuation method that's an ongoing discussion. Again, it relates to the implementation of changes with respect to our Crown agreements. As the member will know, when those generic agreements were put in place, there was an option given to the Crown agreement holders. It was called the bitumen royalty option. So the BRO is actually an option that they had. They currently pay their royalties on synthetic production, and they were given an option to revert to paying on their bitumen production, which is a typical way that we would collect royalties. That's the way we collect royalties from all of the other players in the industry that are not Crown agreement holders.

So the reason that they were given the option, of course, was that initially there was an opportunity there for them to be able to attract some investment with respect to this issue, and it also attracted investment that was outside of the Crown agreement holders with respect to increasing our ability to produce that particular resource. It worked very well. The option, then, was part of the agreement – I think '96 or '97 – that they would have the available option to

move from what we would really consider to be a manufactured product, which is the synthetic oil, to the produced product, which in this particular case is bitumen.

We don't collect royalty on any other manufactured product in the province with respect to our industry. You know, if you look at the refined product that normal or synthetic oil go into, we don't collect any royalty from refineries. We don't collect any royalty from the petrochemical industry, and so on. We collect taxes from those particular types of facilities. This would revert to a more standard way for us to collect royalties from the produced product and some other form of revenue from the manufactured side.

The bitumen valuation method, of course, becomes quite critical in these negotiations. Simply put, the operations that we're discussing here are connected. Of course, the mining operation is owned and operated by the same individuals that run the upgrader. It would be necessarily in their best interest to have bitumen valuation on a lower scale than what we might perhaps think is a good value for bitumen. So what we're doing is looking at non arm's-length transactions, sales where bitumen finds a home that has nothing to do with an integrated producer and either an upgrader or a refinery. We're consulting with them right now with respect to the issue, and the input that we're getting will be used to establish a bitumen methodology as suggested by the royalty panel in the first instance when they came out with the new royalty framework.

So, indeed, it is part of the ongoing discussions. There are a number of benchmarks, I suppose, that we can use, and I think one that kind of comes to mind that may be relative to where we need to land on this is western Canadian select. There's a market pretty much developed for a product out of Alberta, a heavy oil product that includes oil from the Lloydminster area and so on, some of the Cold Lake oil, and certainly bitumen and dilbit and that sort of product. It's work in progress, but the bitumen valuation method most certainly will be established as we move into the transition to BRO.

**The Chair:** The hon. member.

**Dr. Taft:** Thank you, Mr. Chairman. I appreciate the information from the minister. Actually, the other question that I asked – and maybe this is one to provide later in writing; I don't know – was about the natural gas supply. Do you want to respond now, or do you want to respond later? Well, I have the floor; I don't want to give the floor up quite so quickly.

**An Hon. Member:** Take advantage of it.

**Dr. Taft:** Take advantage of it. That's right.

Just because it gets overlooked sometimes, almost always overlooked in Alberta, some information on the coal royalty would be appreciated. We tend to lose track of the coal royalty in Alberta. I've had some people suggest to me that Alberta's coal royalties are too low. There's a basis here on which they're calculated, and it comes out in this budget. They're estimated to bring in \$14 million. I'd be very interested to learn something about the basis for that coal royalty calculation, particularly if the government does with coal royalties as it does with other royalties, and look at comparisons with other jurisdictions and see how Alberta's coal royalty is comparing to that in Saskatchewan or in the United States. There's coal all around the world. That would be interesting. So if the minister can talk about that as well as the royalty break on natural gas or oil sands operations, I think, to a large extent, I might move on from royalties after that. Is the minister prepared to take a swing at those?

Thank you very much.

8:00

**The Chair:** The hon. minister.

**Mr. Knight:** Yes, Mr. Chairman. With the issue that the member has brought up around gas that's used in the operation of bitumen production . . . [The timer sounded]

**The Chair:** I presume that you will go on to the second 20 minutes.

**Dr. Taft:** Yes.

**The Chair:** Proceed, Minister.

**Mr. Knight:** Thank you. The general rule would be that gas that's produced in the operation of the facility doesn't attract a royalty. If they purchase gas from outside to use in their operations, then that would be treated as produced gas, and generally royalties would apply.

I'll have to get you a written answer with respect to volumes. Of course, we track the volumes. We know where the volumes are, but I don't have that number with me. So we will take that under advisement and get you a written answer with respect to those volumes.

Interestingly enough, what we want to do, of course – and part of the ethane extraction project is addressing that problem to a degree – is have some of this gas that's produced internally in these facilities, in the upgrading process and so on, used as petrochemical feedstock. In fact, where they use that now for fuel and gas, there's a lot of very good value in some of that syngas as feed for the petrochemical industry. We're working with them. We actually have a couple of projects that have come forward, applications in the hopper for the ethane extraction project related to those issues. I understand that you want to address the fact that there's gas moving around in there that's not attracting royalty. We do understand that, but we think that we have probably a better solution if we can remove those gases and have them used in the petrochemical industry.

For the estimate for coal we used the actuals, the forecast that we had last year, and as the member points out very correctly, it is \$14 million. Do we go out and do a similar thing that we do with respect to other hydrocarbon-related energy production in the province of Alberta and look nation-wide or across the continent or even globally with respect to our coal royalties? My initial response to that would be that to the best of my knowledge, at this point in time we have not done a major survey with respect to where we sit.

Again, I think that the interesting part of that industry and the development of the industry up to this point in time in Alberta – we've looked at an opportunity there where, I agree, perhaps, when you look at that and say: \$14 million doesn't seem like much; it seems to me we're mining a lot of coal. It's the other side of the business where we are able to retain some value for Albertans, of course, on the tax side with the ability to have electricity produced and delivered into our grid at a relatively reasonable cost related to nonhydro production. So I would suggest again that if we need more clarification with respect to coal royalties, we certainly will give you a written explanation as well.

**The Chair:** The hon. member.

**Dr. Taft:** Thank you, Mr. Chairman. I think it's imperative to go to an issue that gets a lot of controversy stirred up around it, sometimes generating more smoke and heat than light, but it is a pretty

important issue, and that is the forecasted prices for oil and natural gas. I think everybody in this room understands this is nothing more than an educated guess, and I appreciate that. In fact, I don't know if it's still the case, but it used to be the case that natural gas was the most volatile commodity traded on North American exchanges. It may not still be the case, but I know these are highly volatile and hard to predict.

I remember vividly early in the fall of 2004 being with a group of businesspeople in Calgary, and they went out for dinner, and they were all really excited because oil had touched \$50 a barrel. They couldn't believe that it was so high, and that's just the fall of 2004. I think it might have been September or October 2004. Now we have oil close to \$120. If oil went to \$50, people would be panicking in the streets. I know that this is just, as I said, educated guesswork, and even six months ago nobody would have been forecasting \$120 a barrel oil.

I am, however, conscious that every single year for many years the government's price forecasts on oil and gas have been low, and I think there's an unforeseen consequence to that, and I worry about this in the larger budgeting picture. When the budgets are brought in year after year after year with consistently low price forecasts and therefore revenue forecasts on our most valuable commodity, I think it has discouraged a systematic approach to saving in the broad sense. If we were for example to rerun the numbers in the provincial budget – and I wish the opposition had the resources to even do this on a simple scale – with oil at, let's say, \$90 or \$95 for the year and gas at \$8, we'd find that there would be a very much larger surplus right here in the budget, and where I think that would drive us is to say: what should we be doing with that surplus? That, in turn, would drive us to come up with a long-term strategy to be saving.

By consistently lowballing our oil and gas prices and therefore lowballing the surplus – I don't think anybody in this room actually thinks the surplus is going to be as small as forecast here, but because it's there on paper, we don't develop a strategy to save, so I am concerned. If we had more accurate forecasting for oil and gas prices and therefore revenues and therefore surpluses, we would have done a much better job of saving our nonrenewable wealth, and that's why I think this is important. I can understand the temptation to always lowball, but the fact of the matter is that I think it's preventing us from being strategic thinkers.

8:10

I'm wondering if the shift in prices for both gas and oil have caused the department to reconsider any of these estimates – I guess that once they're in the budget, they're in the budget – and what justification this department has for so consistently lowballing these estimates. If it was just chance, at least once in a while they'd be too high, but they never are. So I guess a twofold question here. Is there any reconsideration of the budget figures given the rise in energy prices, and secondly, what is this department going to do to get more accurate forecasts in the future? I believe you are actually impairing this government's and this province's ability to come up with a long-term savings strategy.

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you, Mr. Chairman. First of all, I think what I'd like to say is that if you go back – and I do certainly understand that it appears as though the government generally speaking and the Energy department perhaps specifically have underestimated pricing forever.

The member was here in 2001 and '02. Do you recall what happened at that point in time? We overestimated. You know, I can

recall some of the comments that were made by members across the floor with respect to the fact that the government by underestimating had to turn around and do a whole bunch of fancy cost-cutting in the middle of a budget year in order to relieve that particular shortsightedness on our part, because we had actually overestimated the pricing. That be as it is. So that was in 2001 and '02, which is actually, I suppose, a ways back there.

However, currently for '08-09 what we use is a number of consultants' forecasts. We don't just do this ourselves. There are a number of consultants' forecasts. If we're looking at oil for '08, consultants that we have dealt with with respect to this issue have a low of \$73 and something and a high of \$101. That would be the average price that would be received in 2008. If you add up all the consultants that we have, the average is \$86.72, and of course the budget number that we're using in that particular case is \$81.80, approaching \$82. So, in fact, I don't think that this is an attempt to lowball. What we've done is gone out, talked to the consultants, got their highs, got their lows, got their averages, and we're sitting there very close to that. Those things will be repeated. We've got, you know, forecasts ahead for three years or so at a time and continue to use these same consultants with respect to this particular issue.

Also, on natural gas the same thing applies. The 2008 consultants' minimum price was \$7.51, a maximum price of \$9.37. Their average was \$8.26. In fact, we have lowballed in this particular case because what we budgeted is \$8.17, so we're actually below the average that consultants were giving us. So we are attempting to get the thing as close as we can to being correct, and if we err, I think we would prefer, you know, to err a little bit on the low side.

With respect to the method that we use, the Auditor General has reviewed our forecasting system, and he has recommended no significant changes with respect to that particular issue, so we don't think that we're too far out with respect to that issue.

Also, I'd like to point out at this time that the numbers that we see are interesting. Of course, when you pick up the paper in the morning, you can see it's got a NYMEX gas price and WTI. Neither of those things are relevant to the province of Alberta. We don't collect royalty on either one of those numbers. In fact, NYMEX gas typically runs nearly \$2 ahead of the Alberta reference price. We collect our royalty on natural gas, which, of course, as the member knows, is a much larger portion of our income stream with respect to royalties than our conventional oil. The way that that's done on the Alberta reference price is that we actually go out and monitor where Alberta gas is sold at a number of points and collect that data and do an average. So the Alberta reference price is what we use, and it's typically below NYMEX pricing.

Again, a very similar situation applies with respect to west Texas intermediate. It's selling at – I don't know – I think it's \$117 and change or something today. If you could get a slice of Alberta's sales on a day like this, typically I think you'd see that – I don't know – it could range as much as \$20 difference from WTI, the average of oil sold out of Alberta. When you look at bitumen pricing, of course, depending upon the requirements for heavy sour on the refining end of the business, there could be as much as \$40 difference in WTI and bitumen pricing. Again, I think we do as good a job as can be done with respect to the issue, and certainly we'll continue to try to get it as close as we can.

By the way, you know, we did have a couple of years there, '04-05 and '05-06, where there was quite a discrepancy, but last year I think we were actually just under a billion dollars with respect to where we had made the forecast and where the revenues actually fell, so it was relatively close, considering the volume that we're dealing with.

**The Chair:** The hon. member.

**Dr. Taft:** Thanks, Mr. Chairman. Moving down the page on 170 from the revenue side to the expense side, one thing that particularly jumps out is the line Resource Development and Management, where we're seeing a significant increase in expenditures. I'd like an explanation of that increase: the forecast for '07-08, \$139 million; the estimate for this fiscal year, \$184 million, almost \$185 million. We're looking at a large jump, about a \$45 million jump in expenditures on a \$139 million expenditure, so that's a significant percentage. I'd like to understand what's behind that.

On the next line, Energy Regulation, there's an increase from \$142 million to \$171 million. That's a pretty dramatic increase if you go back just two years. In fact, I notice, as I look now, that the resource development and management expenditures, just the actual in '06-07 – so we're just talking two years ago – was \$71,801,000. The budget this year is well over double that. That's a dramatic increase in expenditures. I would be interested in an explanation for that.

I'll stop there if the minister would handle these one or two items at a time. Thank you.

8:20

**The Chair:** The hon. minister.

**Mr. Knight:** Indeed. Thank you very much. Certainly, on those increases that you've noted, I have to say that I am quite happy that we've been able to secure through the system these particular increases. The first one that you asked about, of course, was resource development and management, the increases relative to the \$139 million in '07-08 to \$184 million in '08-09. There's \$20 million of that in a proposed new energy efficiency act. What we've done is followed what I think Albertans have asked us to do, and that is to look at ways that we can gain efficiencies with respect to energy use. I think we all probably agree – and we've stated this a number of times – that the first 15 per cent of new energy in Alberta is actually going to come from efficiencies and conservation, so that \$20 million is relative to that particular issue.

Also, \$17 million of that is an increase in the biofuels program. As you know, there's a biofuels program in place, and each year it's funded. That particular line item is for biofuels.

There's \$5 and a half million – a bit more, \$5.579 million – in that increase as well that has to do with the new royalty framework. The implementation of the royalty framework, of course, does require us to develop a lot of IT. As the member would very obviously understand, the economics around this particular issue are complicated. We need staff and we need equipment to design and operate a new system.

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

**Dr. Taft:** No. He can carry on.

**Mr. Knight:** The member agreed that it would be okay.

**The Chair:** We have another member of the opposition, of the NDP.

**Dr. Taft:** Oh, I think we have the first hour.

**The Chair:** We have the first hour for the opposition, and we used 40 minutes. Now there's the opposition to be recognized, and you can continue on.

**Dr. Taft:** My understanding is that the first hour was for the Official Opposition, and then it was open after that. We're getting all kinds of confused responses here.

**The Chair:** According to Standing Order 61(3) the first hour is for the opposition, and the NDP opposition is on my list, too. So we need to pause, and then we can come back.

**Dr. Taft:** Okay.

**The Chair:** Thank you.

The hon. leader of the NDP opposition.

**Mr. Mason:** Thank you, Mr. Chairman. I should say that there has been a certain inconsistency in this. My recollection in the past was that the last 20 minutes of the first hour came to us, but more recent practice has not been done that way. So I will use the time. Thank you very much.

I'm going to have quite a lot of questions, and it would be my preference to run through them all if the minister with all of his able staff can keep track of them. If he doesn't get to the answers before the time is up, you know, and if he could provide them in writing, it would be great.

**The Chair:** We just set the clock for 10 minutes for you.

**Mr. Knight:** Excuse me. May I clarify this if I could, Mr. Chairman? Ten minutes for the questions and the answers? I don't know how we're going to get to the answers to the gentleman's questions.

**The Chair:** You can agree on the 20 minutes combined or 10 minutes for questions and answers.

**Mr. Mason:** If we don't have time for all of the answers, then hopefully it could be provided in writing.

**The Chair:** So we'll do 20 minutes combined.

**Mr. Mason:** I'll just blast through my questions and comments, Mr. Chairman, and let the minister answer as best he can.

I'm curious about what the government's approach is towards proven reserves of natural gas in the province and whether or not there is any relationship anymore between having a certain number of years of proven reserves and the amount of exports of natural gas. How long will it be before natural gas supplies are liable to be exhausted or production is substantially reduced as a result? The Alliance pipeline, in particular, has created essentially a continental market for natural gas, and the result is that prices that we pay are influenced very heavily by the American market.

I'd like to know what the government's policy is with respect to the use of natural gas in tar sands production for the production of oil and whether or not there's a plan that the government has to ensure that there are long-term supplies of natural gas to be used by Albertans both in industry and domestic heating.

Until several years ago there was a rule around stripping of volatile liquids from natural gas before it was exported from Alberta. That has changed. I'd like to know if the government is considering revisiting that so that those liquids, which are useful for our chemical industry, can be available to create jobs in Alberta as opposed to Chicago or other parts of the United States.

Mr. Chairman, I'd like to know if the minister has any plans with respect to the natural gas rebate program, which protects consumers against significant jumps in the price of natural gas during the winter and at times of particular shortage.

Does the minister think that the use of large quantities of natural gas in the production of oil from the tar sands is the best use for that gas?

If I can just switch to royalties a little bit. There was a question raised the other day in question period about the government's royalty plan not being sensitive above \$120 a barrel. We're approaching that. We're almost there now. I wonder if the government will consider taking another look at that as prices continue to rise.

I just wanted to make a few comments about the situation in Alaska. This January I visited Juneau, the capital of Alaska, and met with government officials there around their royalty program. I had a brief meeting with the governor and met for some time with her staff, who are responsible for this file, as well as meeting legislators from both sides of the House and from both Houses, including the minority leader in the House and a number of Senators, both Democrat and Republican.

They told an interesting story. They went through the review in Alaska about the same time as we did. There had been an initial review, which came back with some very modest increases which did not meet the financial goals that had been set out. Then there was some interesting stuff that happened because the FBI started arresting members of the Legislature in Alaska for taking bribes from the oil companies in order to keep royalties low. So they set about a second review, and they engaged the whole House. The House did it themselves. They didn't put it off to a committee. The House met for a special session for a whole month, and they worked through these issues. They hired their own consultants, they conducted their own hearings and so on, and they came up with a set of royalties which I think make ours, you know, look very good against the one that the government has brought forward.

There are two major differences. One is that it's far more sensitive at high prices of oil. In other words, when the oil price gets above \$100 a barrel, the state's take increases far more dramatically than it does here. We did some calculations, and we found that at \$100 a barrel Alaska's royalty system will net them 60 per cent more in royalties per barrel than the one that the government is currently proposing to implement. Of course, they had a huge hue and cry in Alaska from the oil companies: they're going to leave, there are going to be job losses, they're going to stop investing, and so on. You know, I have to say that that didn't happen.

**8:30**

I guess the second thing that's different about Alaska is that they place much greater emphasis on auditing and intelligence gathering around the costs and profitability of major projects in the oil industry in that state. They actually changed some civil service regulations to allow them to pay higher wages to auditors because they had a specific plan of attracting auditors and financial analysts away from the big oil companies, away from the majors, to work for the state so that they had very much enhanced information about the costs in the oil industry. They looked at Alberta. We saw some of the documentation that they had comparing Alaska to Alberta that their state officials had done. It indicated that one of the biggest deficiencies in Alberta's case was lack of good information with respect to actual costs relative to oil companies.

So I would like to hear the minister's view on whether or not as oil pushes past \$120 a barrel, we ought to consider increasing the government take at very high costs for oil and what the disadvantages of doing that would be since there's already significant investment at \$100 a barrel or even less.

I'll leave royalties. I want to go on to the tar sands. The business plan of the department talks about a long-term energy plan for



Alberta. I think that that's a great idea. I have a few questions with respect to that. What does the plan – well, the plan doesn't exist yet, so it's more the minister's view and his officials' views. When will we be at the sustainable capacity for oil sands production? How many more plants can we build before we reach a level where it's impossible or there are just not the economies of building even more, and how much oil production is that going to be? What is the long-term plan for overall absolute CO<sub>2</sub> emissions? I'm talking in the longer term sense, 10 years from now, 20 years from now, and so on. Is that going to be considered one of the factors in developing this plan?

I'm interested as well in the carbon capture strategy. I guess I have a couple of questions. How much of the limitation on CO<sub>2</sub> emissions will be achieved outside of the carbon capture plan, and how much does the department expect will be achieved through carbon capture? The question really is: if you're going to limit the amount of CO<sub>2</sub> that's emitted, what percentage of that limitation will be achieved through carbon capture and what percentage of that limitation will be achieved through other methods? How is it going to be paid for? Who is going to be paying for carbon capture?

When we talk to different organizations in the environmental community and elsewhere, there's a mixed view on the effectiveness of carbon capture as a strategy. But in some places it seems to have worked well, and it seems that Alberta is a very good place to do it in terms of the geology. I think there's a sense that it might be worth trying. But people seem to be united on the question that if carbon capture is going to be a key part of the strategy, then the industrial producers must pay for it, and that certainly would be our view. So I'd like to know how the government sees that issue and what they're proposing with respect to division of costs for the carbon capture.

I want to deal a little bit with green energy. I'd like to know what the government's view is of renewable energy and what percentage of total electricity production they see renewable energy comprising. Again, I'm interested in sort of a longer term view, 10 years, 20 years. How much wind power can we produce in this province compared to the total electricity production that is there? And I'm wondering what the government's plans are for solar, of course, and geothermal, as well, in the same context.

I'd like to also ask about energy reduction as a strategy and how much of the government's energy strategy is based on reduction of consumption and whether or not there's a comprehensive plan that the government has in mind that would dramatically ramp up the opportunities for homeowners, government, and business to reduce the amount of electricity that they use and whether or not the government sees low-interest loans or even grants being made available so that we can encourage people to dramatically reduce their energy footprint.

I want to finally talk a little bit about electricity prices and electricity deregulation. Recently one of the major electricity companies talked about a major direction of exporting electricity to the United States. I'd like to know what the government's position is on that. Should we be encouraging or permitting the construction of more coal-fired power plants with a view to exporting electricity? In terms of the infrastructure to export the electricity, who should pay for that? Whether or not these companies should pay for it or whether the people of Alberta should be asked to pay for that, whether ordinary ratepayers should be paying for that kind of merchant-type venture.

I think that in terms of electricity rates deregulation I'd like to know if the government is going to reconsider its position on deregulation, if they've looked at that, and whether or not they think that it's produced good results for the people of Alberta. I notice

that other provinces have not rushed to follow Alberta's lead with respect to that.

I'd like to know if large-scale electricity exports from the province to the United States are permitted, whether the government has done any work on analyzing the potential impacts on the market and the costs that that would bring to Alberta. If we're connected into the American market, will it change what Albertans are paying for electricity? It certainly did in the case of natural gas when the Alliance pipeline was built connecting to a large American market. It certainly changed the price structure that we pay in this province, and I would expect that something similar might happen with electricity. I'd like to know whether or not the government has done studies on that and whether or not those things will be made public or available to us in the House.

Mr. Chairman, those really are my questions, and I look forward to the minister's response.

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you very much. Mr. Chairman, that was quite a little diatribe from the member opposite. I don't know that there's any question in there that actually relates to my budget; nevertheless, you know, we'll answer the questions the best way we can and send you a bunch of papers that have answers to the questions that have been answered for you 20 times before, and you can have the answers again. I'm sure that that will indeed satisfy your thirst for knowledge, and at some point in time in the evening I know that we'll get back to the Department of Energy's estimates.

**8:40**

But I'll start at the beginning. There was a question that was asked with respect to our reserves. Currently conventional reserves in the province of Alberta are about 40 tcf. We have by geological survey estimates – and these would be low estimates, in fact – about 100 tcf likely recoverable in coal-bed methane gas from coal and somewhere in the neighbourhood of 100 tcf recoverable from tight sands and some of the deep gas plays that industry is working with in the province now, so a very bright future for natural gas in the province of Alberta. I think I could tell the member that we're not about to run out of gas at any point soon.

With respect to gas usage in the oil sands, again, you know, I'd answered that question previously for the Leader of the Official Opposition. Most certainly the usage with respect to natural gas in upgrading bitumen, there are any amount of answers to that question depending on how you want to ask it and how you want it answered. But the gas usage there is a bit of a complicated thing because, of course, they produce an awful lot of gas and syngas internally to their operations and use that. We have all of those numbers available, and we've indicated that we would supply them.

Certainly, you know, with respect to what we're doing with natural gas and the ethane extraction part for feedstock, the member would know that we have an ethane extraction program that we've got in place in the province over the last year. We have a number of players in the petrochemical industry that are accessing that particular program, and we believe it's going to be very successful with respect to not only keeping the petrochemical industry we have in Alberta, which by the way is the largest petrochemical industry in Canada – we believe that we have very good opportunities to expand it.

The Natural Gas Price Protection Act is in place. At this particular time I think that I could indicate to the member opposite that we're always, always open to discussion and looking at ways that we can make these types of legislation better. There's always room for

improvement, and most certainly I think that my colleague in Environment would agree with me that there are opportunities for us to look.

With the issue around price sensitivity, again, we had quite a little debate with respect to that. All of that information will be in *Hansard*. I don't know if you missed it, but certainly those questions were asked and all, I think, answered to a great degree, so you'll be able to get that from *Hansard*. If you're not satisfied with that, we'll certainly give you written answers.

The comparison with Alaska is an interesting thing. I don't know. You've indicated to me on a number of occasions – and if there are a few Albertans that have missed the fact that you were in Alaska, it would be a surprise to me because it's certainly been very, very well reported. As a matter of fact, I think that this is probably at least the sixth or seventh or eighth time that I've been apprised of this particular piece of information. I'm very thankful that the member has brought that to my attention so that I can actually understand that he went to Alaska and did a very thorough research of the Alaska situation with respect to oil production.

I don't know if you talked at all about their gas production or what they're going to do with that or how they're managing that, but with respect to the situation in Alaska oil, to make a comparison with Alberta oil and Alaska oil is, you know, an interesting comparison but one that doesn't actually have a lot of value simply because if you look at the number of players in Alaska – certainly a handful of people involved in that industry in Alaska and the average production from a well in Alaska, probably somewhere 800 to 1,000 barrels a day; the average production in Alberta, about 12 barrels a day. Alaska has production that's centred in one particular part of the state. Of course, Alberta's production is across a vast region in this province. Transmission systems, et cetera, are very different. It's difficult to make those comparisons.

**The Chair:** Well, thank you, Minister.

Now we have passed the first hour, and we get into the second portion. The rule here is that each member will be recognized to speak. I just want to read the names of the members that will be recognized: the hon. Member for Calgary-Foothills, the hon. Member for Edmonton-Gold Bar, the hon. Member for Whitecourt-St. Anne, the hon. Member for Calgary-Varsity, and the hon. Member for Edmonton-Riverview, in that sequence.

Now I would like to recognize the hon. Member for Calgary-Foothills.

**Mr. Webber:** Well, this is a surprise, Mr. Chairman. I didn't put my name on the list to ask any questions, but I suppose I can talk anyway, according to a minister over here. As the parliamentary assistant to Energy I don't even know if I'm allowed to ask any questions to the minister. In question period I certainly can't, according to the rules, but here tonight perhaps I can.

**The Chair:** My apologies. You sent me a note about something else, and I put your name on the list. So I'm going to take your name off the list.

**Mr. Webber:** Okay. Thank you.

**The Chair:** I would now recognize the hon. Member for Edmonton-Gold Bar.

**Mr. MacDonald:** Thank you very much, Mr. Chairman.

**The Chair:** Hon. member, do you want to use 10 minutes or the combined 20 minutes?

**Mr. MacDonald:** That seemed to be working so well with the hon. Member for Edmonton-Riverview. We will just have an exchange, and hopefully I can get some answers to some of the questions.

**The Chair:** We'll set the clock for 20 minutes.

**Mr. MacDonald:** Okay. The first question, I guess, that I have for the hon. minister is: who won the hockey game tonight between Montreal and Philadelphia? I haven't had an opportunity to find that out, and the pages can't find that information either.

**Dr. Taft:** I'll take that responsibility.

**Mr. MacDonald:** Okay.

The first question I have centres around the business plan for the Department of Energy on page 104. I know this has been of considerable embarrassment to the Department of Energy and the government in the past, this performance measure where we have been consistent in not meeting the target set for the collection of royalties or the Crown revenues share. I see where: "This performance measure is under review by the Department. Changes will reflect Alberta's New Royalty Framework." I'm curious to know how that will work in light of the information that the department has provided in the fiscal plan.

I guess the best place to start with this would be on page 50, nonrenewable resource revenue. I see that the forecast for 2007-08 is \$10.9 billion, and that includes rentals and fees and the subtraction of a small royalty tax credit. The target for 2009-10 is \$10.7 billion. So my question here would be: where is the 20 per cent increase in royalties that the Premier promised on October 25, 2007? Where is that 20 per cent increase between these two respective fiscal years? I see that as a decrease of \$244 million in nonrenewable resource revenue. If the hon. minister would like to answer that question, I will cede the floor to him, Mr. Chairman.

8:50

**Mr. Knight:** Mr. Chairman, I'm hoping that I understood the question correctly. First of all, with respect to the member's statement at the outset that this is a continual embarrassment, I'd like to point out that the member probably doesn't have any idea how hard I really am to embarrass. There's nothing on that page that embarrasses me. It just happens to be some numbers on a page, and they're as true as we can get them. They're estimates, of course. I think that actually someplace in this information it says that these are estimates. Yeah, I believe it does. In fact, I think that's what we're doing.

To address the situation – and I hope I have the key to this question – that the member opposite was asking about. If you look at the '07-08 forecast, \$10.9 billion in resource revenue. Then we're getting a 20 per cent increase. Why is it, then, \$10.7 billion in '09-10 when there's supposed to be an increase?

**Mr. MacDonald:** Yes.

**Mr. Knight:** Okay. Mr. Chairman, the answer to this question is certainly not embarrassing, but it is a bit technical. There are a few things that will happen with respect to nonrenewable resource revenues in that period of time, and the one that probably affects this particular number the greatest is the bitumen royalty option with respect to our Crown agreement holders in bitumen production. The bitumen royalty option: of course, we had an explanation of that earlier. There will be an adjustment to Alberta's nonrenewable resource revenue with respect to that particular issue. That would probably account the most for that particular number.

Also, when we move from the '07-08, '08-09, and '09-10 numbers – again, we need to get back to this idea of our estimates. We had a very good discussion a bit earlier with respect to the estimates, and of course if we look at the estimates that we have going forward, in fact our numbers with respect to commodity pricing in that time frame begin to decrease. So we've calculated those decreases in those years going out, and those are the estimated numbers that we arrive at.

I believe, Mr. Chairman, that there were two questions there, and I think I've answered the two.

**The Chair:** The hon. member.

**Mr. MacDonald:** Thank you. For the record, Mr. Chairman, I thought Montreal played back-to-back games, but they did not. It's tomorrow night. So my first question cannot be answered.

Now to the minister, please. On page 51 of the fiscal plan, at the top of the page, there is an increase in revenue under the new royalty framework, and it goes for conventional oil, oil sands, and natural gas. The first numbers, 2008-09, I assume only reflect fourth-quarter results, when the royalty framework comes into play, and that is an increase in revenue of \$466 million. However, in 2009-10 the increase is stated in here to be \$1.8 billion, and then for 2010-11 it is also \$1.8 billion. Now, this is based on budget 2008 price and production assumptions. Where does one find these production assumptions? I think they're different from the assumptions that are on the next couple of pages.

Now, the Premier stated on October 25, 2007, that we would receive an additional \$1.4 billion as a result of the new royalty framework, yet in here you're claiming that there will be an increase in revenue of \$1.8 billion, and I would assume that that is not net of the royalty holidays that were announced as a result of the unintended consequences, I believe they were referred to. Is that correct?

**Mr. Knight:** Mr. Chairman, the question relating to the \$1.4 billion: I think some clarity around that would probably be very useful for the member opposite, certainly, and for all members this evening. We need to get ourselves back to the royalty panel. The work that they actually did was on numbers that were relative to 2006. So all of those projections and estimates were based on 2006 reality, assuming that there would be no change in activity – right? – no change in production, and that commodity pricing would stay as they had predicted it would be. All of those things are moving targets, and as we know, all of those things have now changed.

The best estimate that we can give you now on a go-forward basis, with respect to the new information that we have, would be that this particular new royalty framework put in place in that year will generate \$1.8 billion. I think it is important for us all to understand that that number is subject to change again on a quarterly analysis. So when we give the first-quarter update, there is a possibility that that number may change. We have to continually assess the situation. The royalty, the production, the activity rate: those numbers change because of factors such as that.

**The Chair:** The hon. member.

**Mr. MacDonald:** Yes. Thank you. I would remind the hon. minister that in the department's assumptions they start out with an actual number for the fiscal year 2006-07, and there have been some adjustments made to that. As a matter of fact, if we were to go to page 115 of the Energy business plan, it should be noted that the increase between the budget number for revenue from synthetic crude oil and the bitumen royalty, which was estimated at \$1.7

billion, went up by roughly \$600 million to \$2.4 billion, an increase, Mr. Chairman, of 25 per cent. So that was a 25 per cent increase, and that's for the year 2006-07. That's the actual that I see there, and the minister is right. There are changes, but we have to be very careful about stating that all of these are assumptions because the first number to the left would be an actual number from a previous year. We're talking here about actual, forecast, estimate, and targets for the last two fiscal years in the term.

Now, I'm looking again at page 52, the oil assumptions at the bottom of the page. We have an assumption for synthetic crude and bitumen. Again we start in 2006-07 with an actual number, Mr. Chairman, and we go out for the next four fiscal years with a forecast, an estimate, and then, of course, the targets. We also have the price there, and we have the production in thousands of barrels a day for both conventional and nonconventional.

I'm going to have a good look at this for synthetic crude bitumen. As we go out in these years, we see where we're going from \$2.4 billion collected in '06-07 through to where we reach a high, it is estimated, in 2008-09 of an additional \$1 billion. Then it drops significantly in the forecast by a billion dollars and sort of – I'm pleased to see it goes back up.

9:00

Now, I got my calculator out, and if the minister would be willing, I'd be quite willing to loan it to him. My figures may be wrong, and I'm sure the hon. minister will be the first one to correct me, but I'm looking at 2006-07, and I know what the production was on a yearly basis. I know what the revenue was on a yearly basis. The royalties per barrel, by my calculations, in 2006-07 for synthetic crude bitumen works out to \$5.49 per barrel. If we get a percentage on your price, which is down here – it's less than 14 per cent. It's 13.7 per cent, and there's no way to differentiate between what's synthetic crude oil production and bitumen.

The next year, if we go on to 2007-08 and we do the same calculations, we're getting \$5.90 per barrel for our produced synthetic crude and bitumen. That goes up as a per cent per barrel to 14.7 per cent. So it's going up. Then in 2008-09, the year where we get \$3.4 billion estimated in royalties, it's \$5.57 per barrel – it's going down a little bit from the previous year – and the royalty is going to average as a percentage 14.3 per cent.

In 2009-10, it is interesting, when the royalty framework kicks in, the new royalty framework, we're going to have revenue estimated at \$2.5 billion. We would be producing over 730 million barrels, and the royalty per barrel on this, Mr. Chairman, would be \$3.55 per barrel. That's what we're looking at here. Now, unless my math is wrong, that's a royalty rate of 9.3 per cent. This is what the numbers are when you run them. In 2010-11, when we have revenue projected to be \$3 billion and production at 839 million barrels, the royalty rate will be \$3.62 per barrel, or a bitumen royalty of 9.8 per cent. In essence here, Mr. Chairman, we are looking at the new royalty framework getting significantly less in royalties, whether it's on a per-barrel basis or whether it's as a percentage per barrel, than with the old regime. So how can this be a good deal for the owners of the resource, Albertans?

Now, I'm looking at your prices. If we go to page 88, I think it is, we see the key energy and economic assumptions. The same numbers are basically used there by the Department of Energy. I'm quite surprised by this.

Before I cede the floor to the hon. minister, I would like to also ask a question from the next page, page 54, and his energy revenue scenarios. He has four of them there: a low one, a Budget 2008, an average, and a high one. In footnote (a) it states, "Not all of these

forecasts are publicly released.” I want to know why they’re not and if you will consider giving them to the hon. Member for Edmonton-Riverview and myself.

Thank you.

**Mr. Knight:** I’ll answer the last question first. There are some circumstances where the information that we gather is related to competitive interest in the industry, and we’re not allowed to release that kind of information publicly. I would suggest that’s probably the answer to the last question.

I think all of the talk that kind of took place before had a lot to do with: why is it that we seem to be producing more and more oil and getting less and less for it? There are a couple of reasons, I think, that will answer the member’s question. Of course, page 52 has the explanation to his question around the oil sands production continuing to grow over the forecast period and oil sands royalties forecasting a decrease by \$804 million. You didn’t need the calculator. The hon. member could have just read this piece. The numbers are there. In 2009-10 the decrease to \$2.6 billion is mainly due to the fact that the expectation is, as I’ve answered – I think this is the third time now – that Suncor and Syncrude, Crown agreement holders, will choose to pay royalties based on bitumen instead of oil. Again, that’s the bitumen royalty option.

Also, as we go forward here, the way the generic regime is set up – and, again, the member knows this very well: you have a before payout, an after payout section in the generic regime. On a go-forward basis in these years there will be a lot of new production that comes on that’s in the sliding scale in our new royalty framework on the 1 to 9 per cent on the front end on prepayment. If you add those two things together, I’m sure that the estimates would indicate that that’s what will happen there.

Pricing being what it is and the commodity being as attractive as it is at the moment, we would expect that payout for a number of those particular facilities will occur in a relatively short period of time, and most certainly Albertans will see a tremendous increase in the royalty they receive postpayout.

I believe that that answers the questions fairly well.

**The Chair:** Now I would like to recognize the hon. Member for Whitecourt-Ste. Anne, followed by the hon. Member for Calgary-Varsity.

**Mr. VanderBurg:** Thank you, Mr. Chairman. I’d like to talk a little bit about the new Alberta Utilities Commission and the new ERCB with respect to your estimates. Will your staffing contingent be complete with those two agencies? How much have you budgeted for AUC, ERCB? Can you identify the cost savings in your budget by having some of the people, like HR, providing for both AUC, ERCB, or have you decided to hire separate people for each agency? As well, I’m interested to find out the intervening costs in the budgets. There may be some savings to Albertans given the new process in place. I just wanted you to talk a little bit about those opportunities. I’ll leave that for now and let the minister reply.

**The Chair:** The hon. minister.

**Mr. Knight:** Thank you, Mr. Chairman. Certainly, a number of very good questions from the member. First of all, with respect to the staffing of the two new regulators, it’s a work in progress. Of course, we do require some additional individuals in both of the new regulators. I’d also like to say that with respect to the boards we’ve recently had some appointments and got board strength up on the ERCB and the AUC. It’s still not a full complement of board

members on either side of that. So, of course, the ERCB and AUC budgets do reflect the necessity and the opportunity for us to get up to full complements with respect to that. The budget numbers that we have and, I think, the member would know: \$184 million for ERCB and \$32 million additional for the AUC.

The answer with respect to services: there are some shared services, and corporate services currently are split between the two regulators, so there is opportunity for each of them to do some of the work on their own.

That was what I wrote down. I hope those are the answers that were required.

**9:10**

**Mr. VanderBurg:** Also, you know, this budget goes to April 1, and as of January 1 of ’09 there will be no requirement for you to cover staff and the agencies that you have within the department for the medical premium. So there will be some savings along the way, and I don’t think your budget has reflected that. What do you plan on doing with that quarter, the last quarter of the year, savings that you will have in your budget that normally you’d pay for employees’ benefits? For each employee it would probably be about \$1,000 per family, so in the quarter you add up that \$250. Will you return that money to general revenues, or will you use that for staff enhancement or other department improvements?

**The Chair:** The hon. minister.

**Mr. Knight:** Always a pleasure, Mr. Chairman. The answer to the last question with respect to the government’s plan to discontinue collection of health care premiums from individuals in Alberta will most certainly affect all of the government, and our staff in Energy is no exception. I would suggest that I’ll take that question under advisement. I don’t believe that it actually shows up in the budget documents in any place that I’m aware of. We’ll take that question under advisement and most certainly get a written answer for the member with respect to that particular question.

**The Chair:** The hon. member.

**Mr. VanderBurg:** Thank you. I want to move on to the revenue side a little bit. It’s been pretty apparent the last six, eight weeks that we’re starting to see seismic activity once again in Whitecourt-Ste. Anne. Seismic activity means future land sales, future exploration, future drilling, and the real good side of it is that my service companies and hotels and motels, of which I have 1,300 in a small community like Whitecourt, will be busy again. But I haven’t seen any indication through the revenue side that our land sales are going to start increasing and providing the huge dollars to our revenue side. You can recall, Minister, some 24 or 36 months ago some record sales and some record prices for our land. What’s your outlook on the land sales, and where do you see things happening within the province? Is it mainly north, mainly south? Is it oil? Is it gas? Is it precious mines and minerals? What’s happening with the land sales and the revenue part?

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you, Mr. Chairman. Certainly, with respect to the revenue as it relates to land sales, the numbers that we have, of course, are not matching some of the tremendous land sales that we had in, I would suggest, ’06-07, the bonus bids, you know, \$2.4 billion or \$2.5 billion and then \$1.2 billion, I think, in ’07-08. As we kind of go forward here, we see that number decreasing for

a couple of reasons. The way the structure works in Alberta with an economic rent model around our royalty structure, there's so much money at play in a particular piece of business for any corporation that would be looking to invest. If the royalty structure is going to take a certain number of dollars out of that, that may be higher than it had been previously, people that are going to purchase the land look at that, look at their net present values, internal rates of return, and that sort of thing. They make a decision that if that's going to be the case at the outcome, then when they go to purchase the land, they try to balance that off.

You will see a bit of a decrease with respect to the bonus bids, which in our estimation, Mr. Chairman, is probably a good thing because if we can get the land sales – and they're average prices now, by the way – into some historical kind of average pricing and encourage people to buy the land, the long-term net benefit back to Albertans is quite a bit larger when you get into the wealth generation piece that comes behind the land sale and the royalties that the province would receive in outgoing years. In fact, the strategy behind that is that although we do see these numbers decreasing, they are explainable.

The other thing is that there are a number of opportunities, particularly in North America, for players that would be interested in Alberta, and certainly some of them, of course, are interested in other provinces and jurisdictions outside of Canada. There have been changes in technology in the last, well, even couple of years that make some of these plays like the ones in Saskatchewan, the Bakken oil thing, and the Montney play, which is a big deal, and the Horn River in B.C. – we've known that there's been a resource there, but it's never been really economic simply because of the technology.

Technology that we can now apply to those kinds of resources certainly has created, I think, exceptional opportunities for our partners in Saskatchewan and British Columbia. Our neighbouring provinces are going to do well out of those resource plays, and we think, again, that that's a very good piece of business for us in western Canada. I think that we need to keep in mind also, particularly with respect to the B.C. play in the natural gas there, that it's not such a bad thing if some of that money gets invested in British Columbia. Most of the natural gas handling system that would be employed to move, process, store, and ship that gas to market is actually that infrastructure, and the hub is in Alberta. So it would tend to increase our overall ability to keep our systems running relatively full.

A very interesting thing about this, also good for Albertans, is that if, in fact, British Columbia is successful with that gas and it does move through Alberta, the toll system for natural gas producers in Alberta actually stabilizes and in certain circumstances would decrease because pipeline throughput is higher, so on a per-unit basis they'd pay less on the tolling charges. It can be an opportunity for Alberta because, of course, if their tolling charges are less, their profits are more, and we collect taxes on that. You know, when you balance all these things, the opportunities for Alberta are still very, very strong.

**Mr. VanderBurg:** My final question, and it's in regard to the precious mines and minerals industry that's starting to appear on our Alberta landscape. Your ministry has been very supportive in providing up-to-date geological studies and mapping. As I'm sure everyone here knows, the first diamond found in Alberta was in my constituency, in Evansburg. We have some junior mining companies that are based in Whitecourt-St. Anne that have just found Alberta's newest kimberlite pipes north of Red Earth. The core testing has provided some positive results that the kimberlites are

diamondiferous. What is your department doing – I don't see anything in your budget specifically – to encourage our precious mining and minerals industry to flourish? We see our cousins to the north with Diavik and Ekati and lots of exploration going on with Alberta companies. What are we doing to encourage that exploration here in Alberta, and what are your ministry's plans in this upcoming budget to spend a little bit more time and a little more effort on attracting an Alberta precious mines and minerals industry?

9:20

**Mr. Knight:** Well, thank you, Mr. Chairman. Of course, the member brings up an excellent point with respect to mining in the province of Alberta other than oil sands mining and a bit of coal mining. We have not necessarily been progressive with respect to other opportunities for minerals extraction in Alberta. What I would be able to tell the member is that I think there are some very positive signs with respect to discussions that this government is having around areas that would make it easier for these start-up and exploration companies in the mineral business to find capital. We're certainly keen on that. You'll find that I and the department, I think, will be very supportive as we move ahead into those areas.

I was also pleased and keenly interested to hear that we have, you know, kimberlite opportunities here and that they're being explored now. We look forward to working with those companies, and we'll find ways to help support them in the outgoing budgets.

Thank you, Mr. Chairman.

**The Chair:** Thank you.

I would now like to recognize the hon. Member for Calgary-Varsity, followed by the hon. Member for Edmonton-Riverview.

Hon. member, do you want 10 minutes or 20 minutes combined?

**Mr. Chase:** I think we'll start off with the 10 minutes.

What I would like to offer the Minister of Energy is a trade. I would like to trade my politeness for his patience, and maybe I should add his long-suffering patience. I don't have the ability to compartmentalize where Energy leaves off and Environment and Sustainable Resource Development begin; therefore, I ask for patience. There will be questions amongst the comments, and please feel free to do your best to comment on them.

My earliest working experience was with Alberta Gas Trunk Line. I have a rudimentary experience. I worked out of Rocky in 1967, and I worked out of Fort Macleod in 1968, so I have a rudimentary understanding of the maintenance side of pipelines. Having said that, there are a number of areas associated with the monitoring of energy in this province that cause me concern or that I'm looking to be enlightened on from the minister tonight.

The first is the role of the utilities boards. The Energy and Utilities Board, I know, has been split in two with the Alberta utilities board and so on, but my understanding is that the EUB is an arm's-length organization from the government. My understanding is also that the EUB receives 60 per cent of its funding from the industry which it is charged with governing, and the other 40 per cent of its funding it receives from the government. Therefore, my question would be: who does the EUB serve? Who is the EUB's master? I think that given the fact that the Energy and Utilities Board approves something in the area of almost 98 per cent of the submissions brought to it, it would seem to me that with such a high approval rating and with a direction from the government that it isn't necessarily acting in Albertans' best interests but in the economic interests of both industry and the government.

I had the opportunity to participate in a couple of hearings, one on the rise of gas prices, and secondly, I was the last intervenor at the

extremely controversial Compton sour gas hearing in southeast Calgary. It surprised me how long it took for that hearing to reach its result about drilling additional sour gas wells in close proximity to where the southeast Calgary hospital was to be built, an area where should there have been a failure to ignite, there could be the potential of a sour gas threat to approximately 350,000 Calgarians. Basically, when the city of Calgary and the Calgary health region threatened to intervene in a more dramatic way, the Energy and Utilities Board ruled that, indeed, the safety of Calgarians was affected. Despite Compton's desire to have the size of the area for which it had to have an escape route or a plan reduced, that was rejected.

Now, the Compton hearing was an anomaly in hearings because so many individuals were given a chance to participate in that hearing process. With Bill 46, that we spent so much time debating in this House, one of the biggest concerns that landowners and individuals living in close proximity had – they weren't necessarily in agriculture; they could have been recreational individuals or acreages and so on – was that they weren't going to have a chance to intervene in hearings, that in some cases if they weren't within 500 metres of a particular well that was going to be drilled, then they weren't going to have an opportunity to participate in the discussions and the debate.

Again, Compton came up in the Whaleback area, where they wanted to drill a well. It was an exploratory well, and a number of individuals, including the Pekisko Group, the town of Nanton expressed tremendous concern about the potential of the exploratory fracking and the effect that it might have on the underground water. I realize this seems like a rather rambling circumstance, but it brings me to one of my primary concerns, that I don't believe you can talk about energy without talking about water because water is a key factor, and the effect on water is a very important factor. Whether you call it blue gold or whether you call it Water for Life, whatever you label it, it has to be of significant importance because without water nothing is going to take place, whether it's agricultural, whether it's individuals relying on a source of water for drinking and for commercial uses.

9:30

My current colleague – I'm pleased that he's my current colleague – the Member for Calgary-Mountain View, who has the environmental responsibilities, pushed this government to have at least a form of baseline testing. Up until basically 2006, when the member encouraged and lobbied the government to have that baseline testing, wells were drilled without any kind of historical record of the potential for gas migration. The government hasn't been pushed to the point where the type of predrilling testing involves isotopic testing, but that's an important step because there is natural migration of coal-bed methane into wells. There have been a number of wells drilled, particularly in the Rosebud area, where the migration of gas has been of such intensity that it defies natural migration. Individuals have had to have their water trucked in, and lately some individuals in Rosebud have had that opportunity to have their water trucked in cut off, and that's a tremendous concern.

There does not seem to be any no-go area for resource extraction, and as the shadow minister for Tourism, Parks and Recreation this is a grave concern to me. I brought up in this House the fact that in the fall there will be hearings between the federal government and, I gather, our Alberta representative, the EUB, about the future or the fate of the Suffield range, which is currently under the auspices of the Canadian armed forces.

Thanks to the commanding officer of the Suffield base the wildlife protections and the water protections have remained in place, but

this could all change very dramatically as a result of the hearings. When I asked the question in the House, it was basically shoved to the side that this was a federal issue, that Alberta had no say in the management of its own resources. The company that is most interested in drilling over a thousand wells was actually a provincial body and was the recipient of a tremendous amount of provincial largesse.

Try your best, minister. I'll look forward, and I'll come back again.

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you, Mr. Chairman. Certainly, lots of information there and an opportunity for us to answer a number of questions that the member opposite posed. First of all, I think it would be interesting to note that the EUB does not have an active role at the moment other than closing out certain files that they had been charged with and had a responsibility for prior to our change and the implementation of a new Energy Resources Conservation Board and the Alberta Utilities Commission. The issue that has been brought up and discussed around EUB is not really that related to our budget that we're talking about tonight, our estimates, or what will happen on a go-forward basis.

However, I'm certainly prepared to discuss the situation around what used to be the EUB's mandate and certainly their budget. There was an arrangement with the EUB where industry does pay for a percentage of the funding of EUB, but I think the proper way, perhaps, to look at this is that this is a tax. It's a levy that the provincial government puts onto industry to pay for a regulatory body that works on behalf of Albertans. We tax industry with respect to the issue. The EUB, of course, included a public utilities board. These situations with respect to their financing, et cetera, will change a bit on a go-forward.

The EUB as it was established, of course, was a regulatory framework for the energy and utility sectors, and what they were charged with was being sure that development was fair, responsible, and in the public interest. Of course, that's a core business for our department. That, as I say, will change. The business and the interest that we have with respect to the two new regulators will remain, but the EUB, in fact, isn't active other than closing out some files at the moment.

Also, interesting to note that there's a percentage number that's discussed there. Ninety-eight per cent of things that come forward to the EUB are passed. Well, I have to say that, you know, 60,000 applications came to the EUB, I think, in '05-06 or '06-07, in that kind of time frame, and the member would know that the vast majority of them were not contentious. But, in fact, if we look at '06-07 the EUB turned back, closed, or denied a number of applications on a daily basis. In '06-07 there were 2,637 applications either closed or denied by the EUB. You know, if you look at any other regulatory body probably across Canada, you wouldn't find a body that had denied that number of applications. There were 1,725 applications withdrawn by the applicant. They probably didn't meet some requirement of the board, so in the preliminaries they were withdrawn.

We have over 4,000 applications – 4,000 – in one year, so with 365 days a year, that's quite a number of applications that are withdrawn. In 2005-06, 1,840-some closed or denied, and 1,500 withdrawn by the applicant. So it's no rubber stamp operation working in the interest of industry. What it did was a fair, responsible, and in the public interest assessment of these applications as they came forward.

As it's structured now, the ERCB and AUC, of course, are quasi-

judicial bodies. If the member is interested, I can provide information on how they're funded. But, you know, there are so many pieces of information that I'd like to try to respond to in the 10 minutes that were allotted to the member to ask.

You moved on from there, I think, to: you can't talk about energy without talking about water. I certainly agree with you. They're absolutely connected and have been forever with respect to production of hydrocarbon resources in the province of Alberta. There are, of course, many water-driven oil and gas fields in the province, and produced water has been an issue that needed to be dealt with in the energy industry, I think, since its inception in Alberta, certainly for many, many years. I think the member may be more interested in water relative to coal-bed methane and perhaps potable water and water that's used by industry for secondary recovery schemes and that sort of thing.

9:40

Certainly, I think tomorrow evening you would have an excellent opportunity to question my colleague with respect to that issue. I believe Environment is the next show up tomorrow evening. I know that minister would be happy to address situations with respect to what they're doing.

I know also – you know, you talked about some baseline testing – we're certainly moving ahead with baseline data. Baseline data for some of these projects, particularly with respect to CBM, has been a requirement for several years with respect to Alberta Environment. If there are complaints or there are problems with respect to that particular issue, relative again to coal-bed methane, those complaints are investigated by Alberta Environment.

I think there was some fairly extensive work done in January of this year in the Rosebud area, where there had been some suggestions that there were concerns around this particular issue, and the Alberta Research Council did quite an extensive bit of scientific testing with respect to the work. You know, I could stand to be corrected here, but I believe they were down to isotope identification and that sort of thing in the water and actually found that there wasn't any impact on these particular wells from the industry's activity. Interestingly enough also, the Alberta Geological Survey, which is part of the ERCB, of course, part of our department, is working with some new survey technology with respect to being able to map groundwater, and we're looking forward to some very, very good results from that technology. It's looking very promising.

The next area that I think you talked about was the situation where one of the companies – I may have this mixed up in the order of your discussion there. A company had made an application to drill a sour gas well, and there hadn't been proper response from the regulator with respect to the hearing, either the length of time at the hearing or the opportunities for individuals to make their case in front of the hearing. I may get an opportunity to complete that later.

**The Chair:** The hon. Leader of the Official Opposition, followed by the hon. Member for Livingstone-Macleod.

**Dr. Taft:** Very good. Thank you, Mr. Chairman, and thank you, Mr. Minister, for participating in the way you are. I appreciate that very much.

I would like to just continue to focus on some of the material that's in the estimates and the related documents here. One of the most important measures in any of the documents that are tabled in Alberta, I feel, is the one that is the measure of the Crown resource share. It's referred to on page 104 of the business plan if I find the right document here.

I'm sure the minister is very familiar with this. There is always

a target range for a percentage of the value of petroleum production that will be collected in royalties, and the range was 20 to 25 per cent. Consistently for the last few years the government was falling short of that, and that undoubtedly was one of the factors that triggered the royalty review process. When we look at this year, it says, and I'll quote from page 104 of the ministry business plan: "This measure is under review by the Department. Changes will reflect Alberta's New Royalty Framework." Any information beyond this that the minister might be able to provide or at least a timeline when we might get that would be very helpful. I suppose that in some ways that's one of the most fundamental performance measures for the department, for the minister and his officials. Of course, it's a very important way for the people of Alberta to track their government's performance in collecting their fair share of oil and gas wealth, that they deserve as owners. So that's one of my questions.

I want to refer to earlier comments made by the minister when I asked him about some of the line increases on page 170 of the estimates, and he was very helpful there. I was asking in particular about details on the resource development and management line, and he indicated, as to some degree is explained on page 166, that there's a \$17 million increase in the biofuel program and a \$20 million expenditure for energy efficiency. Just to help the minister out here, because I know we're hopping around like grasshoppers, I'm in the estimates on page 170. I'm just reflecting comments he made earlier about why that increase.

To be honest, I was quite delighted with the idea of the \$20 million going into the conservation and energy efficiency initiatives. That looks like a brand new initiative. That's a brand new program, I guess. I remember the day when the Department of Energy actually had what I think was called the energy efficiency branch. I believe that's what it was called. It was there through the '80s, at least, into the very early '90s, and then it was disbanded.

I happen to be a big believer that our greatest gains in terms of reducing greenhouse gases and addressing emissions and living up to international standards will be through improved energy efficiency. That's across the board. I was sitting here looking at the light bulbs in the roof of this Assembly and looking forward to the day when those will be changed. I know it's a big production to change them. But when they are energy efficient – I don't think they are yet – right through to the vehicles we drive, to the building codes for our houses, to all the ways that we live. I would really appreciate any information that the minister can provide on that particular program because I think it could be a huge benefit. It could be very, very important.

I'm also interested in some details on this \$17 million increase in the biofuel initiatives, that brings our total to \$58 million. I'll be honest with the minister, that on biofuels I'm somewhat more of a skeptic. I think we're seeing the consequences, the unintended consequences, of the global shift towards biofuels. In this case this may well include everything from grain-based ethanol right through to, you know, manure, converting manure to biogas or to other forms of bioenergy, like Highland feedlots is doing. I would be interested in some details on that because I am concerned that the global shift to biofuels is starting to really raise some serious, serious doubts and have some serious, unintended consequences that could rebound on us. If we as taxpayers are putting \$58 million into that, I want to make sure that it's in an appropriate manner.

Those are two of my questions for the minister. Maybe, so I don't get so far ahead, I'll just sit down. Just to review quickly, I would like some information on the target for sharing the revenue from resource development, which is from page 104 of the business plan, and I'd like some elaboration on both the energy efficiency initia-

tives, the \$20 million there, and the \$17 million and indeed the full \$58 million for biofuel initiatives. If the minister is able to respond right now, that would be terrific. I know we're putting him through a lot here tonight.

9:50

**Mr. Knight:** Mr. Chairman, initially, I think, I want to get back to three questions. I got to answer one of them for you, and the other two kind of remained outstanding. If I can get to those, I think that's an appropriate place to start.

You asked about the increase in energy regulation expense from \$142 million to \$171 million, the breakdown for those particular dollars. In technical expertise we got a 9 and a half million dollar increase in the budget, and that is relative to some of the work that was done by the Auditor General and certainly, I think, fortified in the Valentine report, that we needed to have some better horsepower with respect to being sure that we were able to stay on top of the regulatory issues with respect to the technical expertise that we have in the regulatory area. In public safety and compliance, again, there was an increase of \$12.7 million: new and unconventional energy resources, a \$10 million increase in regulatory affairs in the ERCB with respect to that; geological mapping – and we had some discussion previously here with respect to water, et cetera – \$1.7 million there; and there's actually an amortization expense of a million dollars in there. That makes up that number with respect to the change that was discussed.

I think the third question that you had was resource development and management and how it related to 2006-07 numbers relative to the go-forward, to the increase in our biofuels program and the energy innovation fund. There's \$36 million in the biofuel program at that point and in the energy innovation fund, \$18 million.

I think those are the answers to those original questions, and now I'd like to move on a little bit and discuss the situation with respect to the targets and when we'll get down to being able to give you some solid information with respect to performance measures. Most certainly, again, there's been work that's been done. It's the same situation here as it was, I think, relative to the regulatory things that we've had some opportunity to discuss. The performance measures were brought up by the Auditor General, and again Mr. Valentine indicated that there needs to be some work done with respect to that. We've agreed and accepted those recommendations. We don't consistently miss targets, but if we ended up, you know, at 19.5 or 19.6 per cent from a 20 to 25 per cent target, I'd agree with you that it's missed. The recommendations indicated, particularly the one from Mr. Valentine, that we should have a plan in place to deal with this situation within 90 days, and I believe that we're on track to reach that target. So we'll certainly be able to give you some information about that in the short term.

Efficiency is part of the climate change plan. Again, you'll get a very good opportunity to discuss that particular issue with my colleague tomorrow. It was, of course, announced by the Premier, the climate change plan, and, you know, I think that my colleague is willing to look at this and discuss any sorts of opportunities we can take to Albertans with respect to this issue.

I think you're right that when you look at the light bulbs, you know, that's an area where, certainly, there is a lot of work that can be done. I have to tell you that I'm not necessarily a fan of getting involved in fluorescent lighting. There's lots of opportunity there to save energy; however, the construction of fluorescent light bulbs and the materials and components in fluorescent light bulbs are a little more difficult to manage than ordinary incandescent bulbs. What I think is the next generation of lighting – I mean, the city is using them now. You know, we've got LED lighting, traffic lights and

other circumstances now where they're using clusters of LEDs for certain areas in home lighting and that sort of thing. I think there's tremendous opportunity in a future lighting technology that we may not have seen developed just yet.

On the biofuels initiative that we have, the dollars are there, so I think you would probably want me to discuss more the idea that we have or the policy that we've developed or perhaps the direction that we think we should go with respect to the issue. The dollars are laid out there. We have a \$239 million program in the Energy department to assist with biofuels, and of course we have some innovation and technology money that can be used in certain circumstances, depending on the processes and what they're doing to support that type of development.

Again, I think we have to kind of get back to the idea when we put together our energy strategy on a go-forward. We're working very hard with that. We have a solid group of individuals that are working for Alberta, and you know probably all of them. You certainly would know most of them. They're going to come forward between now and the fall with a strategy for us to put all these pieces together. Biofuel is certainly part of that effort to get an energy strategy that works for Albertans, that's all-encompassing, that is a proper plan to put all the pieces together.

Grain-based ethanol has come under attack, and I understand the reason for it. I do think that when you look at grain-based ethanol from the point of view of Alberta, we would never be, I don't think, a large enough player on the international scene or even really for ourselves here at home to actually ever get to the point where we would affect any of the food values, grocery prices, and so on relative to the cost of wheat and the price of feeding beef and that sort of thing. Those situations, of course, will show up. However, I don't think that we would come to that point. Alberta will be a small player with respect to grain-based ethanol. We have some tremendous opportunities in biofuel with cellulosic ethanol, looking at straw, looking at the waste material from the fibre industry. There are a number of areas where we think there is tremendous opportunity for biofuel, tremendous opportunity for petrochemical feedstocks and so on from the same materials.

You know, we look at biofuels, and the big deal was five years ago, when everybody said: we gotta have ethanol, and we gotta have biodiesel. We're going to move in that direction to a degree in Alberta. I think with respect to canola-based or oilseed-based biodiesel there is an opportunity in Alberta and a relatively large one. I'm sure that a number of industry players will pursue that, and we are there with programs to assist that on the ground floor, but I honestly think that we need to expand our view of biofuels as we have done with respect to other forms of alternate energy.

With biofuel in Alberta, when you start looking at some of the pods that are developing in the province, there are some very, very good stories. You know, operators in a feedlot, a 50,000-head feedlot, something in that kind of neighbourhood, can actually put together a very solid business case on a pod where they grow some corn, grow some grain, feed livestock, take the manure from the livestock, put it into a digester, generate methane from the digester, use the methane to drive generators, and produce their own electricity. As a matter of fact, most of them would end up with surplus that can get into the grid. Then, on the other side of that, they produce some very good fertilizer that's saleable as a secondary product, and also out of that operation they'll end up with the capability to produce ethanol from some of the grain-based inputs in the first place, and they can actually feed the distillers' mash, et cetera, to the livestock and then really complete the pod. We think that there are very good opportunities, probably a half a dozen or 10 of them, in the province of Alberta over a period of time. So that's what we're



kind of trying to key on there, not so much the fact that we just go out and support an ethanol-based industry that may be not in Albertans' best interest.

10:00

**The Chair:** The hon. Leader of the Official Opposition.

**Dr. Taft:** Thank you, Mr. Chairman. I've seen some of the diagrams around the idea of the integrated pod the minister just described, and I can understand that there's cost of development early on. Because of our climate change concerns, our economic diversification, our stabilization concerns, there is a role for the government to play. Once the technology is sorted out and the prototypes are in place, I become more and more reluctant to see the public dollar going into building these and, you know, feedlots all over Alberta. Let's do it once or twice, sort out the bugs. After all, that probably is a business investment. I would certainly be inclined that way.

My next questions to the minister are focused more on value-added, which is not a bad segue from where we were, but I'm back to petroleum as opposed to manure. We've had lots of manure going around, but let's get back to the bitumen here.

Page 108 of the ministry business plan talks about a goal to expand value-added energy development in Alberta, goal 4 of the business plan, actually. The subtitle is Expand Value-added Energy Development in Alberta. There's a difference between what's presented this year and what was presented last year. Last year there was a measure of the percentage of bitumen to be upgraded in Alberta, and that's now gone from this year's business plan. That's again a very important indicator for us in this Assembly and for the people of Alberta when we are talking about value-added and having targets about how much bitumen should be upgraded here. There are many, many views on this, and this is a contentious issue. I was at a presentation along with some other members of this Assembly, a breakfast this morning, where a case was made that a hundred per cent of the bitumen produced in Alberta should be upgraded here. That's not a position I've adopted.

I guess I'm out of time. I'll try to pick it up in a minute. Thank you.

**The Chair:** Thank you.

Now I would like to recognize the hon. Member for Livingstone-Macleod, followed by the hon. Member for Edmonton-Gold Bar.

**Mr. Berger:** Thank you, Mr. Chairman. I find this discussion on the Energy ministry budget very interesting. I just have a couple of questions that maybe the minister could clarify for me. Is the Energy ministry the biggest revenue generator and financial contributor to the province of Alberta? That would be my first question.

Further to that, we've had some discussion over increased costs along with increased revenue. In all the businesses that I've been involved with over the years, you find that the more effort you invest and the more financial input you have, usually it translates sooner or later to more revenue. Conversely, could you clarify for the members here that with increased revenue, there can also be increased costs?

Now, the interesting thing about the Ministry of Energy is that it seems to be the only one that we have discussed so far where we're talking about: you're not bringing in enough money. All the rest of them have been: you're spending too much money. Somewhere along the line I hope all this balances out, and I'm pretty thankful to be an Albertan with the Energy ministry and the energy industry

here. It seems to be the one that we are counting on to come up to pay for all the extra things that we want to have. I think that with those questions, just some of what you could add to that, Mr. Minister.

We've discussed a little bit here the comments on the bioindustry and how it's going to be affecting grain prices and that. Coming from the agriculture industry, I'm pretty happy to see the grain prices affected for the first time in about 15 years to the upside rather than the downside. The other side of that coin is that we seem to have to pay the energy costs to put that stuff in the ground to grow in the first place, so it's back and forth.

In an overall picture we did discuss earlier wind generation a little bit, how that will affect us here in the future. There were comments that I heard on solar. If you could just maybe touch on those two again. In the south end of the province, where I'm from, wind generation is our biggest up-and-coming not only issue but one of the big, big generators for revenue municipally and I would think also in the energy end of things. But there have been a lot of questions on the solar end. Are we going to be able to incorporate solar into this and sell into the grid and that type of thing? Now, I'm not sure if you could deal with that directly through the ministry and the budget, but it's just a question off the line.

On an overall basis maybe you could clarify for me what the percentage is that the Energy ministry puts into the provincial budget just so I know for my own satisfaction. Out of everything we spend, where does the biggest majority come from, and how much of that majority is generated through energy?

We've had some discussion on the different drilling aspects, and we're talking sour gas and conventional and everything else. Is there a breakdown that you might have access to that would say how much comes from each one of those different aspects: sour gas, sweet gas, coal-bed methane? Of those budgets can you maybe clarify what the percentage base would be for each one of them? Going in that line, what does wind power produce in the provincial percentage and any other of the new up-and-coming energy sources? I expect that it's not anything that we can go on with an exact figure. Some of these new ones are coming on steadily as we go.

Earlier we had discussed a little bit on the regulators and that. I think that with the wind power aspect, when you get back around there, we lifted the cap last fall, allowing for the new generation to come on stream when we have the network to carry that power somewhere. It would be interesting to know what percentage of the provincial output that new elevated cap would allow for us.

Just some of those information stories that give us some numbers, give us some percentages, so for my own mind, when I get asked the questions, I can say: okay; this is what energy does put into this province.

I must say I have to commend the minister on this budget he's presented this evening. He has been very, very busy, I'm sure, coming up to this.

Is there any possibility as well that the minister could expand on the research initiatives for the new technology that we have been talking about here this evening: research dollars, what the initiatives are, where we're heading with this, and what the importance of that research is? I think, as has been brought up earlier, that we're all looking for new and different ways, cleaner this, that, and the other thing. Research is where it's going to be brought out from and developed from. If the minister could just add to the answers, bring it along the lines of what research initiatives there are and what our expected or hoped results are from it.

10:10

I know I've kind of tied you up with a bunch of different little

questions that may lead into an answer that's as rambling as the question, but to go back to the very beginning, it's pretty interesting to have the Ministry of Energy being the only one that I've heard up to this point that's actually putting money in, and we're talking about it's not enough. Up till now we've been talking about everybody taking out, and it's too much.

Those are my questions for the minister this evening if he's able to follow enough to be able to answer them.

Thank you, Mr. Chairman.

**The Chair:** The hon. minister.

**Mr. Knight:** Well, thank you, Mr. Chairman. It certainly was a number of questions, and I hope that I can manage to get through most of them. I think initially a question came about, you know, the revenues that accrue to the provincial government with respect to the energy industry. What I can tell you is that with respect to total revenues for the province – we're looking at '06-07, '07-08, '08-09, and so on – we average about 30 per cent of government revenues that come from resource revenue. That kind of equals personal income tax. In fact, when we add together resource revenue and personal income tax, we'll come up with about 60 per cent of the total revenues of the province. Interesting to note that in outgoing years on the planning that we're doing now, if we go out to 2011, resource revenue falls to about 26 per cent, and actually personal income tax picks up the difference, and the 60 per cent kind of remains as about a rough number with respect to our revenue.

You're saying, you know, to gain that revenue, what additional costs are incurred? Of course, we've had some discussion tonight, and I think that if you have an opportunity to check *Hansard* tomorrow, you're going to see that some of the costs that we talked about with respect to the regulators are increased costs that are incurred to generate this kind of revenue and to do this business for Albertans. Most certainly, the Valentine report and the Auditor General have indicated that we need additional resources and additional manpower with respect to operating the system for Albertans. It's getting busier and more complex. So I think that there are some increased costs, and we've spoken about those a bit this evening.

You talked about your interest in biofuels, and we were discussing that, of course, a bit earlier this evening on a number of occasions. Of interest particularly I think to this member, others as well, in southern Alberta there are some very good opportunities for what we would call business clusters around bioenergy. I think that as we move forward with the technology and opportunities to learn from some of the investments that we're making, we're going to find that those things are more and more acceptable and more doable in different areas of the province. Most certainly, there are a lot of feeder cattle in southern Alberta, and I think there are some opportunities there for these things to work well.

You asked about a number of alternate power sources and renewables, and you asked about wind power. In total at the moment we're getting about 4 per cent of our generation in the province from wind power. The drawback to wind power at the moment, really, is the transmission system. We need to reinforce the grid. I think that you know very well from your part of the world that there are issues around transmission siting and construction and the ongoing operations and so on of the transmission system that to a degree are challenges, that the wind industry is working with us and with other industry players to resolve.

So it's very conceivable that in a short space of time we're going to see somewhere in the neighbourhood of 1,700 to 1,800 megawatts of wind electricity in the province. You know, if you look at today's

numbers, we're capable of generating about 12,000. By the time we, you know, get up to 1,700, we'll probably be somewhere in that 15,000 area. So I'm suggesting that we're somewhere around 10 per cent, which actually I think is an excellent number, and there are opportunities to go farther than that.

Solar energy. An interesting observation that you made. Alberta has a lot of hours of sunshine, and of course sometimes even when the temperature is not that great, there's still opportunity for solar energy to be productive. So initially I think that what we're going to see is that the solar opportunities will be more for sort of home- and business-based installations. Likely, in the initial stages of solar – and there are some now – they will be relatively small. We won't see a lot of huge solar operations. That will come as the technology around panels and so on gets a little more efficient.

Certainly, it's an expensive way to generate energy, and it's marginal in Alberta at this point in time, although many people do it. I know there are certain circumstances, particularly in remote areas in the province. There was a great example that we had a first-hand look at – I think it might have even been yesterday – where solar panels are being used on Turtle Mountain to supply all of the power requirements for all of the test equipment that runs there 24 hours a day. I know also that in the energy industry in my background we used an awful lot of solar energy in remote areas to do exactly the same thing, to provide power for data and communications from remote areas.

You asked an interesting question – and I know that we can get you the answer, and we'll do that – about our revenue relative to different streams. All of them were actually related to the hydrocarbon business. But you wondered, you know: if you had sour gas and sour oil, do you know how much is involved in that? How much is it? How much is the sweet production? What do you get out of CBM? What do you get out of conventional gas, conventional oil, and the oil sands? Certainly, we have that information. I might have to suggest to you that I'll get you a written answer. I don't have that information at my fingertips at the moment. I think it's very likely buried in our budget estimates here to some degree, but I can't put my finger on it at the moment. We will provide you with an answer with respect to that question.

**10:20**

There was a question relating to a research initiative. I'm hoping that I'm answering the right question here. Our innovation energy tech program is a \$200 million program. It's available for things like CO<sub>2</sub> in an enhanced oil recovery program, research with respect to things like toe-heel air injection, the THAI oil sands project, and there are others. Then there's another energy innovation fund, another \$200 million fund, that can be used to do things in biodiversity.

Certainly, another very interesting one, coal gasification, is going to become, I think, a very strong player in Alberta in the future. We have a couple of players now, interesting ones. Of course, the Sherritt thing in Dodds is quite a big gasification project that we look forward to in Alberta, but some innovative individuals are looking at coal to liquids. In fact, right around the Fox Creek area there are small players that want to take a look at coal to liquids, so we'll certainly explore those opportunities.

**The Chair:** The hon. Member for Edmonton-Gold Bar.

**Mr. MacDonald:** Thank you, Mr. Chairman. Certainly, this is a vital department, and three hours is not enough time to scrutinize it in detail. I didn't realize that, but it certainly isn't. I have more questions for the minister in the time allotted.

We talked earlier about synthetic crude, bitumen oil assumptions in his fiscal plan. I would like to also ask him about crude oil assumptions. Again, this is on page 52. If we look at 2006-07, the actual number, we will see where the royalty collected per barrel was \$7.18 on conventional crude oil, according to my calculations. That's \$7.18 per barrel, or 11.06 per cent. In 2007-08 we can go through the same calculation using the department of Energy's assumptions, and we see that \$8.46 per barrel is the anticipated royalty, or 10.46 per cent. Now we get into 2008-09 when there is hopefully going to be some changes in the royalty structure, and we see production remaining about the same on a yearly basis for the barrels produced, but the royalty per barrel is \$8.66, or 11 per cent, just a little above 11 per cent. Now, in 2009-10, if I run the numbers, the royalty per barrel collected is \$11.85, or a 16 per cent royalty. It's going up with the royalty structure.

But in the following year according to your numbers we will see about 174 million barrels of conventional oil produced. The revenue to the treasury will be \$1.8 billion. The royalty per barrel is \$10.62, but the percentage per barrel goes down from the previous year, where it was 16 per cent, to 14.75 per cent. My question regarding those crude oil assumptions would be: does the minister consider that an adequate amount in royalty? Even if we compare it to Saskatchewan and British Columbia, our neighbours, I don't think it would be.

Now, Mr. Chairman, I also have another series of questions around natural gas royalties. The first one would be, and considering the time, I think it's going to be the only one: why do we not collect natural gas royalties on the Henry hub price? That's the export price. It's the one that's referred to in the estimates.

Also, I would like to talk a little bit about the trans-Canada power proposal. I think it's 1,400 and some-odd megawatts of a run-of-the-river generating station, a system of weirs, I believe, it is. It's not the proposed dam in the plan from 1980 that Mr. Lougheed had proposed, where there was I think 2,200 or 2,100 megawatts of generating capacity in that dam. We were talking about the nuclear power development in Lac Cardinal in the Peace River area. What is the Department of Energy doing on this 1,400 megawatt proposal?

Electricity. I'm confident the minister was hoping that the time would expire before we could get to electricity deregulation, but it's going to be a long session. I have one question on electricity. If we look at the last annual report we have available from the department, 2006-07, we see that there's a decrease in installed generating capacity. We have less generating capacity now than we did before as a result of the decommissioning of Clover Bar. We see some increases as a result of cogeneration in wind, but essentially we have less generating capacity now than in the last year. What is the department doing about that to increase our baseload generating capacity? We're talking about assumptions here with natural gas royalties, a revenue stream. Does the minister have any estimates of what a kilowatt of electricity will cost an Alberta consumer this year? I can't seem to find that in your material. I know the government is not proud of the price of electricity, but I can't find it.

Thank you.

**The Chair:** The hon. minister.

**Mr. Knight:** Thank you very much, Mr. Chairman. The hon. member opposite is certainly a duck hunter. Now, if that wasn't a flock shoot, I've never seen one.

If I might, the answer with respect to crude oil royalties: most certainly, you're correct. When you look at the information as it's

presented there, there's an increase in outgoing years. We think that the '09-10 figure of \$2.1 billion will give us about an additional \$400 million. Now, that's due to a full-year impact with respect to the new royalty framework and the changes there. Also, it's interesting to note that we actually are predicting a decline in the Canadian dollar, and that increases revenue for us on that particular issue as well.

However, I think the right answer to the question in total would be that performance measures are being developed by the department as per indications from Mr. Valentine's recommendations, and they'll provide a better indicator upon which we can debate and have a good debate about: what is the share that we're actually receiving, and is it correct? So we certainly will continue to work with that.

Slave River is a very exciting thing. You're absolutely right: it has been looked at a number of times. Most recently here we've had a couple of proponents looking at Slave River. I believe it's a tremendous opportunity for Albertans and actually could be a very good opportunity for folks in the Northwest Territories as well. There are opportunities all along the Slave River if we can get to work on that, and we are working with proponents now to see what can be done there.

Probably 1,300 to 1,400 megawatts of power basically on run of the river. There are some weir requirements there but no requirement to build any high dams or that sort of thing.

With respect to Clover Bar shutting down, as you would know, they are rebuilding some generating capacity at Clover Bar, and we'll see some new capacity coming out of an installation there in the near future.

As a general comment, 4,700 megawatts of new generation . . .

**10:30**

**The Chair:** I hate to interrupt the hon. Minister of Energy. It's 10:30. Now I would like to invite his department officials to leave the Assembly so the committee may rise and report progress.

Pursuant to Standing Order 59.02(5) the Committee of Supply shall now rise and report progress.

[The Deputy Speaker in the chair]

**The Deputy Speaker:** I would like to recognize the hon. Member for Calgary-Nose Hill.

**Dr. Brown:** Mr. Speaker, the Committee of Supply has had under consideration certain resolutions for the Department of Energy relating to the 2008-2009 government estimates for the general revenue fund and lottery fund for the fiscal year ending March 31, 2009, reports progress, and requests leave to sit again.

**The Deputy Speaker:** Does the Assembly concur in this report?

**Hon. Members:** Concur.

**The Deputy Speaker:** Opposed? So ordered.

### **Consideration of His Honour the Lieutenant Governor's Speech**

Mrs. Leskiw moved that an humble address be presented to His Honour the Honourable the Lieutenant Governor as follows.

To His Honour the Honourable Norman L. Kwong, CM, AOE, Lieutenant Governor of the province of Alberta:

We, Her Majesty's most dutiful and loyal subjects, the Legislative

Assembly, now assembled, beg leave to thank Your Honour for the gracious speech Your Honour has been pleased to address to us at the opening of the present session.

[Adjourned debate April 23: Mrs. Fritz]

**The Deputy Speaker:** I would like to recognize the hon. Member for Edmonton-Manning.

**Mr. Sandhu:** Thank you, Mr. Speaker. As a new member it is a pleasure and honour to rise today on behalf of the people of Edmonton-Manning and address the Assembly in response to the Speech from the Throne. I would like to begin by congratulating all my colleagues in the Assembly on their hard work. We have been given a great opportunity, and that comes with important responsibilities to represent our constituents and Albertans.

In particular, I would like to congratulate both the Speaker and the Deputy Speaker on your appointments. It will be an honour to work with you and the new committee chairs.

I would also like to extend my best wishes to the Sikh community on the special occasion of Vaisakhi, the birth of the Khalsa. This was on the 27th Legislative Assembly's opening day, and it was truly remarkable that these two events happened on the same day in our Assembly. Many, many congratulations to the Sikh community in Canada and throughout the world on the eve of Vaisakhi.

I would like to thank my wife, Kamal, and my three children, Preet, Neetu, and Deep, along with my siblings for their support in my campaign and in my new job as MLA. I will be celebrating my 25th anniversary next year, January 29, 2009, with my wife, Kamal, and I will be inviting all my colleagues.

I know that I will be working long hours, but it will be well worth it.

I also owe great thanks to my friends, my campaign team, and student volunteers for getting me here. I will never forget your sacrifice and contribution.

Mr. Speaker, as the new Member for Edmonton-Manning I promise to work hard and listen to the people in my riding to ensure that I remain the MLA for the area for years to come. My constituency was named after the Hon. Ernest C. Manning. He was not only an MLA but also served as Premier of Alberta longer than any other person. I'm also delighted that the hon. Premier is the representative for my neighbouring riding, Fort Saskatchewan-Vegreville.

Affordable housing, accessibility to daycare spaces, employment opportunities, education, and health care are a few of the critical issues I will be advocating based on the needs of my constituents. Health care premiums were also an important issue that I heard about while door-knocking. The minister of finance presented the budget in the Legislature last week, and I am proud to say that we have delivered for Albertans. As of January 1, 2009, health care premiums will only appear in history textbooks.

Now I would like to say a few words about myself. My interest in politics dates back to 1967, when my uncle was campaigning in India. I was only a young boy, but I still remember my uncle's election as an MLA to this day. Even before 1940 my grandfather was appointed by the British government as head of many villages, and his role in policing and civil matters was very important.

As a first-generation Canadian-Albertan I am very delighted. I left India to come to Canada in 1979 at the age of 18. I arrived with \$10 in my pocket on Halloween day. I didn't know what to expect or what challenges I would face as a young immigrant. However, I had hope, determination, and motivation to succeed in this new country. I initially arrived in Vancouver, and I was first employed on a farm since I grew up in a farming family. Alberta is also soil rich, and farming is widespread. I later worked at a sawmill. Then

I decided to move to Alberta in 1981, where I began working in a steel factory.

I had a serious back injury in 1987 at the steel factory, which, overall, declined my health status. In 1991 I built my own house. I enjoyed building, and therefore I decided to start my own business in that industry. I continued to work two jobs for 10 years. I worked during the night as a crane operator at the steel plant, and in the day I was a home builder and a realtor. I worked day in and day out to build an empire. Finally, I decided to quit working at the steel plant after 20 years of hard work and managed my business full-time. Four to five hours of sleep and hard work brought me this success. I have owned this successful business for 16 years.

Though I was not born in Canada, it has been my home for 29 years. This country gave me opportunities and freedom of choice, speech, justice, and religion to live as a free citizen, not only to me but to every citizen. Canada is a country free from discrimination on race, culture, religion, and gender and treats all citizens equally. I have always been proud of Albertans and how they do not judge one's background or one's skin colour but care about one's actions and contributions.

Living in Alberta has provided me with opportunities, and that along with hard work has made me a successful businessman and a people person as well. I enjoy working in the community, and I'm heavily involved in many different organizations with my wife's support.

I was honoured and thrilled to receive the Queen's jubilee medal in 2003, and I had the opportunity to be a 2005 centennial ambassador for the province of Alberta. I was very proud to be part of the centennial celebration as part of the 100-person delegation as this was a great landmark in the history of this great province. It was a great moment for our family.

**10:40**

Now I'm beginning another journey as an MLA, and just as I have served people in the past by building their dream homes, now I want to serve them in this new way. I entered politics because my country has given me so much, and I want to give back to the community at large and represent the people in my riding. I am both honoured and grateful that the people of Edmonton-Manning have chosen me to represent them in the Legislature. I look forward to carrying out the vision of honesty and integrity established by this government.

While I was door-knocking, people expressed many emotions. Many were happy with the actions of our government. However, some people had concerns related to the rapid growth in Alberta. I will listen to and represent the concerns of all the people in the Assembly.

I'm excited to see that we are moving ahead with the construction of the north part of the Anthony Henday road. I stood in the Legislature to ask the Minister of Transportation about the project last week. He informed the Assembly that construction will begin as early as fall 2008 and be completed by fall 2015. These are very large projects, especially the bridges that will be built, and I'm excited to see the construction begin.

The cost of education is a huge factor for students in my riding, and I'm pleased to see that making postsecondary education more affordable and increasing the spaces available within our universities and colleges have been priorities for this government. Tuition fees make it extremely difficult for many Albertans wanting to attend university even with funding assistance. I have two children currently attending the University of Alberta. I know as a parent how hard it is to send children there. We need to invest in our children's education because we understand that a better educated workforce is important for the economy.

Crime is an issue that touches all Albertans. We understand that parents want to raise their families in safe neighbourhoods and do not want to live in fear. There will be an addition of 100 new police officers on the front lines in this year in Alberta as included in the budget for the next fiscal year.

Some other concerns I heard about on the doorsteps were regarding the education portion of property tax for seniors. Eliminating this tax will be helpful in allowing seniors to live in the comfort of their own homes.

There is also a need for more accessible, affordable daycare spaces.

The boom economy and shortage of labour are also issues that concern Albertans. I feel that we should encourage bringing in immigrants from overseas to fill these needs. We should develop a program for the building industry to give some incentive to the builders so they can build energy-efficient houses for the future. I plan to bring these messages to the appropriate ministers in the coming month.

I also want to be a voice for the Albertans who really need our help such as those on AISH.

I look forward to working with the Minister of Aboriginal Relations to respect and honour the First Nations people of Alberta. They're pioneers for our province, and they have helped with building Alberta into the great place to live that it is.

Mr. Speaker, as I mentioned earlier, I'm very pleased to have the opportunity to work hard for the people in my riding. I want to make Edmonton-Manning a better place and will do my best to represent these generous and hard-working people. I would like to acknowledge the compassion of the people in my riding. It is diverse in culture, income, and family makeup, and these people are friends, neighbours, and colleagues. They are very loving people.

I would like to thank my constituents for the work they do above and beyond the call of duty. They are very willing to volunteer and give their time to community leagues and nonprofit organizations out of the goodness of their hearts.

I received thank-you letters for pulling out my campaign signs after the election. The thank-you letters along with all of the other positive feedback has encouraged me to work even harder for my people. I look forward to debating in the Assembly about how to improve the lives of Albertans, ensuring that this province continues to prosper for generations to come.

I will always remember the first time I walked into this Assembly. I was so moved with pride, and at the same time I was excited about this new chapter of my life. I was touched by all the phone calls, cards, and letters of congratulations from around the world and members of my extended family.

I look forward to the coming session. I salute our brave soldiers and police forces for protecting our country. God bless our Alberta, and God bless our Canada.

Thank you, Mr. Speaker.

**The Deputy Speaker:** Following Standing Order 29(2)(a) we have five minutes allowed for question and comment.

Seeing none, I now would like to recognize the hon. Member for Calgary-Nose Hill.

**Dr. Brown:** Thank you, Mr. Speaker. It is once more a pleasure to rise in the Assembly to join the debate on the Speech from the Throne. I would like to begin my remarks by thanking the citizens of Calgary-Nose Hill and the communities of Beddington Heights, Huntington Hills, Thorncliffe, and northern North Haven for entrusting me to be their voice in this House.

On March 3, 2008, the voters of these communities elected me for

a second time to represent them in this Assembly, with an increased plurality, as part of the Progressive Conservative team of our Premier. I'm humbled by the opportunity to serve them, and I thank them for the confidence that they've shown in me and for the opportunity which they've given me to be their voice in the House.

The privilege and the honour and the responsibility of representing one's fellow citizens is one which I do not take for granted. Mr. Speaker, as I've heard fellow members of the Assembly address the Speech from the Throne, particularly our new colleagues, many of them have spoken of their commitment to do what is best for their constituents. In a parliamentary system of government that is not always easy to do. There may be temptations to put one's own personal interests ahead of what is morally right to do or what we truly believe or what we believe our constituents want. Andrew Oliver, an 18th century Loyalist American politician and writer, put this conflict as follows:

Politics is the most hazardous of all professions. There is not another in which a man can hope to do so much good to his fellow creatures, neither is there any in which by a mere loss of nerve he may do so much widespread harm; nor is there another in which he may so easily lose his soul, nor is there another in which a positive and strict veracity is so difficult. But danger is the inseparable companion of honour. With all the temptations and degradations that beset it, politics is still the noblest career any man can choose.

Andrew Oliver lived in the turbulent times of the American War of Independence and was vilified even in death, but his characterizations of the challenges of politics still have the ring of truth.

Mr. Speaker, I wish to congratulate all hon. members of the Assembly for the mandate which they've received from the voters in their constituencies. We all come to this Assembly from diverse backgrounds, with unique ideas and different visions, but we should all be unified in our willingness to put our own personal interests and ambitions behind the greater purpose of serving our constituents and all Albertans.

Mr. Speaker, I congratulate the hon. Premier on his leadership in the election campaign, on his government's Speech from the Throne, delivered on April 15, 2008, and on the many initiatives which will improve the lives of Albertans.

I would commend the government for the many changes which will lower Albertans' tax burden and enable them to better keep pace with the rising costs of living and improve their lives.

In the throne speech debate last year I characterized the health care premiums as a regressive form of taxation, and I particularly welcome the plans to eliminate this tax, which will benefit all Albertans.

**10:50**

Mr. Speaker, I will now turn to some further specifics of the Speech from the Throne and the many challenges before us in the coming year. They are not new. We continue to need to preserve and improve the quality of our public health care, to improve education and training for our young people, to address the needs of our senior citizens and those less fortunate, to preserve and enhance our environment and wildlife resources, and to manage the challenges of a rapidly expanding population and economy.

Our health care system continues to be stressed by increased costs due to factors including immigration to our province, an aging population, advances in technology, procedures, and pharmacology, and due to rising expectations of what services our health care providers can and should provide. I welcome the government's plans to improve both value for taxpayer money and health and wellness outcomes and to ensure that the increased demand for more health care professionals is met. We must ensure that whatever changes are made, timely access to quality health care is never

dependent on the patient's financial means. We must continue to address the general shortage of beds to meet the population needs of Calgary and, more specifically, to address the critical shortage of mental health services for people in Calgary and southern Alberta.

Mr. Speaker, I appreciate the government's commitment to move forward on Campus Alberta to ensure that our postsecondary system remains one of the best in the world. Aristotle had this to say about education. "All who have meditated on the art of governing mankind have been convinced that the fate of empires depends on the education of youth." Well, Alberta may not be an empire, but there is truth in the quotation. As I've stated in previous debates on the Speech from the Throne, the key to all of the government's priorities and to the future prosperity of our province is to invest in education. We need to improve the rates of high school completion and the participation of youth in postsecondary education and training. We must also continue to work towards the ambitious goals for increased access, which the government set forth in a Speech from the Throne three years ago, of 60,000 new university and college spaces by 2020.

There continues to be a critical shortage of postsecondary spaces in Calgary, our province's largest city, which means that unrealistically high marks are required for admission to many university programs. This shortage adversely affects the career plans of thousands of young people in Calgary and southern Alberta. While we need to meet the demands of the workforce in certain critical fields, including health care providers, engineering, and skilled trades, we should not and must not limit the provision of resources to fields of endeavour which are only seen to be of immediate economic benefit. I urge the government to continue to support research and education and basic sciences – social sciences, the arts, and humanities – all of which make important contributions to our society.

Mr. Speaker, adequate and affordable housing for seniors and lower income Albertans must continue to be a priority for our government. Inflation of the costs of living continues to be a concern for many in my constituency, including those who are disabled, seniors, and others who must live on fixed and limited incomes. We must ensure that increasing property taxes do not force seniors and people on fixed incomes from their homes, where they are best able to maintain a more independent lifestyle.

Long-term care facilities in the Calgary region are inadequate to meet the needs of our aging population. We need to plan for the future to ensure that our aging population is cared for in a secure and dignified manner. We must also ensure that care providers are adequately compensated for the important contributions which they make to society. As I have stated in previous years, we need to increase the resources available to those who require home medical care and to those who provide in-home care for spouses or other family members who are unable to care for themselves.

Mr. Speaker, I embrace the measures announced in the throne speech to develop our energy resources in a responsible and sustainable way. Albertans rightly expect us to ensure that our natural environment is preserved and enhanced. With rapid increases in our population it is becoming more critical that public lands of our province are kept and protected for the benefit and enjoyment of wildlife and for the enjoyment of future generations. This means keeping our inventory of natural public lands intact. I'm particularly pleased with the government's plans for setting aside more natural areas of special significance for protection or provincial park status. The government's land-use framework and forestry plans in the headwaters of our watersheds must take into account the cumulative effect of forest and parkland ecosystems, which help to retain the water, reduce flooding, enhance water quality, support

diverse biological systems, and provide aesthetic and recreational values. Integrated watershed policies must regulate the uses of land for agriculture, forestry, industry, and development.

Global warming caused by human activity is a reality and an important issue for Albertans. I applaud the steps announced by the government to reduce the release of greenhouse gases, including carbon dioxide, into the environment and to develop policies to encourage the capture and storage of CO<sub>2</sub> from large industrial sources. Because climate change is inevitable over the coming years even in the face of the best efforts of humanity to control it, our government should enhance the support of research on the probable impacts of warming and of the means of adapting to such change. We should ensure that natural grassland areas are not converted to more intensive agricultural use such as irrigation unless it can be demonstrated that such use is sustainable in the long term.

Mr. Speaker, I welcome the government's plan to add value to services and products and to broaden our province's economic base. We should encourage growth and diversified economic development in rural areas of the province, including expansion of sustainable industries such as tourism and alternative energy, and promote the transition to a competitive, value-added agriculture and food production industry freed from the fetters and reliance on government subsidies and which is sustainable in the long term.

We are fortunate to have a beautiful and bountiful province blessed with natural resources which is one of the best places to live in the world. By managing growth wisely, we will both preserve our environment and build a stronger Alberta. Mr. Speaker, I continue to be confident that from Wood Buffalo to Waterton, from Zama City to Etzikom, from the blue Canadian Rockies to the prairie grasslands, Alberta will indeed continue to live up to its motto and be strong and free.

In closing, Mr. Speaker, it is my hope that all of us members of this Assembly may be endowed with a profound sense of public duty and purpose and that we may always work not in our own interests but in the interests of and for the benefit of the people of Alberta now and in the future.

**The Deputy Speaker:** Again Standing Order 29(2)(a) allows for five minutes of questions and comments.

Seeing none, now I would like to recognize the hon. Member for Calgary-Varsity.

**Mr. Chase:** Thank you very much, Mr. Speaker, and thank you for a double opportunity: for providing this opportunity to respond to the Speech from the Throne and for starting what for many members will be their bedtime story.

I reject the major premise upon which the throne speech was based, that all ships rise with the tide. I believe that this wild rose coloured glasses, blindered view ignores the Alberta reality. In responding to the Speech from the Throne, I will direct my comments primarily toward the ministries I have the pleasure and responsibility of shadowing, which include Children's Services, Education, Tourism, Parks and Recreation. I will also make references to the effect of the throne speech on Calgary-Varsity constituents, which I have the honour to represent for a second term.

As a former teacher with Calgary public school board for 34 years, as a father for 36 years, as an extremely proud and grateful grandfather of four-year-old grandson Kiran and 15-month-old grandson Rohan, as a former city of Calgary recreational summer programs director, and as both a long-time school and community coach, the majority of my life has been centred around working with and advocating for the well-being of children. I am concerned about the number of children in Alberta who suffer from respiratory

ailments. Alberta has the highest percentage on a per capita basis in Canada of children suffering from respiratory, pulmonary problems, in particular asthma. An alarming increase in the number of Alberta children suffering from juvenile diabetes and fetal alcohol syndrome is also a concern for me.

Among the most vulnerable segments of the Alberta population, which coincidentally has shown the greatest increase in birth rate, is First Nations. While the primary governmental responsibility for our First Nations children living on reserves belongs to the federal government, the number of First Nations families living off reserves and Métis families leaving settlements has grown tremendously. Edmonton will soon surpass Winnipeg as having the highest population of First Nation members.

**11:00**

Another vulnerable group includes the children of families who have arrived as refugees from war-torn or impoverished Third World countries who lack fluency in their first language and therefore struggle with English as a second language.

A third group whose needs, opportunities, and contributions need to be recognized are the number of children arriving with their families from the Middle and the Far East who initially, at least, struggle with learning English.

Obviously, there is a crossover between caring for and educating children, which begins first in their homes. Home for an increasing number of children experiencing the downside of the boom is becoming a survival challenge. Over 64,000 Alberta children are living below the poverty line in North America's wealthiest per capita region. This is a travesty for which there is no justification. It certainly contradicts the government's claim that all boats rise with the tide.

The escalating provincial rates of divorce, family breakups increasingly of a violent nature, the lack of affordable housing, the government's failure to deal with dramatic rent increases, the reduced number of foster parents, the lack of sustainable funding for women's and children's shelters have resulted in a number of children and youth attempting to survive on the streets. The lucky ones sleep on cots or on the floor of a different church basement, thanks to the efforts of the multidominational Inn from the Cold program. Due to the shortage of shelter beds many women with their young children are forced to return to abusive relationships in order to have a roof over their heads.

Due to the high cost of living in Alberta many parents not out of choice but out of necessity are forced to work two or three jobs, struggling to find child care spaces, which have a two- to three-year waiting list. The province's attempts to encourage more individuals to consider child care as a career have met with little success. Of course, without trained professionals additional spaces cannot be opened.

I will follow with interest the effect of the recent announcement of funding for before and after school care programs. Part of the solution to providing more care spaces would be for the government to follow through on its own Learning Commission's recommendations to provide optional full-day and junior kindergarten.

The government has also failed to achieve the lower pupil-teacher

ratio recommended in the 2001 Learning Commission report. A large part of this problem is a flawed space utilization formula which forces the closure of inner-city schools without the building of replacement schools in new communities.

The government has not stemmed the failure rates of high school students, which is in the area of 25 per cent for regular students and as high as 75 per cent for students of English as a Second Language. The government's emphasis on June departmental testing rather than diagnostic testing and curriculum development causes unjustified pressure for students at the grade 3, 6, 9, and 12 levels. It is particularly discouraging for grade 12 students and their teachers that one-half of their final mark is based on a two-hour, one-shot language-dominated exam.

A major impediment to pursuing postsecondary education for high school students is the fact that 25 per cent of the students who can afford the high tuition and have achieved the 85 per cent plus marks are turned away from universities, colleges, and institutes due to a lack of space. This is certainly the case at the University of Calgary, from which the constituency of Calgary-Varsity receives its name.

With what little time I have left, I want to recognize the role that parks play in the mental and physical well-being of Albertans as well as the protection of our wildlife and the promotion of tourism with its tenfold economic return on investment. Recreation continues to be the orphan of the ministry to which it is attached. It lost out when it was previously lumped in with tourism, parks, and culture. It continues to struggle for recognition when competing for attention and funding with tourism and parks. I hope to raise the importance of both increasing the number of provincial parks and protected areas, which currently account for only 4 per cent of Alberta's land, although an additional 8 per cent is occupied by national parks. Parks have deteriorated over the past 15 years through a lack of funding and management plans. Recovering parks will be one of the many steps to increasing rewarding recreational activities for Albertans and our tourists.

We have wonderful opportunities in Alberta if we take the time and provide the balance. Right now what we have to face is the fact that if we don't start saving for our future and if we don't set aside the land and protect the air and the water, there will be no future for Albertans to enjoy. I want to leave a legacy for my grandchildren, and I believe that Alberta holds tremendous potential providing we protect it.

With that, Mr. Speaker, I would like to call for adjournment.

[Motion to adjourn debate carried]

**The Deputy Speaker:** The hon. Minister of Aboriginal Relations.

**Mr. Zwozdesky:** Thank you, Mr. Speaker. We've all participated in a very exciting and thrilling evening of debate, and I think it's time to reflect on that progress. Therefore, I would move that we adjourn until 1:30 p.m. tomorrow.

[Motion carried; at 11:06 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]







## Table of Contents

**Tuesday evening, April 29, 2008**

Committee of Supply	
Main Estimates 2008-09	
Energy .....	315
Introduction of Guests .....	316
Consideration of His Honour the Lieutenant Governor's Speech .....	331

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