Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee on Public Accounts

Energy
Alberta Energy Regulator
Alberta Petroleum Marketing Commission

Tuesday, October 15, 2019
8:30 a.m.

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Standing Committee on Public Accounts

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Gotfried, Richard, Calgary-Fish Creek (UCP), Deputy Chair

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Standing Committee on Public Accounts

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Douglas Borland, Assistant Deputy Minister, Ministry Services
David James, Associate Deputy Minister, Natural Gas
Grant Sprague, Deputy Minister

Alberta Energy Regulator
Gordon Lambert, President and Chief Executive Officer

Alberta Petroleum Marketing Commission
Adrian Begley, Chief Executive Officer

8:30 a.m. **Tuesday, October 15, 2019**

[Ms Phillips in the chair]

The Chair: Good morning, everyone. I would like to call this meeting of the Public Accounts Committee to order and welcome everyone in attendance.

My name is Shannon Phillips. I'm the MLA for Lethbridge-West, the chair of this committee. I would ask that members, staff, guests joining the committee at the table introduce themselves for the record, and then I will go to members on the phone lines although I don't think – okay. I will not go to members on the phone lines. We don't have any today. I will start to my left for introductions at the table.

Mr. Roth: Good morning, everyone. Aaron Roth, committee clerk.

Dr. Massolin: Good morning. Philip Massolin, clerk of committees and research services.

Mr. Dach: Morning. Lorne Dach, MLA, Edmonton-McClung.

Mr. Feehan: Richard Feehan, Edmonton-Rutherford.

Ms Renaud: Marie Renaud, St. Albert.

Ms Hoffman: Sarah Hoffman, Edmonton-Glenora.

Mr. Wylie: Doug Wylie, Auditor General.

Mr. Leonty: Eric Leonty, Assistant Auditor General.

Mr. Begley: Adrian Begley, CEO with the Alberta Petroleum Marketing Commission.

Mr. Borland: Douglas Borland, ADM, Department of Energy.

Mr. Sprague: Good morning. Grant Sprague, deputy minister, Energy.

Mr. Lambert: Gordon Lambert, CEO, Alberta Energy Regulator.

Mr. James: David James, associate deputy minister, natural gas.

Mr. Barnes: Good morning. Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Stephan: Good morning. Jason Stephan, MLA, Red Deer-South.

Ms Rosin: Morning. Miranda Rosin, MLA, Banff-Kananaskis.

Mr. Walker: Good morning. Jordan Walker, MLA, Sherwood Park.

Mr. Toor: Good morning. Devinder Toor, MLA, Calgary-Falconridge.

Mr. Jeremy Nixon: Jeremy Nixon, Calgary-Klein.

Mr. Guthrie: Peter Guthrie, Airdrie-Cochrane.

Mr. Turton: Morning. Searle Turton, Spruce Grove-Stony Plain.

Mr. Rowswell: Garth Rowswell, Vermilion-Lloydminster-Wainwright.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek, and deputy chair.

The Chair: Microphones are operated by *Hansard*, so you do not need to do anything. Please set cellphones and other devices to silent. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and video stream and transcripts can be accessed via the Legislative Assembly website.

I will now move on to approval of the agenda. Committee members, are there any changes or additions to the agenda? Seeing none, would a member like to move that the agenda for the October 15 meeting of the Standing Committee on Public Accounts be approved as distributed? Moved by Lorne Dach from Edmonton-McClung. Any discussion on this motion? All in favour? Any opposed? Thank you. That motion is carried.

Hon. members, we have two sets of minutes to consider from our meetings on September 10 and 11, 2019. Do members have any errors or omissions to note in regard to the meeting minutes? If not, would a member move that the minutes of the September 10 meeting of the Standing Committee on Public Accounts be approved as distributed? Moved by Member Rowswell. Any discussion on this motion? All in favour? Any opposed?

Similarly, do members have any errors or omissions to note in regard to the September 11, 2019, meeting minutes? If not, would a member move that the minutes of the September 11, 2019, meeting of the Standing Committee on Public Accounts be approved as distributed? Moved by Member Rowswell. Any discussion on this motion? All in favour? Any opposed? Thank you. That motion is carried.

All right. Hon. members, before we invite our guests to make their presentations, I would like to address on the record a matter of some importance. The committee received the status reports on the outstanding recommendations of the Auditor General for the Ministry of Energy, the Alberta Energy Regulator, and the APMC on Thursday, October 10. In its invitation to the ministry and to other entities sent on September 4, the committee requested that this information be provided by October 2.

The Standing Committee on Public Accounts as a standing committee of the Legislative Assembly has a mandate to review the public accounts of the province and the reports of the Auditor General. In order to do this effectively, the committee requires information within an appropriate time frame so that members have time to prepare for the meetings. This is not optional. The committee endeavours to provide as much advance notice as possible to ministries, agencies, boards, and commissions and other entities about upcoming meetings and requests for documentation in its invitation letter to ministries and associated entities. When the requested information is delayed, it impedes our ability as members to do our jobs. Therefore, on behalf of this committee I would remind ministries, agencies, boards, and commissions to provide the requested information according to the timelines that were given to you and to complete status reports on outstanding recommendations of the Auditor General by the deadline specified in the invitation letter. Again, this process is not optional. Thank you.

Now I would like to welcome our guests from the Ministry of Energy, the Alberta Energy Regulator, and the APMC, who are here to address the office of the AG's outstanding recommendations and the ministry annual report from 2018-19. Officials may now begin to provide opening remarks not exceeding 10 minutes, please.

Mr. Sprague: Madam Chair and members of the committee, good morning. I hope everyone had a good Thanksgiving break. On behalf of the Department of Energy I will provide an update on the recommendations made to the department by the Auditor General

and also endeavour to answer questions you may have relating to these recommendations as well as the department's annual report.

Joining me at the table this morning are David James, the associate deputy minister for natural gas; Mr. Gordon Lambert, the president and chief executive officer with the Alberta Energy Regulator; Douglas Borland, assistant deputy minister for ministry services; and Adrian Begley, chief executive officer with the Alberta Petroleum Marketing Commission, or APMC. Also seated in the gallery are members of the ministry's executive team.

I'll begin by providing an update on the progress made by the department, the Alberta Energy Regulator, and APMC with respect to the several recommendations made by the Auditor General. To start, in 2016 the Auditor General recommended that the department evaluate and report whether the department's royalty reduction program has achieved their objectives. In 2018 we advised the Auditor General that we'd completed the recommendation and were ready for a follow-up audit. The work related to this 2016 recommendation included descriptions of the existing royalty programs, which were included in Energy's 2015-16 annual report, and reports on performance metrics and progress towards intended outcomes for key royalty programs. These were included in the department's last three annual reports.

The department also implemented an evaluation framework and established an area devoted to program standards development, program design, implementation, and monitoring for royalty, liability, and energy diversification programs. This has resulted in regular and consistent evaluation of department programs. The department is currently awaiting the Auditor General's feedback on the follow-up audit. From the department's perspective the recommendation to evaluate and report on royalty reduction programs has been completed, and we await confirmation from the Auditor General of that status.

The Auditor General also recommended that the department improve its documentation regarding employee user access to key business systems. This recommendation was originally made in 2016. In order to address the recommendation, the Auditor General recommended that the department identify and document roles that are in conflict in its key business systems, provide access to employees according to their roles and responsibilities, and regularly monitor any conflicting roles and implement mitigating controls to reduce the risk of conflicting roles to an acceptable level.

In addition to fully implementing the recommendation to document conflicting roles within its key business systems, the department was successful in ensuring that appropriate controls are in place when conflicting roles are identified. For example, during 2016-2017 the department completed documentation on two of the ministry's key systems: the oil sands administrative and strategic information system, or OASIS, and the corporate accounting and reporting system, or CARS. This has included a description of all roles in each business system, any conflicting roles, and mitigation strategies for when conflicts might arise. The department followed this up with a review of the freehold mineral tax and land-sale system in 2017-2018.

In the past year the department reviewed the remaining business systems used by the department, including the royalty and marketing system, the foundation database, and the mineral revenues information system, or MRIS. The royalty and marketing system, obviously, calculates oil royalty volumes owed to the Crown. The foundation system is a database that houses volumetric well infrastructure changes and business period cut-off information. MRIS receives the data to perform monthly gas royalty calculations and invoicing. With this work completed, the department has fully implemented this recommendation and it has ensured that there are appropriate controls and mitigation strategies in place.

The Auditor General has also made several recommendations pertaining to the operations of the Alberta Energy Regulator. These mainly centre on the systems, reporting, and training around pipeline safety and reliability. With the exception of the new recommendations released just on October 4 of this year, all seven of the Auditor General's recommendations pertaining to the AER have been fully implemented. First, the recommendation to formalize training for pipeline staff. To meet this recommendation the AER developed a competency library that included pipeline competencies. The AER has also implemented a priority training program based on a technical competency review and a skills gap analysis for key pipeline staff. The outcomes of this review and subsequent analysis identified individuals who needed to complete specific training courses.

8:40

Second, there was a recommendation to identify performance measures and targets for pipeline performance. In response AER developed and implemented a pipeline program logic model to illustrate the relationship between the planned activities and the intended results and performance measures and targets to assess desired overall program outcomes. In support of this recommendation the AER has conducted quarterly assessments of performance results to identify opportunities for continuous improvement in pipeline performance.

Third, the Auditor General recommended the use of risk management activities to make decisions around pipelines. In addition to its existing qualitative risk management assessment for AER-regulated pipelines, the AER developed a pilot quantitative risk assessment methodology. The methodology assigns risk scores to each pipeline segment within subsets of the AER pipeline inventory.

The fourth recommendation centred on a review of pipeline incident factors. Accordingly, the AER created and implemented a new investigation process and an integrated compliance assurance framework. This will allow the timely release of investigation findings and information on lessons learned from industry.

Fifth, there was a recommendation to assess pipeline information housed by the AER. The AER conducted an assessment of the data supplied by pipeline operators through the licensing and incident reporting systems.

Sixth, the Auditor General directed the AER to implement a risk-based compliance process around pipeline safety and reliability. Part of this process was an integrity management program review, including consideration for any relevant portions of safety and loss management systems. As a result, all licensees of the AER are expected to have an integrity management program.

The AER has notified the Auditor General that they are ready for follow-up audits on these six recommendations. The Auditor General's office had advised us that they plan to begin a follow-up audit of these recommendations later in the 2019-20 fiscal year.

Regarding the seventh recommendation the AER developed and implemented a risk-based audit plan and a risk-based plan to monitor changes in operators' activities and financial conditions. This specifically pertains to financial security for land disturbances for mining. A follow-up audit was completed by the Auditor General, and they have confirmed that the recommendation was implemented. On October 4 the Auditor General, the Public Interest Commissioner, and the Ethics Commissioner released reports into the AER's involvement with the founding of the International Centre of Regulatory Excellence, or ICORE. Government expects the interim board of the AER to implement the recommendations made in those reports.

Finally, there were recommendations made by the Auditor General pertaining to the Alberta Petroleum Marketing Commission. Of these, three recommendations are complete and fully implemented. These include implementing new processes and controls over its cash flow model, formalizing an enterprise risk management system, and developing an enterprise risk management system policy framework.

There are three remaining recommendations. As for the remaining recommendations, first the commission issued an annual report in August 2019 in accordance with a recommendation to improve reporting to Albertans. Currently the APMC is including it in the Alberta Energy business plan, and APMC's annual financial statements and achievements during the fiscal year are reported to Albertans through the Ministry of Energy's annual report. The two remaining recommendations – developing performance measures, targets, and results analysis and completing a lessons learned analysis – will be carried out after the Sturgeon refinery commences commercial operations. Although the refinery has started producing synthetic crude, it is experiencing a delay in the full start-up to bitumen processing. This is due to challenges with a gasifier, which is currently being inspected and tested.

Before I move on, I want to recognize that some of these recommendations did take several years to implement. I want to acknowledge the hard work and dedication of staff at the AER, APMC, and the Department of Energy for their commitment and diligence in fulfilling these recommendations. As you are aware, we still have work to do and are actively working to address the remaining recommendations of the Auditor General, and we thank the Auditor General for his insight and guidance as we seek to improve our systems.

With my final few minutes I want to reiterate the importance of one of the department's priorities as it relates to the department's annual report. The department remains focused on advocating for pipelines, including Trans Mountain, Keystone XL, and Enbridge lines 3 and 5.

The Chair: Very good. Thank you, Deputy.

I will now turn it over to the Auditor General for his comments. Mr. Wylie, you have five minutes, please.

Mr. Wylie: Chair, I'm going to turn the majority of my time back to the committee. I'd just like to thank the deputy for his thorough update to the committee with respect to the recommendation we have relating to the ministry. I'm very pleased with the progress, and I look forward to doing the follow-up work and confirming the deputy's assertions through to this committee.

Thank you, Chair.

The Chair: All right. Thank you.

We'll now move on to our first rotation, which is that the Official Opposition has 10 minutes, followed by government with 10 minutes. I am now looking to recognize the Member for Edmonton-Glenora.

Ms Hoffman: Thank you very much, Madam Chair. I guess I'll start with the questions to the Auditor General. One is: has the department established measures to determine whether or not the objectives of the regulated rate option and renewable electricity program are being met, of course, being administered through AESO?

Mr. Sprague: Thank you, Member, for that question. It relates to whether or not we've developed measures to determine if the objectives of the regulated rate option, RRO, and renewable energy program are being met. With respect to the renewable electricity program, or REP, the Renewable Electricity Act established that by 2030, 30 per cent of the electricity in Alberta would come from renewable resources. In 2019 the Minister of Energy established interim targets as follows: 15 per cent by 2022, 20 per cent by 2025, and 26 per cent by 2028. These targets were developed with the assistance of the Alberta Electric System Operator's long-term outlook for the electricity system, the potential timing for REP projects to come online, and timing of market events such as the phasing out of coal, coal-to-gas conversions, new infrastructure, and advances in technology.

With respect to the regulated rate option there are measures in place to determine whether the objectives have been met. These measures are to ensure that all customers who are on the regulated rate option are not billed more than 6.8 cents per kilowatt hour from June 1, 2017, to May 31, 2021, and that payments to regulated rate option retailers are made within 30 days of receiving their deferral account statement. These measures are being reviewed as part of the regulated rate option rate cap implementation evaluation project and an internal review process to assess the program's effectiveness in achieving its outcomes.

Ms Hoffman: If I could, Madam Chair.

The Chair: Please.

Ms Hoffman: Just to refocus the question – I appreciate highlighting what the targets were – I'm wondering about what the measures are to ensure that we're achieving those targets and, with regard to the renewable electricity program, as was mentioned, all the different targets and what the different years are, how we're actually measuring that and how we're reporting that back to the public through this committee, through annual reports, and otherwise. What do those measures look like? If there are any reports to date, of course, it would be helpful for us to be able to see those and for those to be tabled through the clerk.

Mr. Sprague: Madam Chair – thank you for the question, Member – we have not yet seen some of those projects come online. The REP projects have not yet all come online. As they come online, we'll be able to report back specifically the amount of generation that we're seeing. We will do that, of course, in conjunction with our colleagues at the AESO so we're able to report back to Albertans on the actual amount of renewable generation that comes back actually into the grid on an annual basis.

Ms Hoffman: If I could, my last one on this thread, and then I'm happy to move to something else. Having targets and then saying that we'll report on how much is actually there: I'm wondering what we're doing to actually anticipate how much will be coming online and if those targets are indeed still realistic given some of the policy changes, those types of things. How are we projecting and how are we measuring whether or not, rather than just having a lofty goal and not knowing whether or not we're going to get there until 2030 – I don't want to wait until 2030 to know whether or not we're actually going to achieve those outcomes. I'm wondering what kind of measures we have in place now to make sure that we achieve those targets in the out-years.

8:50

Mr. Sprague: Thank you again, Madam Chair and Member, for the question. Beyond those targets that were established in the ministerial order in 2019, there are no other measures that I'm aware of that we have in place. It will be a question of watching to see whether those REP projects per se come online as well as any other market-based renewables so that we're able to see what

actually happens in that marketplace both in terms of capacity and then ultimate generation.

Ms Hoffman: I guess my concern, Madam Chair, is that if there's still a target but we're not doing anything to measure whether or not we're on track to achieving that target, is it actually a target? I don't think the target has been changed. The target still says 30 by 2030. I guess I'm wondering what's being done to make sure that we're actually on track to achieve that. If not, just like with any other department, if they'd said, "You know, our target is wait times of six weeks, and we want to get there by 2030; we won't know if we have until 2030," that wouldn't be good enough. We'd want to know that there were ongoing measures to make sure that that goal was going to be achieved.

I'm not totally hearing a response to that question around tracking progress and making sure that the goal is in sight, unless the goal has been changed, and if it has been changed, then I'd be happy to receive an update on that. But I think that just waiting until the year comes to see whether or not we achieved it isn't going to help us get there. That's more of a reflective comment, I guess, than possibly a question.

Maybe we can go back to the regulated rate option. What kind of analysis is being done to determine whether or not we're going to achieve the goals as outlined under the regulated rate option?

Mr. Sprague: Madam Chair – thanks again, Member, for the question – we are monitoring and we do monitor on a monthly basis the amount that is actually paid under the RRO rate cap and pay attention to that number. Obviously, predicting the price of electricity is not simple, so we work, again, in concert with our colleagues at the Alberta energy system operator to take a forward look on what we anticipate those costs to be and continue to monitor it on a monthly basis.

Ms Hoffman: Do we have any measures about whether or not we're going to achieve the objectives of the RRO, through you, Madam Chair?

The Chair: Yeah. Member, I think maybe what we want to focus on is, in '18-19, whether there were . . .

Ms Hoffman: That's a great way to rephrase it.

The Chair: . . . metrics in order to support the achievement of the policy goal as articulated at that time. Perhaps the member would like to rephrase.

Ms Hoffman: Yeah. Perfect. So looking back, which, of course, is what we're doing – we're looking back; we're looking at measures – what are the ones that are in place around the regulated rate option for the last fiscal?

Thank you, Madam Chair.

Mr. Sprague: Thank you, Chair, and thanks for the question. I don't, just at my fingers, have answers with respect to the RRO in the '18-19 year. I'm happy to undertake to provide that information to the committee so I'm accurate.

Ms Hoffman: That'd be great. If any documents that already exist could be shared in that regard, I think we have 30 days to receive them. Is that right?

The Chair: Yeah.

Ms Hoffman: Okay. That's the main thread I have on that section. If other colleagues would like to take over the time, I'd be happy to chime in again at a later point.

Thank you.

Ms Renaud: How much time is left?

The Chair: Two minutes.

Mr. Feehan: Thank you. I wanted to ask a few questions about orphan wells just for a moment. I guess, looking back, I want to take a look at: what have you been doing as a department to sort of mitigate this increasing risk, and can you tell me if the risk is continuing to increase? Is our problem building, or have we got a bit of a handle on this at this point?

Mr. Sprague: Thank you, Madam Chair. Member, thank you for the question. This is, of course, an important area that we are paying attention to with our colleagues at the AER. We are endeavouring to be mindful of the realities, the fiscal realities that exist for many of the oil and gas companies in Alberta. The AER regularly monitors the current inventory of wells, the licensee liability rating, and other indicators of operators' financial health.

From the other side, the Department of Energy is of course keeping track of unpaid royalties and lease rentals and recourse for payments in arrears.

A number of things have been engaged with the Orphan Well Association. Since its formation in 2002 they've successfully decommissioned about 2,200 orphan wells, and more than 800 of those sites have been reclaimed. My understanding is that their current inventory as of August 2019 consists of 3,370 orphan wells requiring abandonment, 2,518 sites requiring reclamation as well as a number of pipeline segments for abandonment and additional sites for decommissioning and suspension. In 2017 the government provided the Orphan Well Association with a loan of $235 million.

The Chair: I'm sure we'll get back to it.

We now have a 10-minute segment for the government caucus members. Please, Mr. Walker.

Mr. Walker: Well, thank you, guys, so much for being here. The energy file is incredibly important to my constituency of Sherwood Park as well as my community of Strathcona county. We produce 62 per cent of all refined oil, 75 per cent of petrochemical products, and we have three refineries, so I'm focused like a laser on this file. Thank you for being here.

Page 6 of the annual report refers to capital flight and restoring investor confidence in our energy sector, which is vital to Alberta's economy and job creation. Can the ministry explain how it measures and reports investor confidence, and what key factors investors indicate they consider before investing?

Thank you.

Mr. Sprague: Madam Chair, thank you to the member for the question. Obviously, we are paying a great deal of attention to investment in the province of Alberta. I don't think there's any single factor that is pre-eminent. The department, working again with our colleagues across government, is always being as mindful as we can of all of the factors that are going to be important. Obviously, for Alberta an important question such as takeaway capacity remains an important element.

We're also looking to be aware of what other incentives other jurisdictions may be offering with respect to any of that development, and to a certain degree we're in competition with some of those other jurisdictions. The department tries to be very

mindful of what is happening around the world when we're looking within that space as well as being mindful of the overall attractiveness and challenges that Alberta faces from a competitive perspective with respect to our costs. Obviously, as we all know, unfortunately, Alberta has an interesting climate that occasionally brings snow in October, so the costs for building for weather in Alberta, you know, create challenges that other jurisdictions don't enjoy. Yet we also have an excellent resource base here with the full extent of the hydrocarbon chain available for development on the oil and gas side and, of course, a demand for electricity that keeps going on that encourages other investment as well.

I hope that's helpful, sir.

Mr. Walker: Thank you very much for those comments.

My second question: can the ministry explain or elaborate on the impact that a consumer carbon tax applied in Alberta until recently had on industry and investor confidence and our investment climate over the past few years? Thank you.

Mr. Sprague: Madam Chair, thank you to the member for the question. I don't feel comfortable at present making comments with respect to any direct impact that that levy would have had on investment. Perhaps if I could provide a written response, that would be more appropriate.

The Chair: Thank you, Mr. Deputy.

Mr. Walker.

Mr. Walker: Yeah. My final question. On page 22 of the annual report it shows a graph of capital investment in Alberta. Page 22 also states that 2014 was the high-water mark for investment and that investment levels have remained consistently below 2014 levels during the past four years while 2018 is expected to be below 2009 capital investment levels. Can the ministry share what the key factors they have identified are in explanation of capital investment decline in Alberta?

Thank you.

Mr. Sprague: Thank you, Madam Chair. Thank you for the member's question. A couple of things that I think are important that we've been tracking: of course, the decline in oil prices has translated into companies taking lower financial risks and, hence, reducing their capital investment. Preliminary figures for 2018 indicate a $28.2 billion investment in Alberta's mining, quarrying, and oil and gas sector. If these results hold, this would be the lowest level of investment since 2009. Despite an overall decline, Alberta still attracted over half of Canadian investment in the mining, quarrying, and oil and gas sector. Constrained market access and challenging regulatory processes are also affecting Alberta competitiveness, and the 2017-18 preliminary actuals indicate a decline of about 4 per cent of the overall sector's investment. It's notable that other jurisdictions are also suffering from a decline. Our colleagues in Saskatchewan, Newfoundland and Labrador, and British Columbia have also noticed a decline.

9:00

One of the key factors here is, obviously, commodity prices, which I've mentioned, and our ability to actually get our products, regardless of what they may be, to market. That, combined with some of the regulatory system changes that have occurred, has been problematic. We continue to monitor them and, obviously, try to influence them as best we can.

Mr. Walker: Thank you very much.

I'll move my time to Member Guthrie. Thank you.

Mr. Guthrie: Yeah. Looking at the ARP averages on page 19, we see a significant decline and a significant amount of volatility in the price of natural gas over the last four years. What are the key factors that are affecting the market that have prevented Alberta from getting a higher, more predictable price for our gas?

Mr. Sprague: Thank you very much, Madam Chair, and to the member for the question. I'm going to ask my colleague the associate deputy minister responsible for natural gas to touch on this piece. Obviously, we're aware of the abundance of natural gas that's available on the continent. That's probably one of the key factors, but I'll look to my colleague to provide more comments.

Mr. James: Thanks, Madam Chair. Thanks, Member, for the question, and Deputy Sprague. Yeah, the predominant challenge that Alberta is facing right now is the amount of natural gas that is actually being developed through the shale gas revolution in the United States. They have begun to push into the available markets that Alberta traditionally occupied. We've seen eastern Canada markets decrease. We've seen central North American markets decrease. As a result of all of that, what we've found is that the actual price of natural gas in Alberta, because it's locked into the province more predominantly, in particular during the summer months, has seen a significant decline.

The other factor that has affected that decline since 2017 was a change that TransCanada made on the way that they were actually managing their system. At about that time they contracted out all of the firm receipts available within the system. The way that that system works is that you have receipts coming onto the system; i.e., gas that wants to enter the NOVA gas transmission system. Then they also have delivery receipts out of the system. Until about 2017 there was excess capacity leaving the province through a point at Empress, which sort of went east out of the province. They contracted out all of that resource. Then as a result of that as well as the way that they do their maintenance protocols, where firm receipts, i.e., supply coming onto the system, have priority, that has caused an excess in our abundance of supply during the summer months in the province. That ends up putting downward pressure on the commodity price within the province. So not only did we see a North American decline, but we've also seen a decline and a pressure within the province as well.

Mr. Guthrie: Okay. This volatility, you know, has had an impact on royalties and taxes, but the low pricing has led to business closures and job losses, flight of capital and also well abandonment in the province. Going back to what MLA Feehan was asking there, do you think you could continue on with how many wells have been abandoned, and give some context on our liability?

Mr. Sprague: Thank you, Chair. Thank you to the member. This area continues to be one that is of concern. I don't have at my fingertips the exact numbers of the division of wells between gas and oil that have been left to be abandoned. I think it's important to just reflect on two pieces though. As that company struggles, not all of those wells need go to the Orphan Well Association. Many of those wells will be obviously offered for sale to other investors, so we're seeing some consolidation occur with respect to some of those wells. It is true, though, that some will probably end up with the Orphan Well Association. As I said, I don't have the specific numbers at hand that would divide between natural gas – how many went to the Orphan Well Association.

Obviously, working with our colleagues at the AER, the ministry is being mindful of, on the one hand, the challenges that are facing operators who are struggling with low commodity prices and the other challenges that you've alluded to, sir, and we are also mindful

that we have financial institutions and others who are looking to recoup their investment. Working with the AER, we have tried to take both a principled and a pragmatic approach to encouraging people to take sensible steps as they are trying to deal with what is a very difficult situation for a number of those producers.

Mr. Guthrie: What kind of things, then, can we do or are in place to help mitigate this?

Mr. Sprague: I think, Madam Chair – and thank you to the member – what we are looking to do and we've directed . . .

The Chair: We will get to it.

We are now into our second rotation. It's 10 minutes each side for the Official Opposition and the government. Member Feehan with a question.

Mr. Feehan: Thank you. I'm actually going to get you to continue to talk a little bit about the orphan wells. I'm very concerned about the increasing number of wells that are inactive as well as the wells that eventually move on to become abandoned wells. I guess I'm wondering what the government is doing to ensure, first of all, that the number of abandoned wells that end up having to go over to the Orphan Well remains as low as possible. I'm very concerned about the level of liability. I mean, you can perhaps set some context for that, and then I want to know a little bit more about what money we are putting into ensuring that those abandoned wells are properly reclaimed, or cleaned up.

Mr. Sprague: Thank you, Madam Chair, and thank you to the member for the question. I will get to the answer on the Orphan Well Association. Again, an important area. I'll just maybe start with the member's last question about the monies that have been spent. In 2018-19 $100 million was advanced to the OWA as an interest-free loan. In the quarterly reports that we've had back from the OWA, as of May 15, 2019, they've reported that they were able to decommission 565 wells, 530 pipelines; reclaimed 191 sites; completed approximately 1,300 phase 1 and phase 2 environmental site assessments, working towards reclamation. That, of course, enables them to determine where are the most important ones that need to be dealt with on a priority list, so it's an important step in the process. They've done over 7,800 inspections and completed over 1,200 pipeline abandonment operations. The OWA, the Orphan Well Association, estimates that that orphan well loan program will be used in the next three years to decommission a further 800 wells and 1,500 pipelines, and reclaim 850 sites, in addition to work already completed.

Mr. Feehan: Thanks.

I wonder if I can just interrupt you for a moment. The numbers are all good and important. I'm also trying to get a sense of: are we getting on top of this problem? You can talk about the number of well sites that have been reclaimed, or cleaned up, as well as other things, but I'm not getting a sense of: are we getting closer to significantly reducing the number of overall wells? You tell me that 535 wells have been reclaimed. Is that out of 100,000 wells? If so, are we actually going to reduce the number of wells and the liability that goes with them?

Mr. Sprague: Thank you, Madam Chair and Member, for that clarification. It's a reasonable question. I just described what the Orphan Well Association has been doing with respect to that subset of wells that are out there that are not producing, that are orphans. That continues to work.

I'm also very aware that my colleagues at the Alberta Energy Regulator have been working with producers generally in a process known as the area-based closure program to encourage more abandonment and reclamation of wells on a grander scale. My understanding is that that process has been very successful in encouraging and incenting reclamation and abandonment activities to continue. While I don't have numbers at hand, the anecdotal reports that I've received, of which there have been many, are that this has been a very important program, that companies are jumping on and working with the AER to actually reduce and try and bend the curve, if you wish, with respect to the number of wells that exist on the landscape and ensuring that they're being returned to an important state.

9:10

Mr. Feehan: Thank you.

Perhaps I can ask that when you get a chance to do some written submissions, you give us a bit of a sense of the percentage of the wells that are being resolved at this particular time as compared to previously so that I can get a sense of whether or not we're moving closer to getting control over these wells.

I'm also very interested in the amount of unpaid royalties that we have when we have abandoned wells. What's the loss to us as government when we have abandoned wells? If you don't have that answer now, that's fine, but perhaps you can provide that in the future so that I have some sense of that.

I also am particularly interested in terms of the abandoned wells in indigenous communities. In speaking to indigenous communities, they're very concerned about the number of abandoned wells in their communities. I guess my first question is: is there anything that would differently affect wells that are on indigenous land if they happen to be on-reserve? Do we have the same amount of control as if they're off-reserve, and are those ones being handled in the same way that the ones off-reserve are being handled?

Mr. Sprague: Thank you, Madam Chair, and thank you to the member for those questions. I think there are some important pieces there. If I can just clarify so that I'm clear on the materials that I will provide back to you. I can give you more detail with respect to the number of wells that have been abandoned and reclaimed, and we will endeavour to differentiate as best we can which ones are in that orphan program and which ones are in the general program. I will happily get you that information.

With respect to wells that may be occurring on Indian reserves, those wells, of course, are administered not by Alberta but through Indian Oil and Gas Canada, IOGC. Their process is their process, not ours. I believe we try to work co-operatively with our colleagues at IOGC, but I don't have any specific information just at hand with respect to how they are being dealt with.

Mr. Feehan: So the provincial government position is that there's nothing that we do to try to ensure the reduction of orphan wells on First Nations land?

Mr. Sprague: I think it would be fair to say that, obviously, we are concerned about how the resource is being dealt with and the condition of those, but the jurisdiction for those wells is with IOGC, and they are the regulator.

Mr. Feehan: So we're concerned, but we don't have any program or strategy or particular relationship that allows us to exercise some kind of influence over whether or not those wells are being reclaimed, or cleaned up?

Mr. Sprague: I would just be clear, sir, that the jurisdiction for those wells is with IOGC, not with the province.

Mr. Feehan: Right. Okay. That answers the question.
I'll leave my questions at that for the moment.

The Chair: Okay. I have Mr. Dach.

Mr. Dach: Thank you, Madam Chair. I appreciate the opportunity. I wanted to follow up on MLA Feehan's line of questioning with one further inquiry about the $100 million advance to OWA. Now, that resulted in a lot of work being done. I was listening to the list of different projects and how many wells have been reclaimed and how many inspections had taken place. It was a ton of work. Have you calculated how many jobs were created as a result of all this work?

Mr. Sprague: Thank you, Madam Chair, and thank you, Member, for the question. We do have some information that's back from the OWA with respect to the money that was lent. My understanding is that that loan has generated the equivalent of 59,111 eight-hour work days up to August 15, 2019, which is the equivalent of about 236 full-time jobs, and approximately 370 different companies have been contracted to perform that work.

Mr. Dach: Wow. Thanks for that. That's a significant amount of employment that's resulted from that investment, and I'm sure people who are working as a result are appreciative of that.
I wanted to change the channel a little bit now and ask questions related to royalty calculations and the review of them. I'm wondering if the department believes that the Royalty Guarantee Act creates a need to review the oil sands, natural gas, and petroleum royalty regulations and the bitumen evaluation methodology regulation to ensure that they still align with government objectives and the best interests of Albertans.

Mr. Sprague: Thank you, Chair, and thank you, Member, for the questions. With respect to royalties, I think going back to the royalty review program which occurred a couple of years ago, the goal is to ensure that the royalty rates remain competitive on a world-wide basis but also reflect obtaining appropriate values for the residents of the province of Alberta. There are a number of complex pieces that occur within them, including what's known as C-star, which is the costs basis that is done, as well as the bitumen valuation methodology. With respect to BVM, the bitumen valuation methodology, that regulation is under review, and the department continues to have conversations with industry with respect to that. It's an interesting but difficult component.

The Chair: Thank you.
We will now move on to the latter half of our second rotation, 10 minutes to the government side. I am seeing Mr. Guthrie.

Mr. Guthrie: Yeah. Looking at the graph of crude oil prices on page 18, we see a significant difference in the price from WTI to WCS. From July 2018 to January 2019 we had a large differential occur, which obviously had a significant impact on royalties. The report states, "As crude oil production from Alberta is exceeding available pipeline capacity, WCS prices are expected to remain low despite a projected increase in global crude oil prices." How important is it for Alberta to get more pipeline capacity to move this heavy oil, and how much pipeline capacity do we actually require to meet supply?

Mr. Sprague: Thank you, Madam Chair, and thank you to the member for the question. Obviously, one of the most important elements that we are focused on is obtaining pipeline access for the total amount of production that can result. The graph that you refer to on page 18 I think demonstrates with some alarming precision the challenge that Alberta faces in the return to Albertans on their royalties. The government continues to be deeply focused on looking for the best ways to obtain egress for the production, specifically with respect to our heavy oil but to any of our oil production in the province. As we watch the production potential for the province continue to grow, obviously we're looking out for all of the avenues in order to move that total production. Curtailment, obviously, has been in place for a short period of time in the province, which is trying to match, as best one can, production with egress capacity. That is an imperfect state, but looking to get increased pipeline capacity online as soon as possible is absolutely critical.

Mr. Guthrie: Do you know how much capacity we need to move this supply to actually make a difference?

Mr. Sprague: Thank you, Chair and Member. I'm just looking for the specific numbers. Obviously, there are a number of key pipelines that are under way. Trans Mountain pipeline is important to us, some 800,000 barrels a day. That would be a key element. We also are looking forward to, hopefully, the conclusion of the Keystone XL project, which would add – sorry; I forget that number just off the top of my head. Further, we'd look for improvements with respect to line 3 as well as line 5, all of which will increase our ability to move product substantially. I'll undertake to get back with correct numbers, precise numbers, for you, sir.

Mr. Guthrie: Okay. Thank you.
I will pass it on to MLA Turton.

Mr. Turton: Thank you, Member Guthrie. My first question is on page 65, just to give you a little bit of information where it is. Page 65 has additional statistics, including total generation capacity in megawatts. Last year our total capacity declined year over year from 16,702 megawatts to 16,193. Can you explain how our capacity declined year over year and how it impacts outcome 3, which is focus on a stable and reliable electricity system?

9:20

Mr. Sprague: Thank you, Chair, and thanks, Member, for the question. I'll endeavour to give an answer, and I apologize if I haven't got the question completely correct in my mind.
We've watched the number of projects that have been approved by the Alberta Utilities Commission proceed over a time with potential increases in capacity. At the same time we're mindful that simply approving those projects doesn't necessarily get them built. We are watching carefully with our colleagues at the Alberta Electric System Operator the amount of capacity that is actually being brought on and what is potentially available to be brought on. We're also matching that as best we can with the total amount of electricity that's being used on an annual basis. We're looking to watch spikes as they occur, so we look at, you know, the significant amount that we can actually see the demand grow, and we're trying to match those two as we go forward. Obviously, though, this market is an energy-only market, so there isn't direct government control over the amount of capacity in the sense that one says: you turn on and you turn off. But the market incents generation to be built.
I'm not sure, sir, if I've answered your question adequately. I'd be happy if there's a further question.

Mr. Turton: Yes. Well, thank you. I do have a couple, I guess, additional questions. I may just submit an additional written

question just kind of for added clarification. I realize it's a very complicated question.

The second point of my question, I guess, is that I represent the riding of Spruce Grove-Stony Plain, and this area was hit very hard by the accelerated shutdown of the coal industry. The shutdown was caused by the early termination of power purchasing agreements. Is it in the annual report, or is the ministry able to provide the total cost to taxpayers of the early termination of the PPAs?

Mr. Sprague: Thanks, Chair, and thank you to the member. I do have information with respect to the total costs of the early termination of the PPAs. I just need to find it.

As you know, in late 2016, following the return of the PPAs to the Balancing Pool, the government amended the act to allow Treasury Board to make loans to the Balancing Pool. The Balancing Pool terminated three of those PPAs in 2018 and issued termination payments to the two PPA owners for an aggregate amount of $219 million. This information, I understand, is found on page 78 of the annual report.

Mr. Turton: Okay. I guess my supplementary question is also pertaining to page 65. As provincial domestic coal consumption has dropped, coal exports have actually risen. Is this a case that the tonnes exported have remained steady but the percentage has changed due to coal having a smaller piece of the pie, or are coal exports actually increased with consumption based in other jurisdictions?

Mr. Sprague: Thank you, Chair, and thank you to the member. I think we need to make sure that we distinguish between the types of coal that are generally being exported. While I'm happy to go back – and I will confirm that my understanding is correct – almost all of the coal that's exported from the province is metallurgical coal used for the creation of steel. Of course, the amount of coal that we've been burning in the province for the generation of electricity was subbituminous coal, or thermal coal, which was used for that purpose. So these are different types of coal that are being discussed. My understanding is that what we've seen is just that the increase in demand for met coal, or metallurgical coal, has continued to rise. Obviously, that's cyclical some days. But they are not the same types of coal if that's helpful.

Mr. Turton: So the actual percentage increase to 19 per cent from 13 per cent: is that actually met coal, is that thermal coal, or is it just because the actual numbers were skewed for provincial domestic consumption? I'm just kind of trying to get a breakdown about if the actual amount of coal leaving the province has actually increased.

Mr. Sprague: Thank you, Chair and to the member. My understanding is that it is the met coal that has increased although I will confirm that breakdown of what's thermal and what is metallurgical coal.

Mr. Turton: Okay. Well, thank you very much.

I cede the rest of my time to Member Barnes.

Mr. Barnes: Okay. Thank you. Thanks for being here today, and thanks for all your work. Page 71 of the annual report states, "The financial statements for the Alberta Energy Regulator were not available prior to going to print." Can the ministry please explain why the financial statements were not ready for the annual report?

Mr. Sprague: Thank you, Chair, and thank you, Member, for that question. I'm going to ask my colleague the CEO of the Alberta Energy Regulator to comment.

Mr. Lambert: Yes. We were awaiting the report of the Auditor General, and we expect the financials to be complete later in October.

Mr. Barnes: Okay. And they will be presented to Albertans when?

Mr. Lambert: The end of October.

Mr. Barnes: Okay. Thank you.

The Alberta Energy Regulator's activities with ICORE have been independently investigated, of course, by the Auditor General, by a public interest commission, and the Ethics Commissioner. Why are the Alberta Energy Regulator's ICORE activities not reported in your annual report?

Mr. Lambert: The government is currently reviewing the reports by the Auditor General, the Public Interest Commissioner, and the Ethics Commissioner. It's important to note that the individuals that have been involved in ICORE's operations are no longer with the AER and that ICORE ceased operations in 2018. The government is committed to ensuring that Alberta remains a predictable place to invest and a world leader in responsible resource development. To further this commitment . . .

The Chair: We'll get back to it, Mr. Lambert.

We are out of time on the government side, so we will now move into the five-minute rotation, beginning with the Official Opposition. Please, Mr. Dach.

Mr. Dach: Thank you, Chair. I'll continue my line of questioning that I was involved with in the last session. I wanted to ask a bit more about the bitumen valuation methodology. I'm wondering how the valuation, sir, affects the return to the owners of the resource, the people of Alberta.

Mr. Sprague: Thank you, Chair, and thank you, Member. Bitumen valuation is an important adjustment factor when royalty rates are calculated. Effectively, it is accounting for the differences in quality in bitumen that may exist. From a grand scale bitumen valuation methodology is a deduction that would be included in the calculation of royalties, so a decrease in the value of the product. BVM, bitumen valuation methodology, is a complex piece and one that occupies a significant amount of time as we are trying to find what is the right balance and way to describe that change in valuation.

Mr. Dach: All right. I wanted to shift gears a little bit here and just ask about something that's kind of a pet project of mine. I'm interested in seeing it come up to full speed, as I think all Albertans are as well, and it's had some issues that were more technical than anything else. I wanted to hear from you about the process leading to the full commissioning of the North West refinery. My understanding is, sir, that one unit, the gasification unit, is the difficulty with the project right now – it's not functioning properly – and that, also, it was the one unit that was built offshore, the one module of the refinery that was built offshore, and that it was actually mandated to be built offshore, somehow, by contract. Is that the case, that the one unit, the gasification unit, that is not functioning properly, was actually mandated to be built offshore?

Mr. Sprague: Thank you, Chair, and thank you to the member for the question. I'm happy to provide maybe a general comment with respect to the Sturgeon refinery. That refinery, as you well know, is going through its commissioning phase right now. There has been a challenge with a gasifier unit, which is one of the key units in the process to help process the bitumen. My understanding is that

efforts have been made to address the challenges with the gasifier and that current attempts are being made to test that gasifier unit and ensure that it's working.

With respect to the issue of whether it was mandated or not to be constructed offshore, I don't have any specific information, but I'll perhaps ask my colleague the CEO of the Alberta Petroleum Marketing Commission to comment further on that element.

Mr. Begley: Thank you, Madam Chair. Thank you, Member. That is something that I will have to take away. I'm not aware of any mandate for any particular part of the refinery to be fabricated offshore.

Mr. Dach: Is the unit that's not functioning properly one that was built offshore?

Mr. Begley: Portions of the unit were built offshore. That's correct.

Mr. Dach: All right. And you say that right now there are hundreds of people working on getting it up and running?

Mr. Begley: There are just over a thousand people on site currently working on getting that unit running.

9:30

Mr. Dach: Okay. Then we're anticipating by the end of the year to actually be producing refined low-sulphur diesel from bitumen rather than the synthetic crude that is being processed right now?

Mr. Begley: That's correct. The current schedule has the North West refinery, the Sturgeon refinery, processing black oil in December of this year.

Mr. Dach: Okay. Then once that happens, my understanding is that there is indeed a good, solid market for that low-sulphur diesel once that refinery is finally able to produce it from bitumen.

Mr. Begley: The refinery has been producing low-sulphur diesel since November 2017 and has been successful in finding markets for the low-sulphur diesel in North America.

Mr. Dach: Right. When it does finally reach full commissioning, it will be producing that low-sulphur diesel out of bitumen rather than the synthetic crude. Once that happens in the volumes that are anticipated, there is a good, solid market for that low-sulphur diesel, is there not?

Mr. Begley: There is.

Mr. Dach: Okay. Thank you.

I wanted to perhaps talk a little bit about the number of barrels that were guaranteed to KXL and the number that were guaranteed in 2018 and the impact on egress. Is that something you can comment on?

The Chair: We are out of time, members, so we will now move over to the government rotation for five minutes. I will remind members that at the end of this government rotation for five minutes we also have an opportunity to read questions into the record for the department to undertake responses.

So to the government side. Mr. Barnes, please.

Mr. Barnes: Thank you, Madam Chair. In my over seven years I've heard consistently how what takes a week in Texas takes two weeks in Saskatchewan, takes over two years in Alberta to get approval for our good oil and gas producers. I've also heard in the last three or four years about how producers are staying away from Alberta, preferring to invest in Saskatchewan and B.C. instead. That surprises me, and that makes me wonder why the Alberta Energy Regulator took on international activities outside its mandate when here at home our industry is facing issues from these inordinately long regulatory approval cycles to low commodity prices, issues with the LLR. Why did you focus on international rather than helping the Alberta industry?

Mr. Lambert: From the perspective of the AER, we had undertaken to look to opportunities to collaborate with regulators internationally on training of staff. As the investigations have noted, that purpose for ICORE tended to become something unintended and undesired, so the government is undertaking a review of the organization. We are looking at the findings and recommendations arising from the investigation reports. The interim board has been directed to ensure the follow-up to those recommendations so that this never happens again. We are looking at improvements to the AER's mandate, governance, and system operations to ensure that Alberta remains a predictable place to invest and a world leader in responsible resource development.

Mr. Barnes: Thank you, sir. My time is just so short. I appreciate that.

So you think you'll refocus on Albertan oil and gas companies and Albertan employees' needs instead?

Mr. Lambert: Absolutely.

Mr. Barnes: Thank you.

The Chair: Mr. Barnes, if I may, the questions should refer back to the annual report and not be forward looking in nature.

Mr. Barnes: Okay. Thank you, Madam Chair.

Page 8 states that the executive of the individual entities like the Alberta Energy Regulator have primary responsibility and accountability for complying with relevant legislation, regulations, and policies. Can the department explain its role in ensuring entities like the Alberta Energy Regulator are acting responsibly? More importantly, what happens when an entity and its executives are not upholding appropriate standards of accountability and compliance? What's the process?

Mr. Sprague: Thank you, Madam Chair, and I thank the member for the question. I think there's no question that as we are made aware of activities that are inappropriate, appropriate steps will be taken to deal with it. From management's view, with respect to, in particular, the ICORE activity, which is what I assume is the major focus here, I think we have seen appropriate responses, where people have been terminated, where boards have been replaced, where a review has been undertaken.

With respect to the challenge to identify activities, I would commend to the members the reports that were issued by the Auditor General, the Public Interest Commissioner as well as the Ethics Commissioner as to the context and the specific activities of individuals.

But I think that as a system it's important to recognize that important elements such as the whistle-blower provisions, the ability for staff to alert senior officials to challenges, while not timely, perhaps occurred, and we were able to come back and endeavour to deal with all of those issues.

Mr. Barnes: Okay. Thank you.

My question was cut off by the bell at the end of the last round, so if I could ask it again, and as short an answer as you can, please.

The Alberta Energy Regulator's ICORE activities: why were they not reported in your annual report?

Mr. Sprague: Again, thank you, Chair, and thank you to the member. I think that the short answer is that it was felt premature to comment with respect to ICORE until we'd had the receipt of the reports of the three investigations by the Auditor General, the Public Interest Commissioner, and the Ethics Commissioner.

Mr. Barnes: Okay. Thank you.

Page 72 of the annual report has the financial statements for the ministry. Under programs, in the line item for energy regulation, almost $260 million was spent, approximately $6 million over budget. Given that delays in approval for energy projects result in job losses and investment confidence diminished and given the recent concerns in reports from the Auditor General, can you talk about the value proposition? Can you talk about how the Alberta energy sector operators and employees are receiving fair value?

The Chair: That concludes our rotations.

We now go into a three-minutes-per-side rotation if members choose to take the whole time to read questions into the record for a requested follow-up from the ministry and its associated entities. We will begin with the Official Opposition. You have three minutes, please.

Ms Renaud: Thanks, Madam Chair. My questions are about oil by rail. I'm wondering if we can get just some perspective about the advice that was given to the previous government to pursue the contract or the work that they did around, you know, increasing capacity to move oil by rail and where we were in this process at the end of the fiscal year, how much money was spent, how much oil had moved, and how had that benefited the economy? Yeah. That's it.

The Chair: Please.

Ms Hoffman: Thank you. A few here. One is around the materiality of preparing the Energy financial statements, so not the materiality for the audit but the materiality for your own financial statements. I'm curious as to what that was set at percentagewise and as dollar amount and also what the relationship is between that and the materiality that the OAG set for the actual audit.

My other one is around the AESO and the capacity market, so the ministry's relationship in terms of the – I guess I'm interested in what the dollar amounts were, what the supply measures were with regard to the capacity market, and how that may have changed with recent information, so what past documents there were that spoke to that, what the cost estimates were, and what the capacity measures were going to be, again looking backwards at the past year.

That's it for my questions, Madam Chair.

Mr. Feehan: Okay. I have a question, just to have you provide any documents or work around the planning for future REPs that has been done for the renewable energy market, around what's been done in terms of planning for those things up to this point, and what the parameters are for who can invest and so on. So just information about what work has been done leading toward the future.

The Chair: You have one minute left.

Mr. Dach: I'd like to ask: as the ministry tracks our combined tax and royalty rate for conventional oil and gas in relation to other jurisdictions, how are we measuring up? I'm wanting to know if indeed we're on the right track.

9:40

The Chair: Okay. Very good.

We will now go to three minutes for the government side if you have any additional questions.

Mr. Toor: Page 24 of the annual report contains employment numbers for the Alberta energy industry. Like capital investment, employment in the sector is down from 2014. Direct employment appears to be down 28,000. Can you explain the connection, if any, between the decline in capital investment and investor confidence and the job losses in our energy sector since 2014?

Second, page 24 references direct job losses from 2014 but does not reference indirect job losses since 2014. How do indirect employment numbers from 2014 compare to 2018? Is this number readily available from the department at this time?

Next, I appreciate that a driving factor for the capital investment is the commodity prices, as indicated on page 22 of the annual report, but as discussed, investor confidence across the jurisdiction is not equal and is impacted by many factors. What other factors do you believe may have led to the flight of billions of dollars in foreign direct investment other than the price of the commodity?

Next, page 22 not only indicates the annual investment in Alberta in total dollars; it indicates Alberta's share of Canadian investment. Alberta's share of Canadian investment declined from 67 per cent to 58 per cent in 2017, the last verified year from Statistics Canada. What key factors would you identify for Alberta's relative decline in investment attraction from 2015 to 2017?

Mr. Jeremy Nixon: Page 64 of the annual report is the energy highlights table. Under bonuses and sales of Crown leases, revenue from bonuses and sales has declined $200 million. Can the department explain the decline? Is it related to the decline in investor confidence?

Additionally, on page 64 the average price per hectare has declined from $415 to $271. Can you explain the significant decline and its causes for the committee?

Mr. Gotfried: My question. I understand that the government of Alberta is liable to cover for surface leases, for unpaid leases, particularly on grazing lease land and perhaps also on freehold lands. Could you please quantify annual payments or liabilities in this regard for fiscal 2018-19 and for the past three to four years for comparison if those figures are available?

Mr. Stephan: Quick question. How can we see grandfathering for coal plants to the end of their economic life to mitigate hundreds of millions in coal phase-out compensation payments to plant owners?

The Chair: All right. Thank you very much, everyone.

Thank you to all of the officials from the Ministry of Energy, the Alberta Energy Regulator, and the Alberta Petroleum Marketing Commission for your time in responding to committee members' questions today. We ask that any outstanding questions be responded to in writing within 30 days and forwarded to our committee clerk.

Hon. members, as you are aware, the Auditor General released a report on October 4, 2019, entitled Alberta Energy Regulator: an Examination of the International Centre of Regulatory Excellence. Members of the subcommittee on committee business have recommended that the committee may wish to invite the Ministry of Energy and the AER to return to the committee, after our scheduled meeting with the Ministry of Health and Alberta Health Services, to answer questions in regard to that report.

I will now open the floor to one of the members to move a motion in this regard. Ms Rosin.

Ms Rosin: Thank you. Do you want me to just read the motion out?

The Chair: Sure.

Ms Rosin: Okay. Perfect. I'd like to move that

> the Standing Committee on Public Accounts revise the committee's meeting schedule agreed to at its July 2, 2019, meeting to invite officials from the Ministry of Energy and the Alberta Energy Regulator to appear before the committee after the scheduled meeting with the Ministry of Health and Alberta Health Services to address questions related to the Auditor General's October 2019 report entitled Alberta Energy Regulator: an Examination of the International Centre of Regulatory Excellence (ICORE).

The Chair: Okay. Very good.

We will not have a precise date until we know the estimates schedule, but the motion, friends, is on the table to slot in this special consideration of this report after AHS and the Ministry of Health.

Do we need a seconder for this motion? No. Okay.

All right. Any discussion on the motion? All in favour? Any opposed? All right.

> The motion is carried.

Other business. I wish to note for the record that we have received written responses from Service Alberta and Justice and Sol Gen. It has been the practice in the past to post these responses on the public website of the committee. Is this a practice that this committee wishes to continue for this 30th Legislature? All righty, then.

We will then set the date of our next meeting to October 22 at 8:30 a.m. for the Ministry of Environment and Parks and the Alberta Conservation Association.

I will now call for a motion to adjourn. Would a member move that the meeting be adjourned?

Mr. Jeremy Nixon: I'll move that we adjourn.

The Chair: All righty, then. All in favour? Any opposed? That motion is carried.

Thank you very much, everyone.

[The committee adjourned at 9:46 a.m.]

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