



Province of Alberta

The 29th Legislature
Second Session

Alberta Hansard

Thursday morning, December 1, 2016

Day 56

The Honourable Robert E. Wanner, Speaker

Legislative Assembly of Alberta
The 29th Legislature

Second Session

Wanner, Hon. Robert E., Medicine Hat (ND), Speaker
Jabbour, Deborah C., Peace River (ND), Deputy Speaker and Chair of Committees
Sweet, Heather, Edmonton-Manning (ND), Deputy Chair of Committees

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| Anderson, Wayne, Highwood (W) | MacIntyre, Donald, Innisfail-Sylvan Lake (W) |
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| Littlewood, Jessica, Fort Saskatchewan-Vegreville (ND) | Woollard, Denise, Edmonton-Mill Creek (ND) |
| Loewen, Todd, Grande Prairie-Smoky (W) | Yao, Tany, Fort McMurray-Wood Buffalo (W) |

Party standings:

New Democrat: 55 Wildrose: 22 Progressive Conservative: 8 Alberta Liberal: 1 Alberta Party: 1

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| Brandy Payne | Associate Minister of Health |
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Standing Committee on the Alberta Heritage Savings Trust Fund

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Deputy Chair: Mrs. Schreiner

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| Dang | Taylor |
| Ellis | Turner |
| Horne | |

Standing Committee on Alberta's Economic Future

Chair: Mr. Sucha
Deputy Chair: Mr. Schneider

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| Carson | Jansen |
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| Coolahan | Piquette |
| Dach | Schreiner |
| Fitzpatrick | Taylor |
| Gotfried | |

Standing Committee on Families and Communities

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| Hinkley | Pitt |
| Horne | Rodney |
| Jansen | Shepherd |
| Luff | Swann |
| McKitrick | Yao |
| McPherson | |

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| Luff | |

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| Babcock | McKitrick |
| Drever | Rosendahl |
| Drysdale | Stier |
| Fraser | Strankman |
| Hinkley | Sucha |
| Kazim | |

Standing Committee on Privileges and Elections, Standing Orders and Printing

Chair: Ms Fitzpatrick
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| Hanson | van Dijken |
| Kazim | |

Standing Committee on Public Accounts

Chair: Mr. Fildebrandt
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Standing Committee on Resource Stewardship

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| Hanson | Woollard |
| Kazim | |

Legislative Assembly of Alberta

9 a.m.

Thursday, December 1, 2016

[The Deputy Speaker in the chair]

Prayers

The Deputy Speaker: Good morning.

Let us reflect. Today is World AIDS Day, which gives us an opportunity to raise awareness, improve education, fight prejudice, and unite in the fight against HIV. Let us continue to support people who are living with HIV and remember and commemorate those people who have lost their lives in the battle.

Please be seated.

Orders of the Day

Government Bills and Orders Committee of the Whole

[Ms Jabbour in the chair]

The Chair: Hon. members, I would like to call the committee to order.

Bill 25 Oil Sands Emissions Limit Act

The Chair: We are currently on amendment A2. Any speakers to this amendment? The hon. Member for Fort McMurray-Wood Buffalo.

Mr. Yao: Thank you very much, Madam Chair, for allowing me to rise and speak today in favour of my colleague's fine amendment to Bill 25.

Mrs. Pitt: Hear, hear.

Mr. Yao: Thank you.

This amendment seeks to eliminate the secondary 10-megatonne cap that would constrain upgrading done right here in Alberta. Of course, much has already been said about how ridiculous it is to limit our excellent, gold-standard energy extraction here by putting artificial constraints on the upper limit of production. We know that our locally operating producers are safe, they are reliable, and they are very respectful of world-class environmental standards. The oil sands are truly a marvel of engineering and skilled trades and labour and efficient management.

You know what? On that note, I saw Rex Murphy speak up in Fort McMurray very recently, and he compared the oil sands to the national railway. It was a massive feat of engineering to build, and it took people from British Columbia all the way to the Maritimes and everywhere in between. It was an effort that required all Canadians to work on and endeavour. For some reason it doesn't get the same recognition as the national railway, and that is unfortunate, but it accomplished the same feats. It brought all of Canada together, and it provided us with something that really boosted our economy.

It's absurd to be talking about more limits at a time when our economy needs to be unleashed – that much is already known – but then we've come to the matter of this little 10-megatonne side cap on upgrading. This 10-megatonne cap is every bit as absurd and perhaps even more so. You guys have to realize that we're talking about limiting the opportunity to take this product, that has already

been taken from the ground – it's already extracted – and upgrade it here in this province, in this country.

Value-added production to the energy sector used to one of the few areas that even the NDP would support. I seem to recall watching many previous elections and debates, going back to the days when the current Infrastructure minister was the NDP leader, and there was always this theme that we needed to be doing more value-added production here in Alberta.

Now, I don't know if perhaps some of the more ecoradical elements have since seized control of this party across the way, but this 10-megatonne cap on upgrading strikes directly at this, and it truly does not make sense after taking the product from the ground. It is going to be consumed. We know that. It's not going back into the ground. This product will be taken and upgraded elsewhere. It is the ultimate carbon leakage policy. It creates conditions that will see our product taken to other jurisdictions, jurisdictions that are not always as stellar as ours – certainly, China would be a prime example of that – and it will be upgraded there, perhaps in conditions that are not as stringent.

Of course, we could also talk about how essential it is for the transportation of our product to upgrade it to a state that is easier to flow through a pipeline. There are companies here – right here in Alberta – that made tremendous strides in processing our raw product. It cannot be overstated how much this upgrading adds to the efficiency of existing pipeline infrastructure because the more upgraded you can get, the less supplemental products you have to add to get it to flow nicely. You see, this bitumen, when we're pulling it up from the ground, is a thick, thick product. As it is, we mix it with a lot of water to make it truly flow. We have to add a lot of solvents and a lot of other ingredients that make it more fluid, less viscous. But you need to spend money to buy those solvents, and they do use up capacity in the line.

Upgrading is about increasing the energy density per barrel shipped. It is about moving our product easier and more efficiently. It is also about a spinoff industry. It's easy to be tempted into thinking that the success of our oil industry is in the amount of royalties collected by the provincial government, but that's a very narrow way of looking at things. The strength of our energy industry has always been the tremendous economic activity that it generates in the private sector.

That spinoff activity is what is directly at stake with this 10-megatonne cap. These upgrading enterprises employ skilled trades, labour, engineers, chemists and on and on. They require the services of fabricators, oil service companies, suppliers, quality inspectors and more, and all of these groups are based right across this province. Not all of this is built in Fort McMurray or Cold Lake or Grande Prairie. A lot of this is developed right here, right around Edmonton, throughout our province here. There is no conceivable reason why this should be done in any other jurisdiction, by people other than Albertans. We have the expertise to do it here, the standards here, and we do it better than anyone. If the market has determined that there is a need for upgrading here, whether it is because it is more efficient or cost-effective or because it is needed to increase the energy density of our exports, there is no good reason it should not be done here.

We should also keep in mind that when we upgrade our raw products, we are essentially removing some of the heavier carbon products. These hydrocarbons that industrial processes sort out and remove have other applications, including asphalt, for instance. I'm sure I don't need to explain why something like asphalt would be important in Alberta, where there are tens of thousands of kilometres of paved roads.

I think I've touched on a couple of overarching themes here: first, the importance of keeping upgrading in Alberta to prevent further

carbon leakage over and above what the NDP's policies will already cause; secondly, to keep spinoff benefits here, where market forces have deemed it economical to do so.

I've also mentioned that upgrading is about capacity. It's about using existing pipeline capacity more efficiently by creating a more fluid, energy-dense, and easier to transport product. Caps and other measures that limit production are diametrically opposed to increased export capacity. In fact, even the vocal anti-oil members of the NDP's oil sands advisory group know that. They know that building pipeline capacity when you have hard caps in place is contradictory.

9:10

Here's a perfect case in point. OSAG member Tzeborah Berman took to Facebook immediately after the Kinder Morgan decision to argue that Trudeau's linking of the approval to Alberta's cap is "disingenuous." This is a woman that is on the government payroll right now. She argues that we do not need the increased capacity because the long-term goal of capping and limiting production makes pipelines unnecessary. Ms Berman, in fact, claims that she has studied the numbers for hours and cannot find a need for the Kinder Morgan expansion. Just to clarify, she's on the government payroll. I suppose that, if nothing else, there's a certain consistency among the NDP's ecoradical wing. They know that a policy of increased pipeline capacity to ship our product abroad is wholly incompatible with the limiting policies here at home.

In closing, of all the policies crafted by this government to limit our energy development, this is perhaps one of the most bizarre and inappropriate. If I might provide a different comparison: our lumber industry. You know, right now we're selling a lot of raw lumber to Asia and whatnot, and I appreciate that. I appreciate the fact that they want our lumber. But the unfortunate thing is that here in Canada and Alberta we don't create a finished product with this. We don't make that furniture in a factory into that stuff we buy at IKEA. We're selling the raw product. This secondary 10-megatonne cap would be like if Alberta did have the factories to build finished wood products, putting a limit on that and saying: you know what; you can only use 10 per cent of your lumber to build chairs and other finished products, and the rest you've got to ship out as entire logs. That's a really sad thing here.

I urge you to vote in favour of this amendment that would at least make this bill slightly more palatable by eliminating the secondary 10-megatonne upgrading cap. It will only benefit us all.

Thank you very much, Madam Chair.

The Chair: The hon. Member for Innisfail-Sylvan Lake.

Mr. MacIntyre: Thank you, Madam Chair. I rise to speak in support of this amendment. We have some issues with Bill 25 that this amendment can repair. In addition, this amendment actually is in keeping with statements made by the hon. Minister of Economic Development and Trade.

As I mentioned last night but not all the members may have heard, on January 17 of this year the minister was quoted as saying, "The value-added (sector) really does mean high-paying, quality jobs that stay here in the province. If we have a choice between shipping raw resources or shipping a more upgraded or value-added product, we'll take the latter." We'll take the latter: this is what the NDP's own minister has stated, that he would prefer to see the high-paying, high-quality jobs in the value-added component of our bitumen. We have an amendment before the House right now that actually allows that to happen.

Just to reiterate a little bit, we already have a 100-megatonne cap. It only makes sense to maximize all of the value-added possible

beneath that 100-megatonne umbrella. Putting a 10-megatonne cap on emissions from upgrading is actually counterproductive.

In addition, what we're going to have happen here is that this bill is going to stifle investment in innovation as new entrants have absolutely no certainty that emissions-limit space is going to be available to them once their technology is brought to market. Given that they are not going to have that certainty here in this jurisdiction, it only makes sense that they will take that technology someplace else. We have to make space for new entrants. We have to make space for new innovators, new companies coming into the market beneath that 100-megatonne umbrella, and we should not be limiting that innovation, that value-add by this 10-megatonne cap on upgrading.

Now, if we go to the executive summary entitled Alberta at a Crossroads, that was commissioned by this government right here, and we look at some of the recommendations that were made by the panel, the very first recommendation has the following statement under the heading Guiding Principles for Alberta's Royalty Framework. Point 3: "Supports downstream value-added industries. The framework encourages investment in activities and technological advancements that add value to Alberta energy resources such as upgrading" and a list of other items.

In the recommendations from the royalty review, in the statements made by the hon. minister of economic development and jobs, people are recognizing upgrading as a significant factor in the ability to value-add, to build jobs, to increase GDP, to improve even the amount of revenue coming into the government, which, Lord knows, this government needs. It only makes sense, I think, that this amendment be passed because it does these very things.

Furthermore, again from the royalty review report, recommendation 4:

Seize opportunities to enhance value-added processing.

Recommendation in brief:

- Develop a value-added natural gas strategy for Alberta.
- Examine opportunities to accelerate the development and commercialization of partial upgrading and alternative value-creation technologies for bitumen.

Here again the royalty review panel recognizes the enormous value in promoting value-add.

They go on to say:

Our abundant resources and infrastructure offer a strong case for expansion of value-added industries that use natural gas as a feedstock, including the conversion of bitumen to lighter products, petrochemicals, fertilizers and consumer products.

Our Panel recommends that Alberta develop a strategy to seize the opportunity presented by our shale gas resources and literally "bring the market to Alberta" by strategically setting the stage for the establishment of more downstream industries here in the province. Over time, we can reduce the longstanding competitive disadvantage that Alberta has faced by being located far from markets. This approach involves a long-term strategic plan that would span a number of decades but would ultimately diversify Alberta's industries with downstream uses for our hydrocarbons, offering more employment and economic stability. Our Panel recommends the Government of Alberta enlist the advice of experts to examine many questions that need to be addressed in determining Alberta's potential in this area.

Partial upgrading of bitumen offers another opportunity unique to Alberta's resources. It removes various proportions of the heaviest fraction of the bitumen barrel, allowing the partially upgraded bitumen to flow in a pipeline with little or no diluent.

This, in effect, increases the capacity of export pipelines . . .

Get this.

. . . by as much as 30%.

The panel recognized that using the innovative technologies specific to upgrading could increase the current pipeline capacity by 30 per cent. It's almost like having another pipeline without having to go through all of the hassle of getting the approval for a pipeline. Simply take upgrading, apply it to that bitumen, and less diluent is needed. Therefore, that oil can flow in that pipeline without the assistance of diluent, increasing the capacity of the pipeline. Increased capacity is increased jobs. Increased jobs is increased taxes.

9:20

I'll go on.

Our Panel recommends that the Government of Alberta, as a significant owner of bitumen through in-kind royalties, provide financial support to accelerate the commercialization of partial upgrading technologies.

In Summary:

Our recommendations, including the implementation of a Modernized Royalty Framework for Alberta, address the new realities that we face in getting value for our oil and gas resources in a highly competitive world. It's a world where a return to higher prices is not a given, because global competitors (in particular the United States) are fighting for our markets. From the research and input we received, it became clear to our Panel that our recommendations had to encourage innovation on many fronts – to reduce costs, to enhance efficiency, to improve environmental performance, and to attract investment to the province.

There we have it from the experts themselves, the royalty panel, who looked into this in detail, and here they are making a very strong and very clear case that upgrading provides an enormous potential, a potential that we must not limit through a 10-megatonne cap.

Some other statements made by the panel in setting the context:

Low prices may be a powerful attraction for “value-adding.”

We hear this government complaining all the time about how low oil prices are, in their opinion, the only reason Alberta's economy is hurting. Well, then, what we need to do is really go after every value-add opportunity possible. The panel says:

Going beyond simple upgrading, refineries and petrochemical plants use oil and natural gas as feedstocks. These feedstocks represent a very high portion of the overall cost of the facilities, so refineries and petrochemical plants are attracted to places with abundant, cheap supplies of oil and gas. While low prices will limit the amount of value in our resources that can be collected through royalties, our Panel believes they could facilitate an expansion of processing capacity in the province, thereby creating additional jobs and sources of tax revenue for Alberta.

So here we have the experts saying what we've been saying for some time. When you've got low prices like this, use it to your advantage because it creates an opportunity for someone – and the value-add chain is that someone – and upgrading and partial upgrading is a significant player in that value-add package. It's something we need to strongly promote and not limit through a 10-megatonne cap.

Furthermore, from the panel again:

Our traditional sense of upgrading and refining is bounded by the processing of bitumen into Synthetic Crude Oil or refining it into transportation fuels. While the economics have not been kind to those activities, it is more the renaissance of U.S. light unconventional oil production in startling quantities that now makes traditional upgrading a challenging prospect.

However, our Panel has identified two other areas which we believe have significant promise and may deliver the benefits Albertans aspire to – that is, to add value to the products we extract here in the province.

Both of these opportunities are in keeping with Alberta's long history of taking strategic actions to maximize the benefits Albertans can derive from our province's natural resources. Ever since the Province obtained ownership of its natural resources in 1930, government has played an active role in encouraging value-added processing of oil and natural gas.

Over and over again the panel is coming to the same conclusion in their remarks, that we have an opportunity in this province, because of the resources we've been blessed with, to take it beyond just shipping raw, unprocessed product.

You know, Canada for generations – I remember that when we were studying history in grade school, Canada was known as carriers of water and hewers of wood. In the day when I was working in the lumber industry, we were shipping logs off the coast of British Columbia to Japan except that the logs never made it to Japan. The Japanese had plywood plants just outside the international limit, and they would gather the logs out there in the ocean, process them into plywood, put it on another boat, and ship it right back to us as finished product. We were giving away our logs and then paying a premium for plywood. This was back in the '60s and the '70s.

Well, fortunately, the government clued in, and we started seeing some plywood plants built. We were not benefiting from the value-add at all. Here we have another scenario where we've got an opportunity. We can take this low price of oil right now and turn that into an opportunity, an opportunity to upgrade, to attract investment. It's a sustainable investment. It's going to significantly improve the job situation here, significantly improve the tax revenue picture as well, and put some of our hundreds of thousands of men and women from the patch back to work into things that they understand and know, good-paying jobs.

I strongly urge each and every member in this House to support this amendment. It is very worth while. It provides everything that we're going to, you know – it's an attempt, rather, to fix this bill, that has a terrible component in it, where it's limiting Alberta, limiting development, limiting investment, limiting jobs. Well, let's not do that. Let's not limit ourselves like that.

I would promote this amendment strongly. I hope that everyone will please vote for it.

Thank you.

The Chair: Grande Prairie-Smoky.

Mr. Loewen: Thank you, Madam Chair. I'd like to stand and speak in support of this amendment also. I think we've heard a lot about the desire to have more value-added products right here in Alberta. Of course, there are many benefits to having value-added products right here in Alberta, having that value added here. Of course, one of the biggest things is jobs. Right off the bat, you know, we're sitting with a hundred thousand fewer jobs here in Alberta, not including the loss of contractors and the contractors that are underemployed.

We have a government here that's promised to create a hundred thousand jobs. Obviously, they've got a 200,000-job deficit in what they've got planned and what is the reality today. Now, we sit here with a bill, Bill 25, the Oil Sands Emissions Limit Act. It has a 10-megatonne cap on upgrading. Now, upgrading is a process that could take place right here in Alberta, and that will create jobs right here in Alberta, Madam Chair. I can't understand the reasoning behind a cap on jobs, really. It really is a cap on jobs. So we have a problem here with a bill like this, that is capping jobs.

Now, another thing: upgrading technology is used to increase the quality of our oil sands products. It also helps it flow down pipelines. It increases the value of our raw product, and it increases

its ability to flow down pipelines. Another thing it does is that you can flow more oil down existing pipelines.

9:30

Now, obviously, there is a great desire here in Alberta to have more pipelines to new markets. Recently we've seen the federal government approve the expansion and replacement of two existing pipelines, one going to the U.S. and the other one going to the B.C. coast in the south. That's great. Increased capacity flowing out of Alberta is good. But, Madam Chair, if we're capping upgrading which can increase the amount of oil to flow out of Alberta, we're actually capping pipelines, the ability for pipelines to take our product out of our province to market. So not only are we capping jobs, but we're capping pipeline capacity.

Now, some of these pipelines are designed to take our bitumen away, our oil away, but also they have to return the diluent. So there's waste here as well, a waste factor, where these companies are spending extra money to transport two products, one one way, out of Alberta, one back, just so they can get their oil to flow down these pipelines. This upgrading would reduce that need. We'd have fewer products having to be trucked or pipelined back to Alberta because this process would replace that.

Right now we ship our bitumen mixed with condensate. Of course, that adds volume to our bitumen, which means less product gets into the pipeline. Of course, then, what do you do with this condensate afterwards? Now, there is a rising demand for diluent, and that's led to a condensate shortage in western Canada. The oil sands companies use approximately 350,000 barrels per day of this. One barrel of dilbit, or diluted bitumen, is made up of three parts bitumen, one part condensate. That means that the pipeline capacity is not being used efficiently. It's being used to flow something that isn't needed at the end. It's only there to allow the oil to flow.

Now, another factor here is that this oil is going to have to be upgraded somewhere. That's a no-brainer. It has to happen. So why can't this happen in Alberta? I don't understand why it can't happen right here in Alberta. By putting a cap on this, companies will sit and look at this and decide: okay; do I want to invest any more money in upgrading in Alberta when there's a cap on emissions? Probably not, because they don't have an opportunity to fully expand their business to where they might want to take it. Madam Chair, I mean, it's a cap on jobs, a cap on pipelines. It has to be done somewhere. Companies, of course, are forced now to make a decision: do we invest here in something like this or not?

This is a very classic example, a very common-sense, classic example of carbon leakage. We're going to restrict the ability for this to be upgraded here, knowing full well that this is going to have to be upgraded somewhere else, quite possibly and most likely in a jurisdiction that doesn't have the environmental standards we have here or even the social standards: taking care of its people, employees, work standards, things like this. This makes no sense at all.

Now, we have significant bottlenecks in pipelines resulting from congestion, and we're trying to get our oil to the markets. We only have limited capacity right now. That's why we want pipelines. That's why we want pipelines in every direction. It's because we need to get the oil to market. There's no need to cap the opportunity to transfer our oil to the end market. We're lacking in capacity.

We know that members of the government caucus protest pipelines. We know they've hired antipipeline activists that are still actively campaigning against pipelines. Can you believe it, Madam Chair? This government suggests that they support pipelines. Meanwhile they hire anti-oil activists that are still to this day actively campaigning against pipelines – does that make sense? – paid for by Albertan taxpayers' money. They're going to sit here

and suggest that this cap on upgrading is somehow helpful. It's not helpful. It's damaging. This 10-megatonne cap on upgrading could put Alberta in a position where we are unable to effectively transport our product to markets.

Madam Chair, the end result of this process, the process of upgrading, is refinery-ready synthetic crude oil shipped without diluent. That's what the end result of this process is. It allows us to create a product from our raw product that's refinery ready and can be shipped without diluent. Diluent is expensive, it has to be taken care of at the other end of the transport, and there's a shortage of it. If you have a government that's apparently against pipelines, because they hire people that are against pipelines, then why would they be putting in a bill like this to cap a process that would reduce the need for a pipeline to transport the diluent back? I don't know. Maybe somebody could tell me, but I don't know. There seem to be lots of comments flowing back and forth, but I don't see anybody standing up to talk.

Clear and simple, upgrading means jobs. Upgrading means pipeline capacity, getting our product to market. That's what upgrading means, and a cap on that is a cap on jobs, a cap on pipeline capacity.

9:40

It also means one hundred per cent carbon leakage. What doesn't happen here will happen somewhere else. Now, we're the most environmentally regulated petrochemical jurisdiction in the world, and we're proud of that. We should be proud of that. We should be the most environmentally safe jurisdiction in the world. We should be, and we are. Sending our product to be upgraded somewhere else is the classic definition of carbon leakage. That's what it is: carbon leakage. This process is going to happen somewhere else regardless, and it's going to happen somewhere where the environmental regulations aren't as safe or restrictive as ours.

Now, this upgrading needs to be led by the market, by private investment. And it can be if you remove the cap. Like I said, these companies are going to have to make a decision: am I going to invest in Alberta in upgrading? It's a big investment. The returns on it, I'm sure, are very tight. But it makes less sense when they realize that they're up against a cap.

The government keeps talking about value-added, so this is a contradiction of their very own statements. What if the private sector sees the ability to create upgrading opportunities beyond the cap? Now we've even more severely hampered the ability of the private sector to become involved in responsible production. The government preaches on and on about value-added. They preach about jobs. This creates a problem with investor confidence, and global competitiveness will slow down an economically viable value-added upgrading that already exists here, that could be expanded. Now, our energy sector has the ability to innovate, and they have the ability to create new and more efficient ways to produce, to upgrade, to create markets, but this 10-megatonne cap on upgrading emissions doesn't help that. It hinders it.

Now, there are multiple reasons, of course, why we want pipelines. We need to get our product to market. We need to get more of our product to the markets and to new markets. By doing so, that increases the value of our product. If you have more competition for the purchase of your product, you'll get full value for it. If you only have one market to sell it to, you're going to get less. This cap, that reduces the opportunity for our product to flow, not only restricts the opportunity to sell volume but the price we get for it in return.

Now, in the Wildrose we believe in pipelines to get our product to market, to increase its value, to increase the amount that we can get to the market. It's not about politics. It's about jobs; it's about

our economy; it's about social programs that we pay for with the taxes that we get from this product. None of the government programs can survive without a strong economy, without tax dollars coming in. That's why we need things like value-added production right here in Alberta. That's why we need upgrading here. We need upgrading here so that we can create jobs, so that we can have a strong economy, so that we can get our product to market.

We must allow the industry the ability to be competitive and create an environment for investment and an environment to be innovative. This cap on upgrading is extremely short-sighted. It doesn't show any leadership. It doesn't help emissions on a world-wide scale because it's going to happen somewhere anyway. Shouldn't we be concerned about all emissions? This attacks our prosperity.

The government would need to be able to predict where long-term market demand lies and what technological advancements are pending to decide whether the economics support this cap, but I'm going to suggest that this government has not done any sort of study on this. I don't know that we've seen a study that this government has done, either an economic study, any kind of cost analysis, any kind of return-on-investment study, any kind of environmental study, to see what results their legislation is going to have.

Mr. Nixon: We saw one on minimum wage that leaked.

Mr. Loewen: Oh, that's right. We did see one, but it was leaked.

The Chair: Any other hon. members wishing to speak to amendment A2? The hon. Member for Chestermere-Rocky View.

Mrs. Aheer: Thank you, Madam Chair. Well, I'd like to thank the members for speaking about this amendment. I'd like to read a few little things here. Karen Mahon: there will be mass protests; there will be lawsuits; this will become a hotly contested issue in the coming B.C. election, and this pipeline will never be built. Now, let me see. What else do I have? Ms Tzeporah Berman: I don't support this pipeline; I am going to do hard work to develop policy recommendations in the boardrooms, and if it comes to it, I am going to stand on blockades. These two folks are on the OSAG panel. They are paid for by Albertan dollars but are vehemently opposed to pipelines.

Now, the interesting part of that is that we're talking about the 10-megatonne cap on upgrading. Last night I went over some of the aspects of upgrading and the necessity for upgrading. As it's been said previous to me today, we have had members of the government, when they were sitting in opposition, fighting for upgrading, and the reason is because it gives us more control over our market. When we upgrade, we have flow through pipelines.

Now, if we're looking at the 100-megatonne cap, we're already capping production, so this cap, just to reiterate, is going to stop us from being able to upgrade in our province, where we do it better, where we can control the environmentals. So much amazing innovation and technology has come from our folks here in this province in order to do better because, believe it or not, they actually care about that. They actually care about the footprint. They actually care about making sure that they are reasonably and responsibly developing our products and putting them into a pipeline and getting them to the global market, which is why I thought the government was excited about pipelines. It was to get to tidewater, no? But now you want to put a cap on actually putting products in a pipeline.

9:50

If you look at some of the other comments that were made by these OSAG panel folks, they're talking about limiting capacity.

That's completely counterintuitive and contradictory to what this government said yesterday.

Upgrading technology is used, actually, to increase the quality of our oil sands products, and by doing so, we will be able to save money on the value-added side of things. We're actually going to be able to create jobs here in Alberta. This cap is not just a cap on production. It's not just a cap on upgrading. You're capping jobs.

Again, the Minister of Economic Development and Trade talks continuously, and rightly so, about creating jobs in this province, about who those job creators are. There are all sorts of things that are coming out from government about job creation. Well, here's a real easy fix. How about not capping a sector that actually creates jobs? Just a thought. How about actually looking at the sector that is part of the fabric of what made this province great in the first place and not capping that either on the side of the 100-megatonne cap or – I mean, this 10-megatonne cap on upgrading is ludicrous. I would love to have somebody on that side of the House stand up and tell me my why. In fact, I'd love to know where the number 10 came from. Why 10? Whose idea was that? I'd love to know, and I'd love to have that conversation if somebody could tell me why.

I mean, upgrading is intensive. We are breaking down large molecules. This is an incredible, miraculous development. Again, the government talks all the time about made in Alberta. Well, there you have it. Why are you capping a made-in-Alberta energy sector job-creating industry? Why? Somebody please stand up and tell me why.

You know, there are many, many, many interests outside of this province that are laughing at us and applauding this government for keeping our oil in the ground. Now we're going to add to that. Now they're going to also clap because you're going to keep it out of the pipeline too. Well, that's intelligent. Let's think about this. You're going to cap production, and you're going cap capacity. Really? How does that work? It's interesting. There are competitors everywhere globally that are going to be so unbelievably grateful to this government for stopping production here because, as the hon. Member for Grande Prairie-Smoky said, we are going to leak jobs, and we are going to leak production elsewhere.

Is that really what this government wants? Really? Yes. Okay. Good. You're nodding. That's wonderful. At least you're being truthful to Albertans that that's what you want. Somebody stand up and say no, then. Tell me, then. Somebody on that side stand up and say: no, we don't want to leak jobs; we don't want to leak our products to other jurisdictions that are actually going to produce when we don't. I'd love for you to say that you don't want to do that. Please do.

An Hon. Member: We don't want to leak jobs.

Mrs. Aheer: Yeah. You can have your turn. I would love to hear that. And I'd like you to tell me: if that's the truth, then why are you capping production? It seems a little counterintuitive. You are giving our piece of the market to somebody else, and on top of that you're giving it to markets that do not do it as well as we do. Produce here. Market here. Bring the jobs here. Be on the side of Albertans. Stop the capacity caps. Stop the production caps. You have every bit of power to do that. You have every ability to do that. So why not do it? Remove the caps. See how things are going to go with the pipelines and allow the industry to do what it needs to do. Do you know that even with the pipelines that have been approved, we still don't have enough capacity? We need all five of those pipelines. I'm sure you know that.

I'm telling you right now that it doesn't make sense to Albertans that you're saying that you're in favour of pipelines but that you

would be reducing capacity into those pipelines, that you're actually stopping that.

There was another interesting point that was brought up here. We talk about the private sector. What if the private sector was interested in investing in this? Right? When the Minister of Transportation and of Infrastructure was on this side, he talked about that, not even about the private sector necessarily but about creating upgrading jobs in this province. If the private sector is interested and the government has said that it's going to need \$10.6 billion of investment, why would you stop investment from coming into the province? Albertans are looking to you to make good decisions. This is bad policy. It's policy that doesn't make any sense. It's counterintuitive to production.

We have all been saying here in this House, even on the government side, that we are the most environmentally responsible. We've heard that come out of the government side in the last few months. Thank goodness for that. That's wonderful. But you've got to back those words up with actions. That's the only part of the climate leadership action plan that is actually happening, the actions part, but it has no changes in climate. There are no emissions changes with this at all. None. So that's gone. Where is the leadership? I'd like to know that. And no plan. None. How are you rolling this one out? That's going to be interesting to see. I'm going to be interested to watch how that happens.

Canadian oil is the best, most ethically and environmentally produced in the world. And you, the government, are hiring people on panels to actively campaign against our oil in this province, actively campaign against our industries, our people, the people you represent. How is that okay in anybody's world? You are actively hiring people to actively campaign in our province against our sector.

You know, people like Tzeporah Berman and Karen Mahon: don't you think that they maybe should be removed from the panel? They've said their two bits. The funny thing is that the panel is not even going to give us any information until after this legislation is rammed through.

Mr. Nixon: Who put them on the panel?

Mrs. Aheer: Yeah, that would be interesting. I'd love to know who put them on the panel.

If you think about that, if you just think about that one little aspect, then the other interesting part is that you have all of these anti oil sands activists coming online right now and tweeting and facebooking about all of the things that they're going to do to stop the good work that's been done. Why is the government not actively standing up for Albertans and going: "Whoa, whoa, whoa. You know what? We brought these people, a diverse group, onto this panel to have a discussion, but these guys are actually going against the people that voted us to represent them."

Can you honestly tell me that Tzeporah Berman and Karen Mahon represent your interests? Please stand up, then, and tell me that they represent your interests. Say it to Albertans. Say it to Albertans, by all means. You appointed her, so stand up and defend her. Defend Karen Mahon and defend Tzeporah Berman and what they're saying. Please do. It would be wonderful if you can do that because then maybe Albertans will understand. The average Albertan is looking at these tweets and looking at this Facebook stuff and they're just shaking their head. They know how you feel. Do something proactive: remove those folks and bring somebody else on that actually understands Alberta and understands what we're trying to accomplish here. That's not too much to ask. I think that's a very reasonable request. They've had their opportunity, and they have stepped out and put their ideas forward about what they

felt, and it's counterintuitive and contrary to the Alberta way of life, to what we're trying to accomplish here. If you actually are wanting to change emissions, if you're actually wanting to change the footprint, there are ways to do that, but you have to be involved with the innovators. Like, honestly.

10:00

If you have good reasons why these folks should be there and that they're doing their job representing Albertans, please stand up and defend them because I cannot, for the life of me, come up with any good reasons why those two should be on that panel, especially if they're not willing to at least give good feedback as to what it is that we can do better. There have been no releases of that. Actually, everything that has come out from them is anti oil sands, keeping it in the ground, that we are Mordor, that we have dirty oil, that we are going to kill animals along the route, that Albertans don't care about their earth, air, and water. Really? Is that how you want to be represented?

You are the voice of Albertans and a petroleum-producing jurisdiction. You are the voice. You're the government. Your voice, going forward, is that you don't support Alberta industry, the energy sector, and you would rather side with environmental activists who want to keep our products in the ground. I don't understand. I can't reconcile that. I would love to hear how it is that you defend these two that are actively campaigning against Canadian oil. You know, like, really, it would do so much service and give so much credibility for the government to be able to do that or at least reappoint other people that might actually have that ability to be able to bring the environmental aspects together with what is better for Alberta.

You keep talking about balance, right? This feels very unbalanced to me. It's a very unbalanced panel, so bring balance. You have the ability to do that. You are the government. You are, and you have the ability to do that. It takes strength, and it takes leadership, so do that.

Remove this cap. Remove both of the caps, actually. Removing that 10-megatonne cap would show that you're listening to Albertans, that you're listening about the importance of this industry, that you're listening to how much capacity we actually need and what it means to actually get those products into the pipeline and what it means to upgrade here in our province instead of leaking jobs and carbon into other jurisdictions, where we cannot keep an eye on what's going on, especially not with our incredible regulatory process. If we're doing it here, the government has every opportunity to be able to monitor and watch that and actually be the cheerleaders of this industry, actually be the ones that say: "Look, here is what we are planning to do. Here's the leadership plan we're going to do with our folks in this province under our auspices of what we're trying to accomplish."

Instead, you're literally, with these policies, allowing other jurisdictions to come in and produce where we're not. I don't know how you reconcile that, especially when we all know we do it better here. Alberta is the place. Honestly, everybody should be, like, just jumping for joy, loud and proud about how well we do it here, and bringing those folks in and embracing investors to come into our province and embracing those people to come in and have faith with what we can accomplish here together, but you are actively pushing these folks away.

I mean, that's in my discussions. I have the privilege of being part of this portfolio, so I talk to a lot of people in this sector. I know the government keeps talking about the large corporations that have stood up with you, and that's fine. But there are a lot of folks that work for those corporations – regular, average, everyday Albertans like the rest of us – that are very concerned about the policies of this

government because, at the end of the day, no matter what the corporation is saying, when there's attrition within those companies because they're not able to create capacity and they're not able to create jobs, guess who gets the axe? It's the workers.

You know, the truth is that every time a policy comes in that caps prosperity, you're looking at destroying jobs. It's completely related. I know that the government doesn't want to destroy jobs, but you're actually going to do that with jobs in this province by destroying the industry with really terrible policy.

We're asking you to take a look at this. Please don't ram this through. These are really, really reasonable requests, and the thing is if you can take the time to look at it and look at what it's actually going to cost in the long term, by 2025 to 2040, and the billions and billions of dollars that you're going to take away from Albertans, from our children, all of our grandchildren, infrastructure, everything else that is going to build this province in the future, even moving toward other types of alternative energies. All of these industries are interested in all of those things, so why are you capping their prosperity and their availability to do that? Shouldn't we be rewarding good behaviour? I mean, I don't know. That would be my thought.

Did you know that there's a rising demand for diluent? That has led to a condensate shortage in western Canada, and the oil sands companies use approximately 350,000 barrels per day. I said this yesterday. One barrel of dilbit, or diluted bitumen, is made up of three parts of bitumen and one part condensate, so you're actually lowering your ability to utilize all of your pipeline capacity. If you realize that by limiting upgrading, you're relying on condensate, that also means upgrading jobs are going to get moved elsewhere. That's what we're talking about with the jobs leakage. If we're upgrading here, that means less of that goes into the pipeline, and you have more product actually going into the pipeline, and you can take credit for being job creators, which would be wonderful. It adds so much to the credibility of the government to understand that this is so short-sighted. We don't have enough capacity here at all, and upgrading jobs could increase, like, the energy density, and they improve pipeline use. These are all really, really good things, but you're going to cap that.

Did you know, too, that the bill exempts experiments, potentially, and not proven techniques? Like, even the proven techniques are energy intensive, you know? But they actually increase the energy density of products that are shipped and actually end up reducing overall emissions. Isn't that interesting? Why would you want to cap that? At the end of the day, the payout is not what you think it looks like on paper.

The Chair: Innisfail-Sylvan Lake on amendment A2.

Mr. MacIntyre: Thank you, Madam Chair. We have actually quite an interesting situation occurring here in this House today. We have a number of members on the government side of the House that are refusing to speak in support of their government's own position on a number of fronts. It's creating a credibility problem again for this government.

We haven't had anyone on the other side of this House stand to justify the appointment of three panel members to OSAG who are actively to this very day promoting a leave-it-in-the-ground agenda, promoting the stoppage of construction on pipelines. So three of the members that this government appointed working actively, yet not one of the members on the other side of this House this morning is standing in any attempt to justify those appointments.

The second credibility problem we have is that this panel, albeit stacked somewhat with antipipeline activists – this government is trying to pass Bill 25 without even hearing from OSAG. We have

yet to receive a report. It's a complete waste of taxpayers' money, and it certainly gives evidence to the theory out there that the OSAG panel was really nothing more than window dressing. Yet we have no one on the other side standing up today to get their words into *Hansard*, on the record, justifying ignoring the reality that we haven't heard from OSAG. There's been no justification from the other side whatsoever why we should pass Bill 25 now and not wait for a report from this OSAG panel.

10:10

Credibility problem number three: no one on the other side here is willing to stand in this House to get on the record to justify contradicting the words of their very own Minister of Economic Development and Trade, who specifically said on January 17 of this year that "the value-added (sector) really does mean high-paying, quality jobs that stay in the province. If we have a choice between shipping raw resources or shipping a more upgraded or value-added product, we'll take the latter." Those are the words of this Minister of Economic Development and Trade, yet no one on the other side of this House has stood to get on the record any kind of justification for contradicting those words through this 10-megatonne cap.

Credibility problem number four: no one on the other side of this House has stood in this House to get on the record to justify contradicting the royalty review panel's own recommendations regarding upgrading. I read into the record the words of that panel. Albertans paid for that panel. The government said that this was going to be the panel of experts to guide the government in its policy direction regarding resource development in this province. Here we have a bill before us that contradicts the very words of that panel, yet not one person on the other side of this House has the backbone or intestinal fortitude to stand up and justify why you're ignoring the recommendations of the royalty panel, that the taxpayers of Alberta paid good money for.

Over and over again in this debate on this particular amendment we have heard nobody from the other side willing to stand up and get on the record. We've heard a lot of chirping, a lot of empty-headed chirping, but we have had no one stand up, Madam Chair, with the guts to defend their position, where they are contradicting the royalty review panel; contradicting the words of their own minister; contradicting plain sense, common sense; refusing to wait for the OSAG report; and refusing to justify having three antipipeline activists on the OSAG panel to begin with.

Madam Chair, this government and this caucus over here have no credibility with the good people of Alberta. They've been watching. They are not ignorant people. They know full well what's going on. This government and that caucus say one thing one day and another thing the next. They run from crisis to crisis to crisis of their own creating, trying to solve this crisis and that crisis, when, in fact, it is this government and this caucus that are putting the holes in the dike and trying to plug it with all their fingers and toes. They can't keep up to the damage that they themselves are doing.

Madam Chair, this is a perfectly wonderful amendment that is an honest-to-goodness attempt to solve a problem that this government has created. Out of one side of their mouth they're saying: we believe in value-add. But their actions speak louder than their words. They introduce a bill that is absolutely contradictory to the concept of value-add by putting a 10-megatonne cap on upgrading, and they are not heeding a perfectly good amendment.

I believe that we have heard a great deal about the value of this amendment. We have heard nothing from the other side but chirping. I believe, Madam Chair, it's time to call the question.

The Chair: The hon. Member for Calgary-East.

Ms Luff: Thank you, Madam Chair. I just want to take the opportunity to rise in the House today and speak against this amendment. I want to take the opportunity right now to reiterate that the oil sands industry came to us and they asked for this 100-megatonne cap. They asked for this 100-megatonne cap because they knew that in order to get pipelines, we need to act on climate change. The 100-megatonne limit . . . [interjections] I'll wait, Madam Chair.

The Chair: Go ahead, hon. member.

Ms Luff: Thank you. The 100-megatonne limit in addition to the 10-megatonne cap on upgrading shows that Alberta is serious about limiting their emissions. I think it's absolutely clear from comments by the Prime Minister yesterday and from interactions between our government and Ottawa at a host of levels that Ottawa's willingness for the first time in decades to approve new pipelines to move products from Alberta to offshore markets and increasing value for Alberta and Alberta companies . . . [interjections]

The Chair: Hon. members, Calgary-East has the floor. Please.

Ms Luff: . . . was significantly based on the climate leadership plan.

I've heard this quote before but will say it again. This is from the Prime Minister of Canada.

Let me say this definitively: We could not have approved this project without [the Premier of Alberta] and Alberta's Climate Leadership Plan – a plan that commits to pricing carbon and capping oilsands emissions at 100 megatonnes per year.

It's abundantly clear that this cap is one of the reasons that we got pipelines to tidewater, and if you oppose the 100-megatonne cap, you are functionally opposing pipelines, and you are functionally opposing our ability to have jobs here in Alberta. [interjections]

Mr. Westhead: Point of order, Madam Chair.

The Chair: A point of order has been raised.
Go ahead, hon. member.

Point of Order Language Creating Disorder

Mr. Westhead: Yes, Madam Chair. Thank you very much. I just rise on a point of order under 23(j), "uses abusive or insulting language of a nature likely to create disorder." I want to point out the fact that it's pretty rich that the opposition, who just asked for us to get up and explain our point of view – and the Member for Calgary-East is doing that – don't seem to be listening, so I would suggest that maybe they should be quiet and actually listen to what we have to say if they've asked us to do that.

Mr. Hanson: I hesitate to rise to even respond to that ridiculous point of order. Thank you, Madam Chair.

The Chair: Any others wishing to speak to the point of order? Strathmore-Brooks.

Mr. Fildebrandt: Yeah. Madam Chair, I believe that stating that members of the opposition side of this House oppose pipelines in language likely to cause disorder.
Thank you.

The Chair: Any others wishing to speak to the point of order?

Hon. members, when I sit here in the middle and I listen to both sides, I try to find a balance. As you are well aware, I do try to give a fair amount of leeway in the give-and-take, back and forth. I did notice, though, an escalation when the latest member tried to speak. You did, as the hon. member pointed out, request that somebody from this side speak, so let's try to find a better balance and tone it down just a little bit. Show respect on both sides. I'd appreciate that.
Go ahead, hon. member.

Debate Continued

Ms Luff: Thank you, Madam Chair. I will continue to make my points, and if it gets so loud that folks in the House can't hear what I have to say, then perhaps they can read it in *Hansard* later.

All right. My point so far is that without this cap, we wouldn't have been able to have the success that we had two days ago in getting pipelines to tidewater.

Now, in terms of the 10-megatonne cap, when the oil industry came to us and asked for a 100-megatonne cap, they didn't say anything about having extra room for upgrading. Because we do want to incent upgrading, we chose to include this extra 10-megatonne exemption specifically for that purpose. This wasn't something that was included in the original proposal, but we chose to include it because we wanted to add incentive for upgrading.

Now, I was at a U of C breakfast just the other day, where – I'm paraphrasing – a preeminent professor stated that the foremost challenge of this century is climate change and decoupling energy production from carbon production. The members opposite continuously say that we're capping production, capping capacity when, in fact, what we're doing is that we're capping emissions. Capping production and capping emissions are not the same thing.

We've seen continuously all over the world right now that for the first time economic growth is becoming decoupled from emissions growth. For a long time emissions growth meant economic growth and vice versa, but we're seeing a point in the world where that's not the same anymore, where we're realizing that we can't continue to grow our emissions and continue to grow our economies. If we want the world to be how we want it to be and if we want to move forward, we really have to make sure that we're decoupling those two things.

10:20

Now, I'm sure that you speak with the same folks that we do, and the sector people and scientists I speak with are confident that we can continue to grow our industry while reducing our emissions. The way the opposition is arguing sounds to me like they don't believe in the ability of our industry to innovate. This cap, the 10-megatonne cap, incents upgrading while at the same time incensing innovation. If you believe that we have to do our part to reduce emissions, if you believe in the innovative capabilities of our sector, if you believe in pipelines that just got approved, I would suggest that you vote down this amendment.

Thank you, Madam Chair.

The Chair: Any other speakers to the amendment?

Seeing none, I'll call the vote.

[The voice vote indicated that the motion on amendment A2 lost]

[Several members rose calling for a division. The division bell was rung at 10:21 a.m.]

[Fifteen minutes having elapsed, the committee divided]

[Ms Jabbour in the chair]

For the motion:

| | | |
|-------------|-----------|------------|
| Aheer | Loewen | Schneider |
| Drysdale | MacIntyre | Strankman |
| Fildebrandt | Orr | van Dijken |
| Gill | Panda | Yao |
| Hanson | Pitt | |

Against the motion:

| | | |
|---------------|--------------|--------------|
| Anderson, S. | Hinkley | Nielsen |
| Babcock | Hoffman | Payne |
| Carson | Horne | Renaud |
| Ceci | Kazim | Rosendahl |
| Connolly | Kleinstauber | Schreiner |
| Cortes-Vargas | Loyola | Shepherd |
| Dach | Luff | Sigurdson |
| Dang | Malkinson | Sucha |
| Eggen | McKitrick | Swann |
| Feehan | McPherson | Sweet |
| Fitzpatrick | Miller | Turner |
| Goehring | Miranda | Westhead |
| Totals: | For – 14 | Against – 36 |

[Motion on amendment A2 lost]

The Chair: We're back on the main bill. Are there any further questions, comments, or amendments with respect to this bill? The hon. Member for Innisfail-Sylvan Lake.

Mr. MacIntyre: Thank you, Madam Chair. Well, we gave the hon. members on the other side an opportunity to deal with their credibility problem, and they chose to deal with their credibility problem by having a rather famous pipeline activist stand up and try to give us some NDP logic, which kind of goes like this: we realized the 100-megatonne cap would hurt upgrading, so we put another cap on upgrading. That's quite logical, isn't it? It does nothing whatsoever to answer their credibility problem about having three panel members on OSAG opposing pipelines, not waiting for the OSAG report, not answering the contradiction of their own Minister of Economic Development and Trade, and not answering the justification for contradicting the royalty review panel.

However, not one to give up easily . . .

Mr. Schneider: Never let it be said.

Mr. MacIntyre: Never let it be said that I gave up easily. . . . I have another amendment that I would like to offer.

The Chair: This will be known as amendment A3.
Go ahead, hon. member.

Mr. MacIntyre: Thank you, Madam Chair. In the world of carbon pricing, carbon taxing, dealing with carbon all over the globe, there are governments and organizations that have been wrestling with this issue. It would appear that around the world there are two predominant methods by which some governments are choosing to deal with this issue. One of them is carbon taxation, which, until this point, has been this government's weapon of choice. In other places in the world they use a system known as cap and trade. As I was reading through Bill 25 and getting into the fine print of it and the details of it, I started noticing some remarkable similarities to a set-up that will no doubt lead to something very similar to cap and trade.

10:40

Now, in the world, governments have been choosing either carbon taxation or cap and trade or nothing, and some of them have

chosen to undo some of those experiments because of the horrific damage they've done to their economy and to their competitive advantage in a globalized economy such as Australia and France. We just got word yesterday that France is in fact scrapping their carbon tax. Yeah. Good job, Australia, or, rather: good on you, mate. [interjection] Is that how they do it down there? You would know.

Madam Chair, here we have a government whose weapon of choice has been carbon taxation, but now in Bill 25, not satisfied with carbon taxation, we're also going to have cap and trade. I'm not aware of another jurisdiction where they hammered their economy with both, but here it is. There is very clearly a cap-and-trade mechanism built into Bill 25. It's going to require either a system where the government will issue permits by allocating them – we're talking about the remaining 32 megatonnes of emissions in the 100-megatonne limit. So the government is either going to issue permits by allocating them or perhaps by selling them, but whether we see allocation or selling of these emissions allocations, it is riddled with a series of very different potential risks to our economy if it's handled incorrectly. I will say at the outset that if you're going to compound our economic situation with carbon taxation and a cap-and-trade mechanism in any sector of our economy, you have compounded the problem.

As I see it, there are three serious pitfalls to the scheme mentioned in Bill 25 – I'm going to call it cap and trade even though it isn't called that – and that is the politicized permit allocation system. In some jurisdictions around the world – I can think of, you know, off the top, Germany and the system that they had in place – it became so politicized that it eventually led to corruption charges. Even in jurisdictions where they haven't gone that far, the politicization of the permit allocations is huge. I'm not just talking about politicians politicizing it but corporations using their allocation as a lever in order to manipulate the market, in order to manipulate smaller corporations and manipulate their ability to continue to work, to continue to expand, and, in this particular case, to manipulate their ability to develop the leases that they've already paid for. There is a very real risk of the politicization of the cap and the trading of allocations between developers.

Then there is the issue of economic strangulation between the haves and the have-nots. When you have corporations in the patch up there, in the oil sands leases, who have yet to develop their leases, those who have allocation hold a hammer. They really hold a hammer. And it being the nature of business, often dog eat dog, I have no doubt whatsoever that we could see things like, you know, economic strangulation.

In addition, under the heading of economic strangulation there are many, many subheadings. For example, the very fact that we're going to be allocating emissions does directly impact development. While the hon. member across the way tried to divorce those two, when you're talking about a window of only 32 megatonnes, there is a direct connection. There is a proportional connection between emissions and development. It's a very real potential for economic strangulation not only of the businesses involved but of our economy provincially.

Then there is energy price volatility that can happen with cap-and-trade schemes, where we've capped emissions, we've damaged our economy, and now we've got energy price volatility or price volatility within the components of our energy sector.

In 2009 the United States was considering a cap-and-trade bill – and it was named Waxman-Markey – which, like the Ontario plan, counted on giving away most carbon permits to energy producers. At the time U.S. budget director Peter Orszag observed that giving away emission permits would enable politicians to game the system, playing favourites with freely allocated permits. In

Orszag's words, giving away permits "would represent the largest corporate welfare program that has ever been enacted in the history of the United States."

It was claimed that households, particularly poorer ones, would not feel the pain of the new regime because the government was going to give them some of the money paid in by better-off households and help them improve their energy efficiency. Well, that really transforms an emissions control initiative into a wealth transfer initiative.

Now, Harvard economist Gregory Mankiw stated:

Economists recognize that a cap-and-trade system [with free permit allocation] is equivalent to a tax on carbon emissions with the tax revenue rebated to existing carbon emitters . . . That is, Cap-and-trade = Carbon tax + Corporate welfare.

Here in Alberta, with a carbon tax already killing jobs and causing an economic retraction, this government in this bill is going to add insult to injury, adding a GDP-shrinking cap-and-trade system to a GDP-shrinking carbon tax. Again we see a serious lack of understanding and a very real need for much more study before this legislation becomes law.

Another economist, a specialist in cap-and-trade systems, Ian Parry, commented, "Freely allocated tradable emission permits may actually hurt the poor the most, as they transfer income to shareholders via scarcity rents created at the expense of higher prices." Now, I should point out that the Ontario government made the choice to politically allocate the permits rather than using an auction approach, tripping right into the pitfall that I just mentioned a moment ago.

On the subject of economic strangulation this government is already taking Alberta down that road. Economic strangulation is exactly the result of stranding leases in the oil sands, stranding assets in the power industry, trashing assets in the greenhouse industry, destroying local economies in Hanna, Keephills, and Forestburg. That is economic strangulation happening right now, and a cap-and-trade system is going to add to it.

The third pitfall listed by the cap-and-trade specialist is, of course, price volatility. Now, given the government's plan under Bill 27 we are most certainly headed for volatility, upward and with debt. As we've already noted, that simply means that Albertans pay and pay and pay. In short, Madam Chair, there are way too many unanswered questions about this issue. Of specific concern: this section piles a cap-and-trade system upon Albertans in addition to a carbon tax, and that is simply unacceptable. It is simply unacceptable to empower the cabinet to create a profoundly harmful cap-and-trade system on our already overburdened people without fulsome debate in this House, without hearing from Albertans in legislative committees.

Thank you very much, Madam Chair.

10:50

The Chair: Any other members wishing to speak to amendment A3? Grande Prairie-Smoky.

Mr. Loewen: Thank you, Madam Chair. I'd like to speak in favour of this amendment, which is, regarding Bill 25, Oil Sands Emissions Limit Act, to amend section 3 by striking out clause (h)(ii). Now, when I read this portion of Bill 25, in section 3 it says:

Without limiting the authority of the Lieutenant Governor in Council to make regulations in respect of this Act under the Climate Change and Emissions Management Act, the Lieutenant Governor in Council may make regulations . . .

And it goes on to list these regulations. Now, the Lieutenant Governor in Council is the cabinet of the government. It's not an individual or anything like that or any other group other than the

cabinet of the government. So what this regulation does is that it allows the government cabinet to make the following regulations.

Now, in particular we're talking about (h), which says:

establishing and governing mechanisms to keep greenhouse gas emissions from oil sands sites within the limit established by section 2(1), including, without limitation, regulations . . .

And then it goes on to list a couple. But if we look back to section 2(1), it says:

Subject to subsection (2), the greenhouse gas emissions limit for all oil sands sites combined is 100 megatonnes in any year.

So what it's doing is that it's allowing the government cabinet to make regulations in regard to the 100-megatonne cap of oil sands emissions.

I'll read what it says under h(ii). It says:

establishing a system of greenhouse gas emission allowances and governing the purchase, auction, trading or retirement of greenhouse gas emission allowances or any other matter related to a system of greenhouse gas emission allowances.

Obviously, this bill here is a cap, a 100-megatonne cap, and here we have an opportunity for the government cabinet, without coming back to this Legislature, to go into these parts where it says, "purchase, auction, trading or retirement of greenhouse gas emission allowances." So it's very clear, with the word "trading" in there, that both cap and trade are allowed under this bill. Now, I think that's alarming because, as the previous speaker mentioned, there are no jurisdictions that do both. Most do none, but nobody does both.

Ontario's cap-and-trade program will cost the province's consumers and businesses \$8 billion in its first year of operation . . .

Some Hon. Members: How much?

Mr. Loewen: Eight billion dollars in its first year.

. . . and get minimal greenhouse gas reductions. That's what the Ontario Auditor General reported, so that wasn't some think tank that may have or may be accused of having some agenda. This is the Auditor General: \$8 billion in the first year. And I think what's most alarming is the minimal greenhouse gas reductions, which is why we quite often in this House ask the government for some sort of cost analysis. I'm pretty sure that if the people of Ontario had had a chance to vote on this or have any kind of discussion on this and it was suggested that they would pay \$8 billion and get next to nothing, they would probably say no. I'm pretty sure about that.

Now, it says that households will pay an average of \$156 next year in added costs for gasoline and natural gas, rising to \$210 plus another \$75 that year in indirect costs. Madam Chair, we sit here and talk about the effects of these bills that this government is bringing forward, and over and over again we see that in other jurisdictions they just didn't work. They were expensive and didn't work.

It says that the government also earmarked \$1.32 billion out of the expected \$8 billion in projected cap-and-trade revenue to help offset the cost of residential and business electricity bills, but it doesn't say how. Does that sound familiar, Madam Chair? I think so. There are all sorts of plans and all sorts of talk but no real description of exactly what's going to happen. It goes on to say that the impact will likely be marginal. It says that even with a subsidy the average household electricity bill is projected to increase 23 per cent. Again here we hear the word "subsidy." This government is talking about subsidies, but it's still going to cost.

Now, it goes on to say, "Such increased electricity costs may make natural gas, which is responsible for significantly more greenhouse-gas emissions than cleaner energy sources like solar, hydro, nuclear and wind, an even more economical option." Yes,

natural gas: where have we heard that before? Yes, in the Wildrose plan to use more natural gas.

This carbon-pricing scheme will likely achieve fewer than 20 per cent of the emission reductions the government wants to see. So here they are. They made this big plan costing billions of dollars, and what they plan to reduce – this was only going accomplish 20 per cent of that.

Madam Chair, I could go on and we could go on on this, but I think it's safe to say that this type of language in this bill is not helpful. It adds a potential to hurt the economy even more here in Alberta, to hurt Albertans more, to cost Albertans more. Again, we have no analysis to discover what the end result might be as far as the reduction of emissions. I know the government likes to talk about science. The science is clear. Well, where's the science in a cap-and-trade system in Alberta? Where's the science on how much it'll reduce? What will it help? How much will it cost?

Madam Chair, I'm going to suggest that all members of this House support this amendment. Thank you.

The Chair: Any other speakers to the amendment? The hon. Member for Spruce Grove-St. Albert.

Mr. Horne: Yeah. Thank you, Madam Chair. I rise, and – I'm sure it will come as a big surprise to the opposition – I cannot support this amendment. I find it a bit interesting that the opposition is so keen to talk about increasing production, gaining access to markets. Those are all noble goals, and I'm sure every party in this Chamber can agree on that. I find it fascinating that the opposition refuses to listen to our federal counterparts. When the Prime Minister approved two pipelines this week... [interjections] I'm being asked to clarify how many pipelines, so I'll repeat that: two pipelines. The Prime Minister specifically mentioned this bill. He said that this emissions limit is the reason that he could justify two pipelines. I can't support this because we need to continue on with our climate leadership plan because that is the reason that we can get pipelines built.

For the hon. members, I urge everybody to oppose this amendment and support the climate leadership plan. Let's get moving on with pipelines.

Thanks.

The Chair: Are there any other speakers to the amendment?
Seeing none, I'll call the question.

[The voice vote indicated that the motion on amendment A3 lost]

[Several members rose calling for a division. The division bell was rung at 11 a.m.]

[One minute having elapsed, the committee divided]

[Ms Jabbour in the chair]

For the motion:

| | | |
|-------------|--------|------------|
| Drysdale | Loewen | Pitt |
| Fildebrandt | Nixon | Strankman |
| Gill | Orr | van Dijken |
| Hanson | Panda | Yao |

Against the motion:

| | | |
|---------------|--------------|-----------|
| Anderson, S. | Goehring | Miller |
| Babcock | Hinkley | Miranda |
| Bilous | Hoffman | Nielsen |
| Carson | Horne | Payne |
| Ceci | Jansen | Renaud |
| Connolly | Kazim | Rosendahl |
| Cortes-Vargas | Kleinstueber | Shepherd |

| | | |
|-------------|------------|--------------|
| Dach | Loyola | Sigurdson |
| Dang | Luff | Sucha |
| Eggen | Malkinson | Swann |
| Feehan | McKittrick | Turner |
| Fitzpatrick | McPherson | Westhead |
| Totals: | For – 12 | Against – 36 |

[Motion on amendment A3 lost]

The Chair: The hon. Deputy Government House Leader.

Mr. Bilous: Thank you, Madam Chair. I move that we rise and report progress.

[Motion carried]

[The Deputy Speaker in the chair]

The Deputy Speaker: The hon. Member for West Yellowhead.

Mr. Rosendahl: Thank you, Madam Speaker. The Committee of the Whole has had under consideration certain bills. The committee reports progress on the following bill: Bill 25. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

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

Hon. Members: Aye.

The Deputy Speaker: Opposed, say no. So ordered.

Government Bills and Orders

Third Reading

Bill 30

Investing in a Diversified Alberta Economy Act

The Deputy Speaker: The hon. Minister of Economic Development and Trade.

Mr. Bilous: Thank you very much, Madam Speaker. It's my honour and pleasure to rise and move third reading of Bill 30, Investing in a Diversified Alberta Economy Act.

There are a few points that I want to make, Madam Speaker. There's been some great debate over the past couple of weeks here in the House. First of all, I'll begin by mentioning a few thank yous. I'd be remiss if I didn't start by thanking my ministry staff, who have worked so diligently on this bill to ensure that it captures not just the essence of what business and industry have been asking for, but what makes me so proud of this bill is the fact that this is a made-in-Alberta solution. We looked to other jurisdictions like British Columbia, which has enjoyed an investor tax credit for decades, which has left Alberta and Alberta businesses at a disadvantage, quite frankly. We looked to them as far as some of their best practices with theirs, but we've also looked to other jurisdictions.

I know the hon. Member for Sherwood Park is a strong advocate of co-operatives and, as well, community economic development corporations. The jurisdiction of Nova Scotia enjoys a tax credit for businesses that provide social benefits, not just businesses that are completely or solely driven by profit. I'm quite proud that we're opening up opportunities for communities, for businesses that are not just for-profit but also provide either social or community benefits.

You know, this bill has been on quite a journey as far as the number of consultations and conversations that not just myself but

my colleagues throughout government have had in their communities with business leaders and industry leaders, again identifying: what are the ways and tools that government can provide to help spur investment?

This bill, should it pass final reading today, will do a number of things, Madam Speaker. First of all, this is a great tool to diversify our economy. These two tax credits will not just incent investment into Alberta companies, but they also will incent investment into companies which may traditionally have struggled to get the capital that they need to grow, to expand, to hire more people. You know, this has been a tool that we've seen work extremely well in other provinces, in other jurisdictions. Not only will it help companies to grow; these two tax credits will also help create thousands of good-paying jobs and also foster innovation. Again, many sectors outside of traditional oil and gas are looking to expand or looking to grow but are struggling, especially in industries that may not have physical assets that they can borrow from.

11:10

The investor tax credit really provides an incentive for Albertans to invest in Alberta-based businesses by derisking the investment. Providing a 30 per cent refundable tax credit is a great way to incent Albertans to invest in their own backyard. We know that we have incredible businesses, incredible companies, entrepreneurs here in our province. They just need sometimes the support of their neighbours and investors, and this tax credit will do just that.

The other thing that I'm quite proud of with this bill is that we have not only the community economic development corporations, but these tax credits are available to individual investors. They're also available to venture capital corporations, so groups of investors also would be eligible or will be eligible for this tax credit, which I think is significant. That has definitely come from many business leaders, especially in Calgary, who have asked for this to ensure that it's not just for individuals or for community economic development corporations or funds but also for venture capital funds.

Madam Speaker, you know, this is a bill that very much is part of our Alberta jobs plan. This bill is just one more tool and one more way that our government is supporting the business community within the province. This is a great tool to diversify our economy and, again, to provide opportunities for Albertans to participate in companies right here in Alberta. Ninety-five per cent of businesses in our province are small businesses. We know that small businesses are the backbone of our economy, and this bill will really provide them with the tools they need to grow and expand. Quite frankly, the time to do this was probably decades ago, but the next best time is today.

I'm quite proud of the work that my colleagues and our friends in business and industry have done on this bill. It's also a testament to the fact that, you know, our government is in continuous dialogues and conversation with the business community and identifying ways that we can support them. We recognize that with the international price of oil being where it is for as long as it's been, it's had a significant impact on workers and families and communities across this province, so this will definitely help create jobs, help companies get back up on their feet. I'm quite looking forward to sharing with Albertans when we see not only the uptake but also the outcomes of these two tax credits. For the most part, right now I've been focusing on the investor tax credit.

The capital investment tax credit. In fact, I was just over at the Alberta Chambers of Commerce the other day talking about the fact that initially we were looking at a minimum of \$10 million of capital investment. Over the summer, in consultations with business and industry, they said: "You know what? That bar is a little bit too high. You're going to cut out a lot of different sectors and

companies who may not have access to \$10 million to invest in a capital project." So they asked for it to be lowered to a million. We listened. That's exactly what we've done.

We've also opened it up to where there is a set of criteria. This is what companies have asked for. They want to know in advance: "Are we going to qualify? What are the criteria? How will we be ranked?" Then we're going to go one step further, Madam Speaker, and make sure that we work with companies that apply that maybe don't qualify in the first window and encourage them to apply in the second window.

Again, this capital investment tax credit is cross-sector, so this will be applicable, you know, to any industry that deals with manufacturing or processing. We're talking about agriculture, agrifood, our forestry sector, our tourism sector, our clean tech sector, even our energy sector. This is exactly the tool that we need to use. This is one tool in our tool box of the Alberta jobs plan, which I'm quite proud of.

I look forward to the debate here in third reading and want to thank all of my colleagues on all sides of the House for their input and debate thus far. Thank you, Madam Speaker.

The Deputy Speaker: I recognize the hon. Member for Calgary-Mountain View.

Dr. Swann: Thank you very much, Madam Speaker. I'm pleased to rise and speak to Bill 30, Investing in a Diversified Alberta Economy Act. Yeah, another positive step for Alberta. I think this government has been listening. Small and medium-sized businesses have been calling for this for years. This investor tax credit will offer a 30 per cent tax credit for investments in Alberta small businesses between April of last year and 2019. It'll have a budget of \$90 million over these three years and will be provided on a first-come, first-served basis and will be available for investments in companies that are engaged substantially in development or commercialization of proprietary technology, interactive digital media, and video postproduction as well as tourism. Additionally, the capital investment tax credit will offer a 10 per cent nonrefundable tax credit. That's progress on both levels.

I think the Conference Board of Canada was pretty clear back in 2013 in saying that Alberta lagged way behind other jurisdictions in this area and gave Alberta a grade of D in this regard, near last in terms of venture capital investment. Presently six provinces have some form of tax incentive for those who invest in local small businesses, so we're approaching the B.C. program, which is considered the gold standard by business groups. It provides a tax credit equal to 30 per cent of investments made into eligible small businesses. Research out of UBC found that between 2001 and 2008 \$250 million worth of tax credits helped attract 10 times that value in equity investments, creating more than 4,000 jobs.

So the only concern might be that it's going to be, perhaps, short lived. It's a two-year time frame, but I can understand that we need to see how it works, what the impact of it is, and presumably there will be some modifications before this gets significant change.

I think the only other concern is what has always been expressed with respect to government handing out money, and that is that we don't pick winners and losers, that we actually allow the market to decide where the proven track record is. The examples of the past have come back to haunt us even now with continued challenges, so we do need to be very careful about what the criteria are. Obviously, all of us will be waiting with bated breath to see the follow-ups, the outcomes, the results. I think it's a positive step forward given those caveats, but we need to see an honest reporting of what works, what doesn't work, where we invested successfully, and where we have lessons to learn.

There's no silver bullet, but this is progress, and I certainly will be on behalf of the Liberal caucus supporting this bill. Thank you.

The Deputy Speaker: The hon. Minister of Finance, followed by Calgary-Foothills.

Mr. Ceci: With regard to 29(2)(a), is it?

The Deputy Speaker: No. Standing Order 29(2)(a) doesn't come into effect until after whoever speaks now.

Mr. Ceci: Oh, okay.

The Deputy Speaker: Okay. Then I'll hear from Calgary-Foothills.

11:20

Mr. Panda: Thank you, Madam Speaker. This morning I rise to speak to Bill 30, Investing in a Diversified Alberta Economy Act. Bill 30 is not perfect, but it's the first step in the right direction, so I would like to compliment the minister and his team on bringing this bill to give at least some relief to the businesses in Alberta.

Madam Speaker, the Official Opposition and other opposition parties in this House tried to make this bill better by bringing in reasonable amendments with respect to clarity about the scope of funding, accountability, and measuring the effectiveness of the program, to put in some metrics. I'm a bit disappointed because the minister, who is titled to be the minister that gets it, unfortunately, didn't get our common-sense amendments for whatever reason. As I said, I do give him credit where it is due, and I appreciate them working hard to bring this bill forward.

I just wanted to give some constructive feedback. Going back to the process of how this bill was developed, they say that they consulted people, but selective consultation is not fully helpful. I want to bring up some of those points, and if the government wants to use it as constructive feedback, that's up to them.

Madam Speaker, if I'm permitted to use common man's language and analogy, it's like sucking and blowing because, on one hand, we are driving out investments with risky economic policies, and on the other hand this government is saying: oh, we need to give relief to businesses. Businesses want overall certainty by reducing overall taxes and creating an economic environment where businesses can bring investments here and grow the economy and create jobs.

Now, this bill is titled Investing in a Diversified Alberta Economy Act. One way of diversification is upgrading our bitumen here to refinery-ready synthetic crude, which would help us free up pipeline space and which would get us a premium price for our product. There are so many reasons I can give why we should be doing it, but one single reason we should remember is that in the past the NDP were saying that we should do more upgrading here in Alberta and that we shouldn't be shipping jobs south of the border, which they conveniently forget now.

Then the ministry is talking about creating a competitive environment here as opposed to our neighbouring provinces, but there are reasons why businesses are going away. It's not just the world oil price. It's beyond that. We get that. We don't hold the government to account for the world market price, but we do hold them accountable for their policies, which are not helping stabilize the economy.

Madam Speaker, I'll put this in context, and I'll give you some background on this. The minister promised that the funds in the Alberta investor tax credit will go to proprietary technology research, development, or commercialization; interactive digital media development; video postproduction; digital animation; and

tourism. None of this was initially in the bill. Then we consulted many stakeholders, and we tried to amend the bill based on their input. Those sectors we included in our amendment but that it was not limited to were agriculture, agrifood, or agribusiness; transportation and logistics; financial services; and manufacturing or processing. But the NDP voted against adding these sectors to the legislation.

The minister says: trust me. It doesn't work like that in business. The minister says: the credit will be broad; just trust me. Well, I think the government knows that investors don't really trust anything other than what's written in the bill, and it's too bad they aren't giving them that certainty by establishing a minimum set of industries. By having that minimum set of industries, at least they'd know they're eligible to apply. There is no confusion. But now no one knows.

Madam Speaker, it's really strange that the NDP's own Member for Leduc-Beaumont got the Legislature's Standing Committee on Alberta's Economic Future to focus only on how to grow and diversify the agrifood and agribusiness sectors in this province and that the scope of the study be focused on value-added production and small-business opportunities and local food production and promotion, which is a great initiative. I support that, and I look forward to working with him on that. To grow the economy through agrifood processing is a great way to diversify. We all agree on that, yet the minister's announcement left out agrifood entirely from the investor tax credit.

Then on November 23, last month, the Member for Edmonton-Centre – not the minister, the private Member for Edmonton-Centre – stated something very different in this House during the debate on this bill. I'll quote what he said.

It's our intention that this legislation be as broad as possible to provide the greatest benefit to investors, job creators, and their employees. Our proposed Alberta investor tax credit would be applicable across sectors and would offer a 30 per cent tax credit to investors who provide capital to Alberta companies doing research, development, or commercialization of new technology, new products, or new processes in sectors including but not limited to renewable energy, manufacturing or processing, agriculture, agribusiness and agrifood, transportation and logistics, financial services, and the creative industries.

That was his quote.

Yes, Bill 30 is broad and gives broad, sweeping decision-making powers to the minister of the day, but if the statement from the Member for Edmonton-Centre is true, this is a lot different than what is written on the government's fact sheet on the government's website, which says:

Eligibility will be limited to Alberta investors who pay taxes in Alberta and invest in small and medium-sized Alberta businesses in sectors such as information technology, clean technology, health technology, interactive digital media and game products, and post-production, visual effects and digital animation.

That's what it says on the website.

Madam Speaker, this communications issue causes mistrust of the NDP government, and it's not the first time. We saw that during Bill 6. Thousands of farmers came here protesting because they were not consulted and they were not communicated with properly. So that's another focus area for the government to look at.

I'll give you another example. The list given in this House by the Member for Edmonton-Centre leaves out some of the industries in the ministry's press release. What are the film production, postproduction, or digital animation studio people supposed to think now? You know, they're included in some; they're not included in other announcements. Lots of confusion, Madam Speaker.

In addition to this, stakeholders like the Lethbridge Chamber of Commerce are concerned about the winners-and-losers aspect of this bill. They gave me that feedback. They actually sent me a letter. I'll submit that this afternoon.

That being said, Madam Speaker, Alberta's small-business community needs help to grow in these tough economic times. We agree on that with the government. We are all on the same page that businesses need to grow and they need some help. Alberta is facing an unprecedented jobs and economic crisis. I was not here in the '80s, but I'm told that this one is much worse than that. It's a much deeper and broader recession, depression, whatever you want to call it. Proprietary research and commercialization are a challenge in every sector, and the more research and commercialization Alberta does, the better off we all will be. The creation of the register of venture capital corporations, VCCs, is a plausible way to promote these corporations to others seeking investment.

11:30

According to Alberta economic development, over the last 10 years Alberta has consistently lagged behind British Columbia, Ontario, and Quebec in terms of venture capital dollars. This lack of venture capital has limited the growth and commercialization potential of small and medium-sized businesses in Alberta. With so many other provinces and American states offering successful investor tax credit programs, Alberta needs to compete. That's the situation. Every one of our neighbouring provinces in Canada and the states along the Canada-U.S.A. border: they're all competing for the same capital. Alberta's technology sector asked for this tax credit, and have it they shall.

The AITC could allow studios to be built for postproduction of the films that are being made in Alberta now, unless they were dropped when the list in the House was given. That's the concern that they expressed when I met with some of them. They are on the list one day; they are not on the list the next day. There is confusion. Digital animation like from BioWare, where we all attended recently, will help spur more growth in Edmonton's video gaming industry. I had the opportunity, Madam Speaker, to attend an event this week hosted by BioWare, who is very interested in this AITC. I saw many members from the government there, and they also interacted with them, which is good. That would help them in updating this bill if they wish. I met with someone from postproduction as well, as I said before, in Calgary recently. He emphasized how this could help create stable, full-time jobs. Although there are not many, at least there will be some jobs.

Productivity is a big problem in manufacturing, Madam Speaker, and the CITC will help Alberta's 9,000 manufacturers compete with foreign industries. That's another good aspect of this investment tax credit program. Alberta's investors need some kind of good news finally. They need some kind of good news given all the bad news they keep getting from this government and also because of the economy.

For the reasons I explained, Madam Speaker, although I'm quite disappointed that the minister didn't accept reasonable amendments from us, it's still the first step in the right direction, and that's why I'm going to support Bill 30, and I encourage all my colleagues on this side of the House to support this bill.

Thank you, Madam Speaker.

The Deputy Speaker: Standing Order 29(2)(a) comes into effect if anyone has questions or comments for the previous speaker. The hon. Member for Drumheller-Stettler.

Mr. Strankman: Thank you, Madam Speaker. Yes, it's an honour to speak to this bill regarding investment tax credit presented by the

minister of economic development. I want to ask my colleague a question because of his experience in the energy industry. How does he feel these investment dollars can spur investment? It's my understanding that these dollars are pretax dollars and that they allow people to incentivize their investment. I just wanted my previous colleague to enlighten us further, from his life experiences, on how that can benefit the economy and, therefore, society as a whole.

The Deputy Speaker: The hon. member.

Mr. Panda: Thank you, Madam Speaker. Thanks to the Member for Drumheller-Stettler. It's a good question. With respect to the energy sector, for the type of work we do here in the oil sands program, there isn't enough money from this program for major players in the oil sands. Some of the service companies: if they want to use this money for manufacturing processes or for innovation, for research and development, they can utilize this. As I said before, the intention of this bill is really good, but the problem is that we can't selectively choose programs like this and think that with Band-Aids like these, we can prop up the economy. They may be a temporary relief, but in the long term we have to create business conditions where we can have a higher impact in terms of job creation.

When the minister talks about diversification, there are many opportunities in building on our strengths. Particularly, you know, we have cheap natural gas here; we have bitumen. If investors really have confidence in this government, if they feel that stability, they can actually invest billions of dollars based on the strengths we have in the energy sector.

You know, the companies I worked with before: many of them actually got involved in backward integration. For example, if you have crude oil here, you can extract ethylene from that through upgrading and refining, and you can use that ethylene to polymerize and make polyethylene, polypropylene. Similarly, you can make many other polyester intermediates; for example, PTA and other stuff to produce textiles. You can make linear alkylbenzene, LAB, which can be used for soaps and other chemicals. Some of that is happening in the Industrial Heartland, in that area, but if this government creates industrial infrastructure in the northwest of Alberta – recently I was there. If we could connect Fort Mac to Peace River, in that corridor they can actually have some ancillary industries.

Coming back to this program, I don't think there is enough money for all of them, but something is better than nothing. That's another concern I have. When I travelled during the summer and spring, I met with many chambers of commerce and economic developments and mayors and local leaders. First of all, they don't know what programs exist. We have to do a better job of communicating with these people that these funds are available. That's why we brought in amendments to clarify the scope – who can actually apply and who can benefit from these programs – because in most cases, first, they didn't know that these programs exist, and then by the time they figure it out, there's a long process to apply for this funding, and when all this is done, by the time they say okay, the fund is exhausted now; there's no money left. That's not helpful. We could do a better job through the department, or we can take help from others.

Ms Babcock: Madam Speaker, I'm honoured to stand up today and support this bill. I think it's a very important initiative here in Alberta, that brings us up to the standards of our counterparts in other jurisdictions. There were some valuable amendments brought forward, and I'm glad to see that we have accepted a few that will

make this bill better. I believe in using all the tools in our tool box to improve the lives of Albertans. We know that small businesses are the pillars of our communities, and especially our rural communities will benefit by incenting this investment in our small and medium-sized businesses.

Madam Speaker, no longer can we depend solely on petroleum products, which have driven our economy in good times and created hardships in bad. During an upward cycle everyone wants a piece of Alberta, but when the price of petroleum products drops, everybody heads for the hills. Albertans need and deserve better than this. That is why this bill is aiming to encourage investment and growth in industries that Alberta has not traditionally sought: research, development, and commercialization of proprietary technologies, products, and processes; interactive digital media development; video postproduction; digital animation; and tourism. Those are important industries for us to support. On the CITC side, manufacturing or processing and tourism infrastructure: those are going to help incent this investment in our rural communities, where we would like more people to be able to invest.

11:40

Madam Speaker, we can't continue to embark on the same path of boom and bust that has been the history of this province. Challenging times call for creative solutions, and Bill 30 will provide solutions that will make Alberta more competitive. Bill 30 will allow the government to establish the Alberta investor tax credit and the capital investment tax credit. Together these tax credits will drive innovation, diversify our economy, and create new jobs here in our province. There must be 75 per cent of wages and salaries – or 50 per cent for exporting companies – to employees who regularly report to work here in Alberta. They must have 80 per cent of their assets in Alberta to qualify for this program, the Alberta investor tax credit.

The CITC will encourage large-scale capital projects by offering a 10 per cent nonrefundable tax credit of up to \$5 million, which is expected to incent \$10 million to \$40 million worth of exports province-wide. Due to these challenging economic times and the global drop in the price of oil here and around the world we see lower cash flow, which can be boosted by investor confidence and timely investment decisions. Because the capital investment tax credit is not sector specific, it will be available to companies across the province. Industries such as manufacturing, processing, and tourism that are making investments need to be supported here in Alberta.

The activities identified have strong potential for growth in this current economic environment and over the long term. This includes much of the oil and gas supply chain as well as industries that have the potential to grow in the future. Through the short-term nature of the CITC we have the opportunity to re-evaluate the program as the economic situation evolves. By continuing to promote diversification of our economy, supporting our employers and industry, and enabling entrepreneurs and job creators as well as encouraging investment here in Alberta, we are demonstrating meaningful action on the economy all over Alberta for all of our people.

This bill is very broad, Madam Speaker. Any company engaged in development or commercialization can qualify for the AITC, including sectors that traditionally are not included in this type of bill. The evaluation will be ongoing, and it will be focusing on the outputs of the program, including process efficiency to identify approaches for implementation enhancement and course correction. After the program is over, there will be an independent outcome evaluation conducted upon the program's completion. It will

examine the program in terms of its success and incenting policy goals of investment, diversification, and job creation.

One of the things that I really love about this bill, Madam Speaker – I'm a community builder, and I believe that whether our community is the people in our parties, whether it's the people that we have in our homes, whether it's the people in our towns, whether it's the people in our province, we are communities. This bill enables the government to establish community economic development corporations. I think that's so important, that we're not just investing money into Alberta; we are investing into our social licence here in Alberta. For-profit investment funds that invest equity in locally owned businesses recognized for their positive social, economic, and environmental returns to communities – these are the places that we go as a family, these are the places where we meet our community members, and these are the kinds of places that I want to see more of in our communities.

The department will be engaged in targeted stakeholder consultations to ensure that the program is designed to be successful, and the CITC's portion of the program is going to be implemented, hopefully, by next summer if this bill passes third reading. The registration process for the AITC will be announced pending the passage of this act. Madam Speaker, these tax credits offer the right support for Alberta businesses at the right time. Introducing these measures now, when businesses are facing challenging times, will make Alberta more competitive in retaining and retraining, so we are creating much-needed jobs. Together these tax credits provide significant support to Alberta businesses when they need it most and when we need them most.

Madam Speaker, I would encourage all of my colleagues on all sides of this House to support this bill. Thank you.

The Deputy Speaker: Any questions or comments for the hon. member under 29(2)(a)? Drumheller-Stettler.

Mr. Strankman: Thank you, Madam Speaker, for this. The member's comments there were excellent. I'm looking on page 30 of the bill under division 2, where it talks about a community economic development corporation. I was pleased to hear the minister, as he introduced the bill here, talking about derisking the investment. I was wondering if the member could explain to us how she feels that this type of an investment or the assistance would derisk an investment, whether it be community and/or even private, because further on in the legislation it talks about: "The small business must meet any other prescribed requirements for registration." I was wondering if the member could enlighten us on how those benefits would be derisking Albertan taxpayer dollars.

The Deputy Speaker: The hon. Member for Stony Plain.

Ms Babcock: Well, thank you, Madam Speaker, and thank you for the question. You know, it's a very important derisking tool that we can have in our tool box. As you know, in using one tool, if you have a hammer, it doesn't work for everything. Sometimes you need a screwdriver. So let's use this as a tool. Derisking our small and medium businesses means that people are more willing to invest and more able to invest because they know that the tax credits are there at the end of the day for them.

Part of that, for me, Madam Speaker, is being able to invest in our small and rural businesses and having people that are willing to come into our rural communities, which should be important to everyone in this House, being able to diversify in those economies in our small towns, in our villages, where people aren't always staying because they don't have the opportunity. The more often that we can get people to come to our small towns and our villages and our rural communities – it is more important for us to be able

to make them stay and give them the tools they need to stay. A derisking tool for our small businesses, especially in our rural communities, is one of the most important things that we can do for them and be able to help them know that we will have this available to them and that that investment has less potential to be lost.

Investment is important. We know that investment is coming back here in Alberta, but we know that it's been challenging times for our small and medium businesses. We know that the global drop in the price of oil has impacted every business in Alberta, and we need to do everything we can and use every tool we have to help incent the investment.

Thank you, Madam Speaker.

The Deputy Speaker: Any further questions or comments under 29(2)(a)?

Seeing none, I'll recognize the hon. Member for Calgary-Elbow.

Mr. Clark: Thank you very much, Madam Speaker. I rise to speak at third reading in favour of Bill 30. I think an investor tax credit is seeing Alberta catch up with other jurisdictions. It's good for Alberta entrepreneurs, and it's good for Alberta.

I also want to acknowledge and give credit to the government for realizing that an investor tax credit makes a lot more sense than their original job-creation grant program. That, I think, is something we don't often see from a government that ran on a certain platform. They've discovered that something may have looked good in a campaign platform that doesn't actually make sense in practice. Any time that happens, a government making a good decision based on good data, I think we ought to recognize that and acknowledge them for doing that.

I also appreciate the minister's willingness to accept reasonable and thoughtful amendments from a couple of different opposition parties, myself included. The Member for Calgary-Fish Creek had presented several amendments that were accepted, and I sincerely hope that those amendments have made the bill better.

Sadly, life is not perfect. We didn't get all the amendments that we would have liked to see approved. One of the most important amendments that I would have liked to see would be defining which sectors are included in the investor tax credit in particular. The wording in the bill as it stands now and as it appears will be passed into law is very vague and gives, really, all of the power to the minister to define the eligible areas.

11:50

We have a news release from the government here that talks about allowing investment in small and medium Alberta businesses "in sectors such as information technology, clean technology, health technology, interactive digital media and game products, and post-production, visual effects and digital animation." That seems like a reasonable area. I would like to see more in the way of agriculture, agrifood. The world of agriculture is a tremendously technically advanced area and certainly could benefit from some investment as well.

My concern is that we don't know what those parameters will be to determine those industries, and it has been left vague and left up to the minister to choose. Now, the minister assures us that these are the areas, broadly speaking, that will be included, and of course we have to take him at his word on that. I would have liked, though, to see that actually enshrined in the legislation so investors and Alberta entrepreneurs and businesses could know what exactly is included.

I think it would be better if this bill is as broad as possible, if the tax credit is as broad as possible, and I also think that bigger is better. I would like to see more money, frankly, applied to investor

tax credits. On one level \$30 million a year sounds like a lot of money – and I think it will be leveraged to create tens of millions, if not hundreds of millions of dollars in investment in Alberta business; a very good thing – but I think I'd like to see that be even larger than it is.

Also, while there is a reporting provision in the bill, the specifics of when the minister will report, how often the minister will report, have not been amended into the bill. We tried to put that in, and that was not accepted. I think it's very important that we have proper reporting so that we know if, in fact, this is a success. If it is a success, how many jobs have been created? How many millions of dollars have been invested in Alberta that may not have otherwise been? Or conversely, if it's not working, are there monies being invested that, frankly, were going to be invested anyway and now we as taxpayers have simply subsidized that? Now, I don't think that's likely to happen to a large extent. Other programs like this in other provinces have shown to be quite effective, but if we don't measure, we can't manage and we don't know. I think that's an important role for us here in this Assembly, and I would know that in the minister's office it's an important role for them as well. Once we have that data, we can then decide whether or not the \$30 million a year allocated is an appropriate amount, if it should have been more or, frankly, could be less.

With all of those concerns aside, I still will happily support this bill. I think it's good for Alberta. I think it moves us forward. Again, credit to the minister for taking this approach. I really look forward to seeing positive results for Alberta business and Alberta entrepreneurs and Alberta jobs.

Thank you very much, Madam Speaker.

The Deputy Speaker: Questions or comments under 29(2)(a)? The hon. Member for Lac La Biche-St. Paul-Two Hills.

Mr. Hanson: Thank you. Just a quick question: in reference to Bill 30 and the timing of it, I was wondering if the member could enlighten us on his opportunities to consult with people in his constituency, businesses, and maybe chambers of commerce on this?

Mr. Clark: Yeah. I've had an opportunity to talk to a lot of stakeholders on this. Calgary-Elbow is very fortunate to have a high number of entrepreneurs. I've talked with stakeholders on this, of course, and chambers of commerce. I've been actively engaged with them, and I give a lot of credit to the Alberta chambers of commerce, to Edmonton, Lethbridge, and Calgary in particular, for being very active on this file. They, in fact, were a real driver for the move towards an investor tax credit, away from the job-creation grant. Credit to them for their hard work in advocating and credit to the minister for listening to that advocacy.

I think they are probably not perfectly happy with the outcome. I would have liked to see this broadened, perhaps the numbers a little higher, and some definition in terms of the specific sectors that will be included. I think that would be a fair statement.

I've also talked with stakeholders here in Edmonton. One company in particular that I know of in the geothermal industry is very keen to take advantage of this program and has already started that work by engaging with the ministry and trying to find out what the application process will look like for them. It has already allowed them to attract some capital that perhaps they may not have otherwise been able to attract in an area that I think is a growing one and something that I would hope could be part of diversifying Alberta's economy.

Interestingly, Alberta's economy, really, is already quite diverse. We have the highest level of diversity measured by job type, career

type, anywhere in the country. The challenge that we face in this House and with our provincial budget is not perhaps an economic diversification challenge but a revenue diversification challenge, with a lot of revenue concentrated from one source and overreliance on that nonrenewable resource revenue to fund ongoing operations and a lack of discipline in really reining that in.

That said, the objective, to add to Alberta's economic base through targeted tax incentives, is a good one. I know that my constituents in Calgary-Elbow will certainly take advantage of it, and I hope that constituents from all 87 constituencies will be able to take advantage of that as well.

On the consultation side I've certainly heard from chambers of commerce that they are pleased in general. Probably this didn't go exactly where they would have liked to have seen it go, but at the end of the day I think that, on the whole, it is a good thing.

Thank you.

The Deputy Speaker: Any further questions or comments under 29(2)(a)? The hon. Member for Barrhead-Morinville-Westlock.

Mr. van Dijken: Thank you, Madam Speaker. The Member for Calgary-Elbow alluded to the limits with regard to being possibly hurdles that restrict the ability for this to expand and do even more good in the investment climate in Alberta. The limits: I'd like to hear some of his thoughts on how those limits force the government to pick and choose and how that can be dangerous as opposed to regular market forces being able to drive what's going to be successful or not successful. So if he could maybe share some of his thoughts on that.

Mr. Clark: Happily. You know, one of the things I like about the general structure of the bill is that the intent seems to be to pick winners and losers by sector, so there are sectors that can benefit from this tax credit and sectors that cannot. That's a step better than picking winners and losers along an individual business level, so I think that's a good thing.

Where I'm concerned – and I think we'd all agree – is with someone who opens up a fast-food franchise, for example. They probably ought not be eligible for an investor tax credit. I think

that's something that we wouldn't say is meaningful economic diversification. But a traditional oil and gas company that perhaps spins off a new technology that is an environmental technology that allows for enhanced oil recovery with less carbon footprint: is that diversification? Is that eligible for the tax credit? I don't know. Is that green technology, or is that oil and gas? I don't know. You know, that's something that the minister is going to have to grapple with. That's why I would have liked to have seen the definition in the bill, so that we know. There's too much that happens in government that's by regulation.

The Deputy Speaker: Any other speakers to the bill in third reading? The hon. Member for Barrhead-Morinville-Westlock.

Mr. van Dijken: Thank you, Madam Speaker. I see we have a limited amount of time left this morning, but I do wish to speak to Bill 30, Investing in a Diversified Alberta Economy Act. Bill 30 strikes closer to the mark as opposed to the other NDP job-creation proposals that we've seen in the last 18 months. It's been over 18 months since the NDP came into power without a competent policy to promote job creation. They had to scrap the previous job-creation initiatives, and we in the Official Opposition hope this one can be effective.

I do believe that tax credits have been effective in the past on certain initiatives. There are some dangers with them also with regard to the government picking and choosing winners and losers, so we have to be aware of that danger. This tax credit, if it works, won't do nearly enough to cancel out all of the other poor policies that we've seen the NDP put in place and roadblocks in the business environment that we're working with in Alberta at this time, policies such as a carbon tax and tax increases on both businesses and individuals. We see dramatic minimum wage increases, suing Alberta . . .

The Deputy Speaker: I hesitate to interrupt the hon. member, but pursuant to Standing Order 4(2.1) the Assembly stands adjourned until 1:30 this afternoon.

[The Assembly adjourned at 12 p.m.]

Table of Contents

| | |
|---|------|
| Prayers | 2231 |
| Orders of the Day | 2231 |
| Government Bills and Orders | |
| Committee of the Whole | |
| Bill 25 Oil Sands Emissions Limit Act | 2231 |
| Division | 2238 |
| Division | 2241 |
| Third Reading | |
| Bill 30 Investing in a Diversified Alberta Economy Act..... | 2241 |

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