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**Monday, May 16, 2005**

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**Chair**

**Mr. Brent St. Denis**

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## Standing Committee on Industry, Natural Resources, Science and Technology

Monday, May 16, 2005

•(1530)

[English]

**The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)):** *Bonjour, tout le monde.* I'm pleased to call to order this May 16 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology.

Appearing on behalf of Minister Efford we have the Honourable Larry Bagnell, the Parliamentary Secretary to the Minister of Natural Resources. With him are George Anderson, Deputy Minister; and Richard Tobin, Assistant Deputy Minister, both with the Department of Natural Resources.

As colleagues are aware, the minister is ill and will not be back to Ottawa for the foreseeable future. We were offered the opportunity, if we wished to continue with estimates today, to hear from the parliamentary secretary, the deputy minister, and what other officials may be appropriate in the circumstances.

I understand, Mr. Bagnell, you have a team of officials behind you, should there be need for others to intervene, and you will call upon them as required.

Amendments have been received from various members and the government. Thank you to everyone. So we will proceed to clause-by-clause on Wednesday.

Should members here wish to have any votes on the estimates of Natural Resources, please speak up. My understanding of the process is if we don't do any votes on that it will be deemed reported to the House in due course.

So if there are no questions on procedure, I propose we proceed to hear from Larry for five to seven minutes.

Paul.

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Is today the deadline for deciding whether we should vote on estimates?

[English]

**The Chair:** No. Any votes we wish to take proactively on the estimates must be done by May 31.

[Translation]

**Mr. Paul Crête:** All right. So we don't have to pass them today.

[English]

**The Chair:** No.

[Translation]

**Mr. Paul Crête:** We've only got them today for information.

**The Chair:** That depends on the outcome of Thursday's vote.

[English]

If we have time on Thursday.... It was only if you anticipated that we would be finished Thursday, if you wanted to be on record. In the event that we go past Thursday, there will be time to schedule votes on these matters.

John.

**Mr. John Duncan (Vancouver Island North, CPC):** Yes. I have a couple of things. I think this relates to procedure.

First of all, we don't have the minister here. When I heard last week the minister was ill, I sent him a get well card. Much to my surprise, there was lots of evidence of the minister this weekend making announcements and appearing on CTV's *Question Period*. Now we don't have the minister here today.

We indicated as a party that we wanted the minister here for the estimates. This is a surprise that we've got a replacement for the minister for estimates. I think we want to legitimately register our protest.

I took this thing at face value. I don't like being a part of what looks to be a bit of a charade here, to be quite honest. I think that's what's going on. I'm not attributing any of that whatsoever to you, as the chair. As a matter of fact, I think you're as much a victim as everyone else at this table.

So I just want to put that on the record.

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

The e-mail that went out Thursday indicated my information that the minister, due to illness, would not be available Monday. I am not aware of his ability or inability to travel, which I think is the issue in question here.

Regardless, if it's sufficient that you have registered your indignation, if that's the word.... I also spoke to Werner, on behalf of all of you on Thursday or Friday, and said if you were dissatisfied we could not have the meeting, if you wished. I take it from your comments that we can proceed, but you've registered your concerns.

Is that a fair understanding on my part?

•(1535)

**Mr. John Duncan:** Yes.

**Mr. Werner Schmidt (Kelowna—Lake Country, CPC):** Just to be absolutely clear, I was not in favour of this change, as you probably recall. Our conversation should not be left hanging as if I was in favour of it happening when I was not.

**The Chair:** No. I'll make it very clear for the record that you did express, on behalf of your party, that you preferred to have the appearance of the minister. We were just trying to make the best of the current circumstances, given everything that's going on.

**Mr. Werner Schmidt:** That's fine.

**The Chair:** So if that's fair, it's duly recorded.

There being no other comments, we'll go back to you, Mr. Bagnell, and we'd invite you to start.

**Hon. Larry Bagnell (Parliamentary Secretary to the Minister of Natural Resources):** Thank you very much.

I'd like to add my support to Mr. Duncan because I'd be delighted if the minister was here as well. On short notice, I'll do my best to give short opening comments, and then I'm ready for questions.

I'm pleased we are able to gather here today. As you may be aware, last Friday we completed the celebration of National Mining Week. This year our theme was "Mining and Aboriginal Communities—Working in Partnership". We highlighted the fact that mining provides opportunities for acquiring transferrable skills that can be applied in a global economy. It provides opportunities for building globally competitive businesses, and of course it also provides jobs for people who live in aboriginal communities.

For example, aboriginal people make up 38% of the workforce of the Diavik Diamond Mines Inc. in the Northwest Territories and 28% of the Ekati Diamond Mine. Partnerships and consensus-building made the diamond mines in the Northwest Territories possible. As well, Earth Sciences Sector geoscience provided the knowledge that permitted the exploration and subsequent development of Canada's diamonds.

I want to highlight these examples, Mr. Chairman, not just because we have recently marked National Mining Week. I also want to highlight the importance of partnerships and collaboration and the role they play in making sure Canadians enjoy the benefits of the wonderful wealth of natural resources with which our country has been blessed. Partnerships and consensus-building will be at the heart of the department's initiatives in the coming years.

Let me give the committee another kind of example of cooperation and consensus-building that lies at the heart of our natural resource policy. Over 10 years ago, the Canadian Forest Service initiated the model forest program. The program's success has provided the experience from which the international model forest program developed.

Across Canada, 11 model forests act as living laboratories for sustainable forest management. Each model forest brings together hundreds of partners from across the forest communities to advance the goals they have in common. Our investment in the forests has leveraged funds from industry, provincial governments, research institutes, and others for the on-the-ground research projects.

You can see partnerships at work as well in the Atlantic energy round table on which the minister works with federal colleagues, our

provincial colleagues in the Atlantic provinces, as well as industry and labour. Earlier this year they agreed to work together to help the supply and service industries identify opportunities. We are going to help focus R and D in offshore technologies and promote Atlantic Canada to new investors.

As well, our provincial colleagues agreed to renew offshore regulations consistent with the smart regulation initiative. Through regulatory changes, we want to help reduce drilling costs. We need to cooperate with one another to create the kind of environment that will realize Atlantic Canada's potential as an energy powerhouse for Canada.

I've given examples of partnerships in mining, forestry, and energy. Nowhere are partnerships more evident than in our programs for climate change.

A few weeks back, Minister Efford signed an MOU with the Government of Newfoundland and Labrador to implement the ideas we need to build a healthier environment and a strong economy. This was the fifth MOU signed with a province or territory to work with the federal government.

Mr. Chairman, we address climate change through such partnerships because we need to work together to reach our climate change goals. In a country as large and diverse as Canada, one solution is not going to fit all situations. We need to work with provinces and territories to coordinate our efforts and take regional considerations into account. These MOUs establish mutual interests and shared priorities. They allow us to review our progress, update our priorities, and take action where we can achieve emission reductions.

We apply these kinds of agreements to our partnerships with industry as well. Six weeks ago we signed an MOU with automobile manufacturers who voluntarily agreed to reduce greenhouse gas emissions from new vehicles. By 2010, annual reductions will reach 5.3 megatonnes. I am very proud of the fact that we reached this historic agreement voluntarily. It shows the automobile industry is prepared to do its part to address climate change.

Other partnerships involve leveraging the benefits of federal programs to reduce energy consumption. One of the most successful programs to date has been EnerGuide for Houses. Since 1998, over 162,000 homeowners have benefited from the program's advice. With the addition of the incentive component in 2003, over 21,000 grants averaging \$650 each have been distributed to Canadians to help them implement energy retrofits.

The program is fostering partnerships with stakeholders across Canada. Hydro-Québec recently announced a home retrofit incentive that effectively triples the federal government's incentive. The Canada Mortgage and Housing Corporation provides rebates on mortgage insurance, and the Van City Credit Union offers preferred interest rate loans, all based on EnerGuide evaluations.

• (1540)

Mr. Chairman, the budget provides an additional \$225 million over five years to EnerGuide. The program is well on its way to meeting a target of 1.5 megatonnes per year of greenhouse gas reductions by 2010. I'm confident that we'll reach that goal, in part because the program has enlisted strong partnerships among stakeholders.

As a final example of how we build partnerships, let me give you a more complex example, a 21st century example of how we can use technology to create the kinds of partnerships that were not possible before. The federal budget allocates \$60 million over five years to continue to build GeoConnections. The GeoConnections initiative was established in 1999. Governments, the private sector, academia, and non-governmental organizations all worked together to develop the Canadian geospatial data infrastructure. This is not just a fancy word for map, Mr. Chairman. It is new technology that makes new kinds of mapping possible and makes the information available over the Internet to anyone.

The targeted geoscience initiative was renewed in budget 2005. The proposed cooperative geological mapping strategies were not funded. The TGI is very important. The funding of CGMS is essential to the future competitiveness of Canada's mineral and energy industries, especially in the north with its significant aboriginal population, and it certainly paid great dividends in my area.

It can only be done through partnership. GeoConnections relies on shared leadership and the recognition of the needs of different user communities. No single stakeholder owns or controls the database. Each stakeholder creates, supplies, and maintains the geographic data. As a result, we can bring together an amazing range and variety of data that anyone with an Internet connection can use to help make decisions on everything from mining exploration in the far north to public health in our biggest cities. This is a remarkable achievement. Canada is at the forefront, and other countries are coming to us to learn how to do it. And we are capable of doing it because Canadians are so good at building partnerships.

I've been speaking about the importance of partnerships in all of our efforts to build a sustainable resource economy in Canada. We've been very successful working together with other stakeholders in finding ways to collaborate on key goals. At the end of the day, our participation in these partnerships must build on our own strong sense of where our priorities lie. Nowhere is this more important than in the energy sector.

With respect to our energy policy, our overarching goals are prosperity, security, and environmental sustainability for Canadians. We work collaboratively with the provinces and territories and also with industry and other stakeholders to refine our regulatory system to ensure that the markets that underpin Canada's market-oriented energy policy are efficient.

Smart regulation is the minister's priority in government. Our system of regulation has served us well over the years, but our needs have changed, our challenges have changed, and so have the expectations of Canadians. We must improve the system and modernize regulations to enhance the conditions for an innovative

economy. Let me stress that smart regulation does not mean lowering our standards. It means finding a better, more streamlined way to meet our high standards of social and environmental protection.

When I say that we have a market-oriented energy policy, I'm not suggesting that there is no role for government. We intervene in the market to deliver on policy objectives that the market cannot or will not deliver on. Renewable energy is a fine example. In the last budget, government provided \$200 million over five years and a total of \$920 million over 15 years to expand the wind power production incentive. We want to create 4,000 megawatts of electricity using wind power. This is equivalent to the amount of power needed by approximately one million Canadian homes. Last March we announced funding for two new wind power projects in Murdochville, Quebec.

In addition to wind resources, many other forms of green energy are available in Canada, such as small hydro, biomass, and landfill gas. The competitiveness of renewable energy technology has improved in recent years as a result of technological developments and the increasing costs of more conventional technologies. The government has announced a renewable power production incentive to stimulate the installation of up to 1,500 megawatts of new, renewable energy electricity-generating capacity other than wind. Budget 2005 provides \$97 million over the next five years and a total of \$886 million over 15 years.

With respect to the jurisdictional authority of the provinces as owners of the resources, the cooperation among levels of government on energy matters is more important now than it ever was. We cannot build strong partnerships without respecting the rights and responsibilities of our partners.

Mr. Chairman, as we look at our future energy, it's undeniable that Canada has been blessed with a tremendous energy endowment. We must develop an energy framework that will allow all Canadians to benefit from our rich resources. However, climate change and other environmental issues, and the new realities of higher, more volatile prices in oil, gas, and electricity markets pose real challenges for our energy framework. We must balance economic opportunity with environmental responsibility. We must increase energy production to meet Canada's needs and realize export opportunities by maintaining a sound fiscal regime that encourages the appropriate development of both conventional and unconventional energy resources.

• (1545)

We must reduce energy demands by promoting energy efficiency and shifting to cleaner energy sources. This means continuing to support energy efficiency programs and targeted interventions in the market to lower market barriers, accelerate learning, and permit economies of scale for new, more efficient technologies, or cleaner energy sources.

While Canada is not in any danger of running out of energy, we must be prepared for the transformational change in our energy economy as the world continues to develop renewable resources. To achieve this transformation, we must develop more efficient, cleaner energy technologies. We must focus our attention on energy, science, and technology, with particular attention to Canadian needs and opportunities.

Continuing with the theme of partnerships, Mr. Chairman, maximizing the economic potential of our energy resources while at the same time minimizing the environmental impact of their production and use will require a sustained and concerted effort by all players.

**The Chair:** I see you have just the conclusion left. What do you say you wrap it up so that we have lots of time for questions?

**Hon. Larry Bagnell:** Does everyone have a copy of this?

**The Chair:** Yes, we all have a copy. I think colleagues can glance at the conclusion, if that's okay.

**Hon. Larry Bagnell:** Sure, that's fine.

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

We'll start with John Duncan, please.

**Mr. John Duncan:** Thank you very much.

I guess the main conclusion I arrived at, after reading the Auditor General's report from this year, was basically that the department is operating without a mission statement. I didn't actually get any clue from your address that the department is really heading in the direction of developing a mission statement that could be understood by all of the organization. I think that's got to be a major oversight in a department that's being asked to create an energy framework, being asked to create a forestry framework, being asked to take the lead on public security and the security of our transmission of electricity, and a whole bunch of other issues that are crucial to the country, such as the Mackenzie Valley gas line.

I'm wondering if you could explain why that is not the prime consideration in the department of today and in your address today.

**Hon. Larry Bagnell:** I'm going to ask George to comment on this at more length, because it's departmental, but I would like to say that I'm happy you raised this. You're right, I didn't put it in the speech, but we have made substantial progress. We've worked substantially on the Auditor General's comments.

One of the reasons it's not front and centre I think is that some of it was an administrative way of tying together very efficient strategies in the different areas of the department. It's more than just a mission statement; it's tying a very complex, large department, with a whole bunch of areas in it, into one strategy statement.

I'll leave it to George to give you more details on the progress we've actually made.

**Mr. George Anderson (Deputy Minister, Department of Natural Resources):** Thank you, Mr. Bagnell.

Mr. Chair, my apologies for being late. I was sent to a committee room in the Senate, for some obscure reason.

• (1550)

**The Chair:** You're just on time, actually.

**Mr. George Anderson:** That's fine.

We had extensive discussions with the Auditor General while her office was working on this report, and we took some issue with it. We've been called to see the public accounts committee on Wednesday about this matter.

They had a particular view about what a strategic plan should look like. Since they issued their report, we've done a review of strategic plans in a variety of organizations, including the Auditor General's. We're moving to integrate our planning exercises into a similar format. But we are a diverse department, and there is always risk in trying to force too much into the same structure.

We have a large number of planning exercises. First of all, for broad planning and contextual pieces, we have a departmental vision paper. We have a sustainable development strategy. When we do things such as transition advice to ministers, there is a lot that integrates the view of the department.

Second, we have a series of horizontal departmental priorities, which are corporately managed. These include support services—we're doing a major restructuring of support services within the department—science management, and human resources management.

Third, we are engaged in a large number of government-wide priorities, and we have to integrate what we do into a broader governmental context. This is particularly true of climate change, where there is an elaborate interdepartmental set of mechanisms coordinated by the Treasury Board at the program level. But it's also the case for sustainable development, regulatory reform, and water issues.

Finally, within each sector there have been individual approaches to strategic plans, and this is what we're now trying to integrate.

The report doesn't suggest that there is no strategic plan or integration. That would be a misreading.

**Mr. John Duncan:** Part of your address talks about the clean fund and climate change. I'm not going to go into your address. This is about the estimates, after all.

The outside perception of your department is that it is compromised in its ability to deliver what it is historically known for because of the huge emphasis on Kyoto. There doesn't seem to be any clear way to identify how much of the department is preoccupied by Kyoto, how much the department is spending on it, and how this is integrated with other departments of the government. The perception is that often it's simply not, or that it's operating in a contradictory manner. I wonder if you want to elaborate on that.

I would like to know how NRCan plans to deal with this whole emissions trading fund that has been announced.

**Hon. Larry Bagnell:** Having been the parliamentary secretary, and having been in on the various initiatives the department is working on, I can tell you that there has not been any reduction in activity within the department. Mining, forestry, nuclear power, energy, energy conservation—all these areas continue to have a plethora of events, initiatives, and programs that are carrying on precisely as before.

Kyoto is a large response to a large problem that Canada and the world are facing, so there are additional resources in the budget, additional programs, and additional initiatives. It is very dramatic. It's one of the most aggressive programs in the world because we had one of the most aggressive targets in the world. This is in addition to the work the department is carrying on. I haven't seen any lessening of the regular activities.

On the emissions treaty, I'm not sure what you want to know. It's set up so that the companies of the large final emitters can trade with each other or other domestic offsets in Canada. If the processes in the company are such that there's nothing they can possibly do and stay in business, because of the technical nature of their work, then they would have to get their credits elsewhere.

• (1555)

**Mr. John Duncan:** I was specifically referring to buying carbon credits overseas. On the planned spending under "Energy" on page 17 of the estimates, it shows that under "Energy and the Environment", we go from \$388 million in 2005 to significantly less than half of that, \$152 million, in 2007. What's that all about?

**Hon. Larry Bagnell:** Correct me if I'm wrong, Richard, but there are a number of these figures that aren't going to match in the estimates and that are related to the budget because the budget came after the estimates. So the new initiatives in the budget will not necessarily be reflected in these particular estimates. There will be a lot of programs that will have expired from the last time, but there are new programs in the new budget. You would have to, in some cases, add the figures together, add the new programs that will come in the supplementary estimates, to make the estimates and the supplementary estimates add up to the budget figures. That's why, where programs have expired, there's a decrease in the estimates, and as the new programs have not been approved—the budget has not been passed yet—they're not in these particular estimates. So that could lead to a whole lot of questions actually today about the matching of the budget and the main estimates.

**Mr. John Duncan:** I would submit that for a department that says it's committed to smart regulation, the transparency and accountability of the documentation the department provides on the Kyoto Protocol and everything else is a Chinese puzzle. It's virtually impossible to figure out what you're spending, and where and why you're spending it there.

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

Any final comment on that? We could possibly come back to that later.

Mr. Tobin.

**Mr. Richard Tobin (Assistant Deputy Minister, Corporate Services Sector, Department of Natural Resources):** I'd just like to say that there are many additional new items in Budget 2005, and these have not been added in specifically to the main estimates

because they were prepared before the budget was prepared. We actually do have more information in part III, the report on plans and priorities, which forms part of the estimates, of course. If you happen to have that document with you, on page 47 it actually talks about additional items that would be increased. If you wanted to get into the details of some of the items on climate change, we could tell you about some of those that have been approved, but the total programming is expected to be about \$378 million in the climate change area for 2005-06.

**The Chair:** Thank you.

We're going to Serge, then Andy, and then Brian.

[*Translation*]

**Mr. Serge Cardin (Sherbrooke, BQ):** Thank you, Mr. Chairman.

We know that Natural Resources Canada is responsible under the Kyoto Protocol for climate change and sustainable development, which concerns the various forest and energy resources.

It's hard to find your bearings when the government tosses out figures on the costs of climate change and the Kyoto Protocol. It's always in the billions of dollars spread over years. So we can't always get our bearings.

When you compare the overall budget of National Resources Canada to the billions of dollars the government says it wants to invest in the Kyoto Protocol, it doesn't seem balanced. We also know that, at Environment Canada, amounts of money are allocated to the implementation of the Kyoto Protocol.

In your view, how can we monitor developments in the implementation of the Kyoto Protocol in terms of regular annual investments, not spread over a number of years? Do we group the various departments together? I imagine we're going to create a credit fund for polluters, at least those who can pay for them. What will be the impact of that?

Since Natural Resources Canada is responsible for the climate change program, and in view of all the elements concerning the Kyoto Protocol, do you have any documents where we can clearly see the government's overall investments?

• (1600)

[*English*]

**Hon. Larry Bagnell:** Well, you're right that the program does involve a number of federal departments.

It also involves a number of programs we've had under way for a number of years and three iterations of our plan, because as clients have been approved, we've had programs that were under the old plan. You'll see in these estimates that some of the funds from the old plans have sunsets. The planned expenditures and the project are all in this one major document, which you've all received. The accounting for previous projects would be in public accounts.

But you're right, it is spread out, and I'm not sure if the government has a particular document in which they might have tried to pull that all together—or not—from the various departments.

[Translation]

**Mr. George Anderson:** You're right, sir, in referring to the size of this department's expenditures for climate change. To date, Natural Resources Canada has been responsible for 80 percent of the government's spending in the area of climate change. That's going to change. With this budget, we've created a new fund, the Climate Fund, which will add to our programs. The government has sustained the level of existing program expenditures and added other elements, including other programs for our department. Roughly speaking, the answer is that the government spent half a million dollars on climate change in the previous years. With the budget, we've added other programs for renewable energy. I'm thinking of renewable electricity, wind energy. We've also announced the continuation of the envelope for existing programs and we've entered into an agreement under which we're going to examine the allocation of funds in the context of that envelope. We've added \$1 billion for the Climate Fund.

That's the present situation. Some documents describe all that. You can get a good general idea of the situation. We have other documents here. If you wish, we can send you documentation that will give you a fairly detailed overview of the funding allocation.

**Mr. Serge Cardin:** Yes, we would appreciate getting documents that describe an overall vision of the Kyoto problem as a whole.

Let's go back to the resources issue. As you said, resources belong to the provinces and to Quebec. You're investing in certain areas, such as forests and energy, but perhaps not as much as we would like. I'm wondering about Hibernia interest assistance, which amounts to \$21 million. We should be seeing an increase in contributions for green energy and climate change, whereas \$21 million is allocated for Hibernia interest assistance. There was \$28 million for that last year. I'd like you to remind us what that was.

•(1605)

**Mr. George Anderson:** That was the result of the agreement 15 years ago, when we started Hibernia. We have an obligation to pay in certain circumstances. In the estimates, we've provided something for that eventuality, but we didn't need to make the payments in view of current prices.

**Mr. Serge Cardin:** Something is provided.

**Mr. George Anderson:** Yes. The act requires us to provide for it, but we don't always need to do so: it depends on the price of oil. Last year, we didn't have to do it, and, in view of current prices, we don't anticipate having to do it this year.

**Mr. Serge Cardin:** So some expenditures haven't been made.

**Mr. George Anderson:** These are estimates. I don't exactly know why this is included: it's for technical reasons. It reflects the statutory instruments. We've made the estimate in case it's necessary. However, with current prices, we don't see the necessity.

**Mr. Serge Cardin:** So you're talking about maintenance of a minimum price. If we don't reach that price...

**Mr. George Anderson:** No, it was to protect... I was involved in the negotiations at the time. We had negotiated an agreement under which we granted the oil companies protection against low prices. In exchange, the government received a portion of the benefits: if ever it was highly profitable, the government was to get a bigger share. Ultimately, that's what happened.

**Mr. Serge Cardin:** In view of the fact that prices are very high, these expenditures won't be made. Perhaps you should have...

**Mr. George Anderson:** It's not usual, but it's something we've been providing for in our budget for a few years now. Usually, we pay little or nothing of the amount estimated for that. I think this provision is about to expire. We're coming to the end of that agreement, or nearly so.

**Mr. Serge Cardin:** It might be a good idea to allocate some of that money to assistance for the lumber industry, for forests. There could be budget exchanges.

**Mr. George Anderson:** Yes, but that's a separate thing. We don't have the opportunity to allocate that money to other programs.

**Mr. Serge Cardin:** Thank you.

**The Chair:** Thank you.

[English]

Andy.

**Mr. Andy Savoy (Tobique—Mactaquac, Lib.):** Thank you, Mr. Chair.

Gentlemen, in terms of climate change specifically, it's hard to get a really good grasp of exactly what in the estimates is allocated to what as to climate change. In terms of the commitments you've made to fulfilling the Kyoto Protocol, what do you think is the most significant commitment? How is the money allocated, and in terms of progress to date, what can you say are some of our success stories? I understand the Murdochville wind power initiatives, but both in terms of renewable energy and renewable fuels, what's our most significant move and what kinds of resources are we putting towards that?

**Hon. Larry Bagnell:** For both you and Serge, let me give you a brief overview of the various programs and then get into specifics.

First of all, it starts with the clean fund, which is \$1 billion over five years, and that's related to, as we were talking about with Mr. Duncan, hopefully some companies being able to save more than others. In Canada they can trade their credits or other projects in Canada, like sinks, domestic offset credits. So that's the first section, and it's \$1 billion over five years.

The second item is the partnership fund, and that's \$250 million over five years. Basically that's to engage the provinces and territories with the federal government when they come up with creative ideas where we can work together on climate change projects. My whole opening remarks were related to partnerships, and you need everyone onside. The provinces and territories have initiatives they'd like to undertake, and we can work with them.

On the third one—you asked what was successful—one of the very successful ones is the EnerGuide for Houses program. The 2005 budget announced another \$225 million over five years, and this would extend the program to support energy efficiency in a total of 500,000 houses. It's particularly important for low-income people.



The next item is, of course, the wind power production. We've quadrupled that, because once again it's a success story. So we're going up to 4,000 megawatts.

The next area that's new is the emerging renewable power production, and this is for types of renewable power other than wind, such as small hydro, biomass, and landfill.

Another area is just some accelerated capital costs related to district energy and biomass, and then there's the sustainable energy science and technology strategy. So we're going to do a development of a strategy related to these various sustainable energies we have.

Finally, there are the green municipal funds. As you know, that's been a very good success story. I think we're in our third generation of making contributions. It's delivered by the Federation of Canadian Municipalities. Municipalities apply to it for projects in infrastructure that will green their municipalities. Even in the years when the budget was very tight we provided increased funds to that, and it's been very successful.

So that's sort of an overview of a whole bunch of initiatives.

As you know, we have the auto emissions, which is the voluntary agreement we talked about earlier, with the auto sector. It's amongst the leading ones in the world—some in Europe—to cut emissions from automobiles, and I think a lot of the credit goes to hours and hours and months of negotiations in coming up with that.

Of course, it's the same with the large final emitters. Obviously, big companies are in a very competitive world, and when they make their changes for Kyoto they're going to be even more competitive. They have to be able to make them realistically, without losing their competitiveness in the meantime. So once again, there were hours of negotiations that went into coming up with something that was realistic, because obviously one size does not fit all. There are different opportunities through different processes and different types of companies to be able to reduce their greenhouse gases, and all that's taken into account if you're going to come in with a very realistic plan, which is why it took so long and why there were changing parameters. You have to really reflect the reality of industry and the potential to industries of a different nature.

• (1610)

**Mr. Andy Savoy:** I assume the department will have to answer this, but on the specifics surrounding green energy in terms of methane encapsulation from landfills or biomass or micro-hydro, specific progress in those areas, do you have any concrete examples? I understand the plans, but where are we in terms of implementation plans? What specific success stories do we have in terms of assessment of the various technologies and their opportunities?

I was looking for a little more detail on that.

**Mr. George Anderson:** I have Graham Campbell joining us here.

Yes, there have been some successes. Methane captured from landfill is an area through the green municipal fund where I think there has been some progress, but we also have made recent announcements in the area of biofuels, including biodiesel, which Mr. Campbell can speak to.

**Mr. Graham Campbell (Director General, Energy Policy Sector, Department of Natural Resources):** Thank you very much.

Perhaps I could cite some examples that would be of interest to the committee. In terms of hydro, we've done some work recently in the area of wind diesel projects in Newfoundland. This replaces diesel generation with a combination of diesel and wind. It's happening at Ramea in the province of Newfoundland, and it has turned out to be quite a success.

We have a program that uses agricultural waste, if I can put it that way, in a series of projects that take that waste, convert it to methane, and then use the methane for electricity generation in terms of that activity.

We've completed a wind atlas for the country that gives you an indication, over a five-kilometre grid, of where the basic wind resources are from one coast to the other, and the other as well, indicating the hot spots, if you like, where wind turbines could very well be used productively for the generation of electricity.

**Hon. Larry Bagnell:** Can I just add something?

One of the success stories I forgot to mention to you was carbon sequestration. So if you remove carbon dioxide and pump it back into the earth, it enhances oil production. We have a couple of projects. One recently announced was for \$10 million.

It has an economic advantage too, because you get more oil out and it's a spot to save carbon dioxide. In fact, you can virtually have coal with no emissions at all. You can scrub out NO<sub>2</sub>, SO<sub>x</sub>, NO<sub>x</sub>, mercury, and everything. If you were to sequester the CO<sub>2</sub>, then you could have clean coal with no emissions.

So that's a very exciting area. We've had quite a bit of success in that area. We have a map of the various spots in Canada where the geology is such that you could sequester CO<sub>2</sub>.

• (1615)

**Mr. Andy Savoy:** I ask the question because I think there's an amazing opportunity for rural Canada in dealing with renewable fuels and green energy. The opportunity is enormous for the agriculture industry specifically, but I think for forestry as well.

Moving on to forestry, in terms of the Canada-U.S. softwood lumber dispute, I know that's primarily in International Trade's hands, but I understand Industry Canada has had some involvement.

Is the department still making a financial contribution to the softwood lumber industry within Canada? What form does that assistance take, if in fact it's still continuing?

**Hon. Larry Bagnell:** You're correct that it's mostly International Trade. I'm not sure if Industry Canada has put in anything. But as early as last month, the CFOs from the various companies—just to update you, though it's not in our department—met in Chicago to once again try to come up with an agreement that would be acceptable to all.

Of course, we're happy with the NAFTA and the WTO rulings. We're continuing on the legal front. We're happy that the U.S. has recently reduced their tariffs, but we still need to work on a proposal where we can come up with a final agreement. I have to say, other than that, softwood lumber has been doing well because prices have been good over the last year.

I don't know if we have a financial contribution.

Do we, George?

**Mr. George Anderson:** In the summer of 2002, the federal government announced a package of measures to assist in a number of ways. Mr. Emmett, the assistant deputy minister, can speak to those.

**Mr. Brian Emmett (Commissioner, Environment and Sustainable Development, Office of the Auditor General of Canada):** Thanks, George.

The government put in place a number of measures, and some of them flowed through Natural Resources Canada. The one I was most directly involved with was short-term assistance to the three research institutes: bridge funding for FERIC, the Forest Engineering Research Institute; PAPRICAN, the Pulp and Paper Research Institute; and Forintek, which is the solid wood products research institute. That totalled about \$45 million, and that funding came to an end last year.

There was additional funding for transitional assistance for communities through Industry Canada. There was also assistance for litigation, I believe, provided through International Trade Canada.

**Mr. George Anderson:** There was money for the pine beetles.

**Mr. Brian Emmett:** There was a \$40 million mountain pine beetle program.

**Mr. George Anderson:** There was a wood promotion program.

**Mr. Brian Emmett:** The Canada wood program assists wood producers in marketing abroad.

**The Chair:** Thank you.

We can come back to you, Andy, if you like.

We're going to go to Brian, then Michael.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thank you, Mr. Bagnell, for your presentation.

I want to follow up with the Auditor General's report, in terms of the Ontario blackout, since your agency is the point lead for Canada in negotiations. Point 1.88 on page 23 of the Auditor General's report states you do not have a plan to address energy shortages. Has that actually been completed now?

**Hon. Larry Bagnell:** I'll let George continue, but we have developed reliability standards for electric systems in Canada and the U.S. to monitor compliance and establish procedures for emergency support for electrical utilities experiencing unanticipated reliability difficulties.

As you know, we've worked with the U.S. on the task force to reduce the occurrences of such things. We're strengthening our risk management program to better integrate it into the department's activities.

•(1620)

**Mr. Brian Masse:** What's the plan? What would be different? Is there a plan? It sounds like you're working on something. You can't table a plan here today, can you?

**Mr. George Anderson:** There are a number of things. We have a federal-provincial assistant deputy ministers group that has been meeting. They've made a lot of progress in developing a protocol on reliability and how to work within the North American electricity grid with the North American electricity reliability group. There are a series of measures that have been agreed on within that group, and they will be reporting to the council of energy ministers in September on this whole set of issues.

We are waiting on the Americans to see whether or not they adopt what's called mandatory reliability standards. That's part of the energy bill in Washington. Energy bills have a way of not getting passed in Washington, so we'll see what happens.

Most of our provinces have compulsory reliability standards, and the key issues are our links with the Americans. That is mostly being addressed through the issues of how we would work with NERC. We're also engaged in workshops with FERC, which is the federal regulator in the United States, and we're expecting an understanding there soon as well.

**Mr. Brian Masse:** I understand from your answer then that we can't table a plan because we're waiting for what's happening in the U.S. Why would that stop us, though, from actually completing a plan for Ontario? This is something that cost our clients significant money. I understand there's supposed to be a plan. Are we going to wait for the United States to—

**Mr. George Anderson:** No, no, there was a report done. The Canada-U.S. task force did a report at the time of the anniversary, and since then a number of further instruments have been agreed. As I say, a package will go to energy ministers in September, but a number of those elements are already in place and operational.

In addition to the things that are being done on a federal-provincial basis, in certain provinces, for example, Ontario, which is the one that is most exposed to these flows of electricity across the border, they've made very significant upgrades to some of their technical equipment.

**Mr. Brian Masse:** I guess the heart of it is that I represent a lot of auto manufacturers in Windsor, and they ask me, what specifically can the government do during these circumstances, or what are they going to do next time if this does happen? What can I give them? Can you table something with this committee that I can give to these representatives so they feel confident that there is going to be a course of action? Is that available? It's two years later. Do we have that available?

**Mr. George Anderson:** There are measures that are still being worked on, but we can give you a package of measures that have already been agreed to. But I would say that in our view, and it's the view of the American administration as well, an important element of the North American level will be getting the Americans to adopt mandatory reliability standards. In the absence of those, we're forced to deal with NERC, which is much improving its practices but has some limits.

**Mr. Brian Masse:** In terms of cooperation, the Auditor General mentioned that you've had difficulty getting cooperation from some of the suppliers. Are we getting a different level of cooperation between the public suppliers and the private suppliers, and similarly, Canada versus the U.S. in terms of suppliers?

**Mr. George Anderson:** I'm not quite sure what you're referring to.

**Mr. Brian Masse:** It says right here in the Auditor General's report:

Since the blackout, the Department has attempted to assess the risks to electricity supply but has found the task very difficult as it must depend on the voluntary co-operation of electricity suppliers. There are no current federal regulations that would compel the industry to co-operate.

You don't have any teeth to get what you need from the suppliers, is what the Auditor General is suggesting. I'm wondering whether or not you're getting different levels of cooperation from the private or the public suppliers. This is an important public policy issue for Canada as we create more energy sources, whether or not their dependability is influenced by whether they're privately or publicly owned or national or American.

**Mr. George Anderson:** The Auditor General's report went to press around January, and since then we've made some considerable progress, including this protocol I referred to. So that may be a little dépassé.

**Mr. Brian Masse:** So you're not having any problems getting—

**Mr. George Anderson:** My sense at the moment is that we're doing very well in terms of getting information from the utilities through the provinces.

•(1625)

**Mr. Brian Masse:** Okay. So you're testifying that this is no longer an issue for—

**Mr. George Anderson:** I would have to verify it. I can't say that there are no problems, but I do know we've made substantial progress, and I have not had brought to my attention that we're having particular problems of this type.

**Mr. Brian Masse:** Thank you for your comments.

Those are all my questions, Mr. Chair.

**The Chair:** Thank you.

**Mr. George Anderson:** We could give you some—

**Mr. Brian Masse:** That would be helpful. Thank you very much.

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

Could we have Michael, then Serge, and then John Duncan?

**Mr. Michael Chong (Wellington—Halton Hills, CPC):** Thank you, Mr. Chair.

I want to focus on the nuclear file. We have these MAPLE reactors. They're 10-megawatt reactors, and they produce medical isotopes. A number of years ago, over five years ago, MDS Nordion contracted AECL to build two of these MAPLE reactors so they could produce medical isotopes. They were supposed to be commissioned in the year 2000. We are now in 2005 and they still haven't been commissioned.

One of the provisions in the contract between AECL and MDS Nordion was that any cost overruns on this project were to be split between MDS Nordion and AECL. Why would we structure a contract like that? Why would AECL structure a contract with a private company to build these reactors for them, specifying that if

there were cost overruns, AECL would be on the hook for half of the cost overruns?

**The Chair:** We had AECL in on their estimates. Is that a question you're qualified to answer?

**Mr. George Anderson:** I take your guidance: they're not part of the departmental estimates as such, I don't believe. Are they?

**Mr. Michael Chong:** Departmental estimates contribute to the operating cost of AECL. AECL has indicated that they've made provisions for this liability. So I think it's relevant because they're going to have to eat into their operating costs to fund this cost overrun.

**The Chair:** We can give it a shot, if you want to try.

**Mr. George Anderson:** I'm open to discussing an issue that I can't go very far in discussing, because it's subject to mediation.

**Mr. Michael Chong:** Mr. Chair, maybe Mr. Bagnell could answer.

**The Chair:** There is a mediation issue involved, I guess?

**Mr. Michael Chong:** Yes, apparently it's under mediation. But I think these questions should be answered in this committee.

**The Chair:** Our witnesses will have to gauge how far they can go then, given that there is mediation going on.

**Mr. Michael Chong:** If it's an issue of publicity, we could go in camera for that portion of the meeting.

**The Chair:** I'm not sure how practical that is, Michael.

**Mr. Michael Chong:** We're talking about hundreds of millions of dollars that the Government of Canada could be on the hook for here. I think it's a fairly important issue.

**The Chair:** Well....

**Mr. Michael Chong:** Let's put this in perspective. The original budget was \$140 million. The latest reports are that it's well over \$300 million, and I've heard from reliable sources that it could be hitting \$500 million, in which case AECL and ultimately the Government of Canada, Canadian taxpayers, could be on the hook for hundreds of millions of dollars in liability here.

**The Chair:** I'm in a bit of quandary here for the moment. We could, if there was unanimous consent, I suppose, clear the room. Then we'd probably not get an answer anyway because we're allowed to have staff here. Do we have to swear people in? How do we guarantee the secrecy of information provided here with everybody's best intentions?

The best I could offer is—I'm not sure how far Larry can go—we could try to arrange a private briefing for you. I don't know if we can guarantee the confidentiality of information to the level required to satisfy the mediation purposes. I'm just not certain about that, Michael. But, Larry, do you want to give it a try?

**Hon. Larry Bagnell:** Not on that particular issue, because it is in arbitration, but on the concept. And we'll commit to getting back to you with some more details on it because it's so technically specific.

But as you know, in general, with very large projects and projects of an innovative nature, such as isotope development, it's not easy to predict the total cost at the beginning. So you come up with various commercial ways of how you're going to handle such changes in the projections that may occur. We're assuming that's what has happened here, that they've come up with a way of covering the unpredictable changes in the final costs. But we can get back to you with details on the commercial rationale for that.

• (1630)

**Mr. Michael Chong:** Sure.

What I find highly unusual is that the supplier would be on the hook for half of the cost overruns. It's highly unusual, especially in big projects like this where there is great uncertainty about the final design or set-up of the project, to enter into an arrangement where the supplier would be on the hook or liable for half of the cost. I'd suggest that this is not something the government should be encouraging or even allowing with this crown corporation in the future.

**The Chair:** Mr. Anderson, you wanted to answer the question about the—

**Mr. George Anderson:** I can't go very far, but I can give you a little bit of background, which might be helpful.

This really has gone through phases. Initially, the government privatized Nordion, which was purchased by MDS. Some disputes arose out of that, and part of the settlement of those disputes was a resolution of this issue, some of whose features you find unusual. Now there's a further dispute between the two companies, and that has gone to arbitration.

You have to see these “unusual” arrangements, as you call them, in the context of another dispute, going right back to the initial privatization of Nordion.

**Mr. Michael Chong:** My other question is about the ACR, the advanced CANDU reactor, which the government has paid for, or provided to AECL, indirectly through research dollars. The ACR is apparently behind schedule, because the original design wasn't fit for the marketplace. My understanding is that the original design was for a 700-megawatt reactor, and the marketplace said it simply didn't want that kind of capacity, but wanted 1,000 megawatts. So we find ourselves in a situation where construction is starting some time in 2008 at the earliest, with an operational date of 2015.

On such a large project, why are we so off on meeting market demand?

**Hon. Larry Bagnell:** As you know, in this year's budget—if we get cooperation to have it passed—we are putting another \$60 million into that development.

George, do you want to go into that?

**Mr. George Anderson:** In terms of the original design, they were designing a 750-megawatt reactor because there seemed to be a strong possibility of their being able to get into the U.S. market with that design. They had a partner, Dominion Virginia Power, and they were working with Bechtel Group. On the basis of that design, they entered a competition, run by the Department of Energy in Washington, for funds, which would be made available for pre-engineering and pre-licensing costs for different possible new-build

nuclear.... They got the largest amount of money of anybody who applied for those funds, and they also got a very strong report from the Department of Energy and the nuclear regulator.

For reasons that I'm not entirely clear about, there was a change of mind in the United States. I think it had something to do with the time it would have taken to get approval through their regulators—but I think there may also have been other factors in play. In any case, that possibility has gone.

It is not a very expensive thing to change the design from 750 to 1,000 megawatts, but you're right that the broader market, particularly in Canada and China, is almost certainly for 1,000 megawatts, or something of that size. So they changed the design. Shifting from the 750- to a 1,000-megawatt design has not been a significant expense; it's a few tens of millions.

In terms of the speed at which they're doing it, at the moment they haven't got a customer yet. What's unusual about this project is the decision to do the pre-engineering, which is speculative. We're putting equity injections into the company, as Mr. Bagnell just said, because we've had a report done suggesting that the value of the company could be very substantially enhanced if this project is a success. So they're moving forward, but they adjust the pace at which they're doing the work a little bit in terms of their reading of the situation.

We do think there is potentially an attractive market for this, and the 1,000-megawatt design they're now working on would fit the requirements here in Ontario.

• (1635)

**The Chair:** Michael.

**Mr. Michael Chong:** One last question, Mr. Chair.

This government's Kyoto plan, which came out after, I might note, Kyoto came into effect in mid-February, has no mention of nuclear in it despite the fact that nuclear emits no carbon dioxide. So my question is directed to the parliamentary secretary and not to the deputy minister or the assistant deputy minister, who are hard-working senior civil servants.

Mr. Chair, how are we supposed to have confidence in this government's ability to manage a nuclear file, and how are voters supposed to have confidence, when we have these massive cost overruns at AECL on the build for this medical isotope reactor? How can we have confidence when Canadian manufacturers and exporters, through a very in-depth, year-long survey, highlighted electricity as one of the big concerns of industrial producers and manufacturers in this country? How can Canadians have confidence in this government's ability to manage nuclear when your Kyoto plan has no mention of the word “nuclear” in it?

That's my question for Mr. Bagnell.

**The Chair:** But you can't prevent Mr. Bagnell from seeking assistance from others at the table. You might like to, but you can't.

Larry.

**Hon. Larry Bagnell:** You know, at the international level, nuclear was not included in the Kyoto negotiations. In Canada, if we use nuclear to reduce emissions, or if we use some other form of energy, such as in my area, where we use a lot of diesel—we're not going to use nuclear in my area—and we reduce greenhouse gas emissions, that of course goes towards Canada's target. That's why we're continuing our investments in nuclear, continuing our support of AECL.

This ACR reactor is a perfect example. The isotopes are commercial projects, which Canada is leading the world in, as a matter of fact. For instance, just to show you our support in those areas, in 2003-04 we put in \$46 million for the ACR, last year \$35 million, and this year we're proposing \$60 million in the budget. This shows that we maintain our confidence in that form of energy, that it's part of the energy mix in Canada. And you're right, it is a part that does not emit substantial greenhouse gases. So we continue to support that.

If you're talking about the cost and mix of energies, Canada is an industrial centre. Of course, the utilities are managed provincially or territorially, so in each province or territory, depending on what the provincial utility does, you'll have different resources available to industry. As you know, in our Kyoto plan we're trying to make sure that as much of the energy as possible is green energy. With the various new programs we've put in place—our new renewable energy program, our wind energy program, solar, biomass, clean coal—we're enhancing research on all these forms of energy.

We have a very successful Office of Energy Efficiency. As a matter of fact, I was speaking at a banquet two nights ago, and on several occasions, members of the public came to me and said how tremendous this office was in the Government of Canada. The Office of Energy Efficiency is in NRCan, and it has done all sorts of research in that area, which helps companies reduce their demand. So not only are we trying to enhance supply, and enhance a clean supply, but we've invested millions of dollars to reduce the demand of companies.

Of course, in terms of Kyoto, the bottom line in successful companies is that they're going to be more efficient and ultimately more competitive, which was one of the reasons I was so supportive of Kyoto. Before Kyoto even came to Parliament, we had a whole list of success stories of companies that had just done, on their own, those things that you would normally do under Kyoto, if it came into effect. They were achieving tremendous economies of savings because of their reduced energy use.

• (1640)

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

We're going to put you back on the list, Michael—

**Mr. Michael Chong:** On a point of order, Mr. Chair, am I correct in saying that Mr. Bagnell will provide us details, either individually or in a special meeting, on, first, what AECL has provisioned for its loss on this project, and second, how much the project has gone over cost?

**The Chair:** Your request is on the record. Through the chair, we'll ask for whatever it is possible to have provided without breaking any privacy concerns in the negotiations. Subject to that, is that fair?

**Mr. Michael Chong:** Yes, so I'd like those two pieces of information.

**The Chair:** So noted.

Mr. Anderson.

**Mr. George Anderson:** That's the two pieces of information and...?

**Mr. Michael Chong:** What amount has AECL provisioned for its cost overrun, and secondly, at this point, how much has the project gone over budget?

**The Chair:** As best you can, Mr. Anderson.

Thank you.

Thank you, Michael.

Serge.

[*Translation*]

**Mr. Serge Cardin:** I'd like to ask a brief question concerning the Kyoto Protocol and related investments. You referred to wind energy. An amount of approximately \$17 million is stated in the estimates. However, there have been official announcements concerning the investment of much more substantial amounts in wind energy. Where have those amounts of money gone? Can they now be found in environmental budgets at other departments? Seventeen million dollars is far less than what was announced in the way of investments in wind energy.

[*English*]

**Hon. Larry Bagnell:** As I said earlier, the amount in the estimates and the amount in the budget are not the same because the budget hasn't been passed. The wind power incentive was initially \$200 million over five years and then \$920 million over 15 years. It's administered by NRCan; it's in our estimates for that reason. In the fiscal years 2005-2010 there will be an increase to \$200 million if the budget is passed and \$920 million over 15 years. That makes a total commitment, since the introduction of the program in 2002, of \$1.18 billion. The original commitment was \$260 million.

[*Translation*]

**Mr. Serge Cardin:** Mr. Chairman, this is proof that it's hard to get one's bearings. We're hearing all kinds of things. They talk about investing billions of dollars, and we wind up with a budget of \$17 million. This is hard to follow, as you'll understand.

[*English*]

**Hon. Larry Bagnell:** Do you mean in the estimates?

[*Translation*]

**Mr. Serge Cardin:** Pardon me?

[*English*]

**Hon. Larry Bagnell:** The budget has the figures I just told you; those were in the budget, but you're saying it's only a few million in the estimates.

[Translation]

**Mr. Serge Cardin:** I simply wanted to draw your attention to the fact that sometimes it's hard to understand what the government's commitments actually are. We're talking about a sum of money, but we don't know whether or not that's part of the budget. In the 2005-2006 Estimates, there's only \$17 million, whereas there was talk of nearly \$1 billion for the coming years. That's why the overall picture isn't clear, when you consider the investments related to the Kyoto Protocol. I've previously said I'd like to have a clearer idea of the progression and impact of expenditures over time. This is quite hard to follow. I don't know whether the idea here is to make a brief impression, then to take a lot of time to explain.

**Mr. George Anderson:** I'd like to say that the overall amounts, including the figures for the total duration of the programs, can be found in the appendix to the announcement made by Mr. Dion, Mr. Efford and Mr. Emerson at the end of March. I believe that table is quite clear on renewable energy.

• (1645)

**Mr. Serge Cardin:** Thank you.

[English]

**The Chair:** Thank you.

Go ahead, Larry.

**Hon. Larry Bagnell:** Remember, the first time around we approved \$260 million. We've used it all except for the last \$17 million, which we're planning to spend this fiscal year. That was before this budget came in, and that's all we could put in the estimates, in the document you have there, because the budget is not passed. But in this budget we're putting in—the figures I just gave you—another \$200 million over the next five years and \$920 million over 15 years. That's why they don't show up in those estimates, because the budget is not approved and we're just finishing off. We've almost spent all the money we'd already previously committed for wind energy; there's just a little bit left, and if the budget doesn't get through, that's all we can spend on wind.

This plan is four times bigger than it was in the past, and it's a very popular plan.

[Translation]

**The Chair:** Is that all right?

**Mr. Serge Cardin:** That's fine, thank you.

[English]

**The Chair:** Okay.

**Hon. Larry Bagnell:** Actually, I sympathize with the members. You have estimates that don't include the budget, which makes things very complicated. So I understand. It was hard for me to sort out in the beginning.

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

Merci, Serge.

John, then Brad.

**Mr. Werner Schmidt:** And then me.

**The Chair:** And Werner, and then Michael.

**Mr. John Duncan:** Thanks again, Mr. Chair.

I just want to make some comments and then ask a question on the Mackenzie Valley. I know the department gets criticized for not having an energy framework. As a matter of fact, you made reference to it.

The government does have one. I believe it originated in the Privy Council. We have obtained a copy. We're not sure why it was prepared and then buried, but it was, so you might want to check within the bowels of government.

Secondly, there was a conversation about softwood lumber, and I would like to say that last Friday there was an announcement on Bombardier. The total request for support that industry and worker support would comprise on the softwood file would have all fit within that single envelope, and yet, really, there's been no commitment from this government on that softwood lumber file, other than what was described here. That was some R and D support, which should have been forthcoming in any case—we're still far below our competitors—and some support for the legal costs, but far less than what has actually been incurred by government. That's in the way of a comment.

The mining industry was really abandoned in the estimates and the budget process in terms of the geological mapping. We now know that British Columbia did far more on this than the Government of Canada did, despite the federal responsibility in the north and despite the fact that this very mapping was so crucial to this whole exercise that's leading us to be the world's number one diamond producer.

The crux of why I wanted to speak again deals with the Mackenzie Valley. We're now finding ourselves in the situation where if this project—which has huge ramifications for Canadian industry—does not proceed before the Alaska-Canada line, Canadian businesses are going to take a major hit, and that, indeed, is looking to be a more and more likely scenario.

Alaska and the U.S. have got their act together. They're pushing hard. They've actually accelerated their schedule. There is consensus that you cannot build both of these at the same time. If the Mackenzie line does not proceed first, Canadian business will take a multi-billion-dollar hit. Why is the NRCan response so inadequate on this file?

• (1650)

**Hon. Larry Bagnell:** First, on softwood lumber, I'm not sure which particular—

**Mr. John Duncan:** That was in the way of a comment. I'm well aware that you put \$40 million into legal costs. I'm well aware of what you put into the three research establishments.

What we didn't do was any loan guarantees. I don't really want to go there. I was just offering comment.

**Hon. Larry Bagnell:** Okay, but very briefly, we have to be careful what we give to industry, because, once again, then it will become part of the dispute, that we're subsidizing industry.

**Mr. John Duncan:** Well, you don't mind doing it for Bombardier, but you won't do it for the softwood industry, which is our major trade dispute, one that's affecting every other industry—the Byrd amendment and our trade relations with our major trading partner.

**The Chair:** It isn't, actually. Any solution on that side wouldn't come out of NRCan.

**Mr. John Duncan:** No, I know. I'm commenting on the performance of the government. I don't think we should be trumpeting the minor things we've done through NRCan for the softwood industry, given the contrast with major things we haven't done. That's all I was pointing out.

**The Chair:** Fair enough.

**Hon. Larry Bagnell:** As to pipelines, Canada is the regulator, and Canada will regulate pipelines as people vie for them. There's no indication that Canada is not ready to regulate either pipeline, when an application comes in. Canada also has a responsibility for first nations people. In both situations, they're discussing with first nations people where the Canadian responsibilities lie. Some of this is related to land claims.

Both pipelines go substantially through Canada. The Alaska Highway pipeline is four times as large, so in some areas of Canada there would be four times the benefits. Both have huge benefits for Canada. The people who independently analyze gas demand, particularly in the United States, suggest that the demand is far in excess of what's required.

They wouldn't both go together. If you do one after the other, then you could have northerners, especially aboriginal people, trained to work on one moving over to the other. You've got long-term employment for people who normally have a hard time getting employment.

There are billions of dollars in benefits for Canadians in both pipelines. Canada is doing its best in both areas, first of all, to regulate, and second, to carry out its responsibilities to first nations people. There are also certain environmental responsibilities, and they're in two entirely different environmental regimes.

**Mr. John Duncan:** Are you saying that the government is neutral on which one goes first? That's the way you're sounding.

The expertise and technology will be Canadian primarily in the Mackenzie Valley line. This will be transferable to the Alaska-Canada line. If the Alaska-Canada line goes first, it's much less probable that the expertise, technology, and the corporations are going to be primarily Canadian and transferrable to the Mackenzie Valley line.

We cannot be neutral on this question. There are strategic and economic reasons for ensuring that we get timely delivery of the Mackenzie Valley line.

**Hon. Larry Bagnell:** Everyone plans for the Mackenzie to go first. It's scheduled by the companies to go first. Canada is doing everything in its power to make sure both pipelines proceed. There are a lot of international players in both pipelines, so there are benefits to Canadian and non-Canadian companies. These are two great projects for the north, and we want to facilitate their going ahead.

We made some great progress last week when the Deputy Prime Minister met with the premier of the Northwest Territories. He was working with him to come up with ways to deal with some of the socio-economic infrastructure that such a massive project will

require. It shows the commitment of the Government of Canada to making sure that project proceeds as quickly as possible.

• (1655)

**The Chair:** Jerry.

**Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.):** Thank you for coming in today.

I've seen a lot of progress. I look at the voluntary emissions agreement with the auto industry—

**The Chair:** Jerry, do you mind? Brad has to run to a meeting.

**Hon. Jerry Pickard:** Oh, not at all, go ahead.

**The Chair:** Go ahead, Brad, and then we'll go to you, Jerry.

**Mr. Bradley Trost (Saskatoon—Humboldt, CPC):** Thank you, Jerry.

I'll make my questions really quick so as not to cut anyone's time.

Let me reiterate what John said about the geological mapping program not being included in the budget. I know from previous conversations it was something you were pushing for.

Very specifically, in the Auditor General's report they talked about staffing problems, staffing levels. As someone who is particularly interested in the mining sector—I was a mining geophysicist—I would like to know what specifically is being done to recruit and to make sure geological surveys, geological sciences, have the appropriate level of staffing, support, etc. The Auditor General's report noted they did not have the support for economic industry analysis. What steps are being taken to retain our geoscience talent in the department and in Canada?

**Hon. Larry Bagnell:** I'll turn to the department here in a second to get into the specifics, but as you know, we are again funding targeted geoscience initiatives. Some of the funding that we wanted to continue will continue. You're right, we didn't get all we would like, but the geoscience funding has been very important, particularly in the north, in opening up opportunities. We have a number of success stories of mines that have resulted from the government's investment in geoscience. It is a priority for the department, and as I said, we got some of what we requested—the targeted geoscience around known deposits—but we would have liked more.

As for maintaining resources—

**Mr. Bradley Trost:** Particularly on staffing and human resources, since they're crucial in this sector.

**The Chair:** Identify yourself, please.

**Mr. Irwin Itzkovitch (Assistant Deputy Minister, Earth Sciences Sector, Department of Natural Resources):** Mr. Chairman, I'm Irwin Itzkovitch, assistant deputy minister, earth sciences sector.

I fully agree with you that the most important aspect of what we do is very much human-resource-dependent. We are working closely with universities, provinces, and other institutions to ensure that we have a human resource complement for the future. We can't lose sight of that. We've got human resource plans that call for the hiring of more and more students and for the expeditious use of our budget to ensure that we have the future generation of geoscientists.

This is not an issue unique to Canada, I should say. It's global. The issue is that every country is in competition for fewer and fewer geologically trained students. What we're actually doing is—

**Mr. Bradley Trost:** Are there specific targets, numbers, specific recruiting goals, etc., that are being pushed to make sure...? It's one thing to get a student, it's another thing to get a trained PhD, and it's another thing to get a 15-year experienced field geologist.

**Mr. Irwin Itzkovitch:** The issue around the field geologist is the issue around getting students into the field. One of the big issues of getting students into the field is the limited amount of budget flex in terms of people and what we call operating and maintenance costs. To do a geophysical survey, as you're well aware, costs in the order of \$1 million.

Are there specific targets? Yes, there are specific targets in terms of hiring students, in terms of hiring post-docs, and in terms of getting more and more work done in the field.

• (1700)

**Mr. Bradley Trost:** Next question. Smart regulations are very important to the mining industry. If you have talked to any geologist in the field, you know that the senior ones get more frustrated with regulations than anything they'll find. My view is that I don't think any department necessarily has to wait for a specific overall smart regulation plan.

My question is very simple. Is the department taking its own look at smart regulations to increase efficiency for the mining sector, environmental, etc.? I'm well aware a lot of it's provincial, but a lot of our frustrations in the industry are with the federal level as well.

**Hon. Larry Bagnell:** This is one of the files the minister is particularly excited about, and I wish he were here today to answer that question. If you had been at meetings with him you would see his enthusiasm and how he's championing smart regulations. He's really pushing that forward faster than anyone else I've seen.

As you said, there are a number of things related to mining, of course, that are provincial and territorial, but to the extent that the federal government can be involved, the minister is a very big promoter of us moving forward on this file.

Do you want to add anything George?

**Mr. George Anderson:** Yes, if I may.

Reflecting the enthusiasm and direction of the minister, we've developed for the department a review of all of the major regulatory initiatives or priorities we have. We sorted out the priorities, including those where there are other departments who are the lead regulators. We've identified leads within the department for each of these priorities, and we have a quarterly reporting basis on this. We actually have a very developed plan, which we could brief you on more fully if you are interested.

**Mr. Bradley Trost:** Perhaps in the future.

With respect to disaster relief planning or disaster planning that falls into this specific area, the Auditor General was specifically critical, one would say—maybe not harshly so—about the policy being out of date, and it's being revised. I'd like to know what areas specifically are involved, how it's going, and what sorts of resources are being allocated to it. Mike alluded to the electrical power outage during the ice storm, but there are other areas specifically that sometimes don't get as high a priority. What is specifically being done in those areas?

**Hon. Larry Bagnell:** I will go first, and then, George, you carry on.

Part of the problem is that the original Office of Emergency Preparedness has gone through different integrations, and there are different papers. Some of it was just technically administrative; there were certain plans in an old document they were referring to that we're no longer responsible for. Those old documents hadn't been updated.

**Mr. Bradley Trost:** But for the areas, that is a responsibility.

**Hon. Larry Bagnell:** Right.

George?

**Mr. George Anderson:** The audit that was done on the department made heavy use of a decade-old document called "Departmental Planning Responsibilities for Emergency Preparedness", and they used that as a type of checklist. But subsequently, since 9/11, there's been a great deal of work done with the emergency preparedness people and the security people, and a lot of that has been overtaken. What we've accepted is that we have to bring some of our internal documentation up to date with what we're actually doing at the governmental level.

You spoke of disaster relief, which is a bit different.

**Mr. Bradley Trost:** It was just miswording on my part there.

**Mr. George Anderson:** We do have some responsibility for preparing for disasters, particularly earthquakes.

**Mr. Bradley Trost:** That's what I was talking about. I just misspoke there a little bit.

**Mr. George Anderson:** So have we replied adequately for the moment?

**Mr. Bradley Trost:** Well, I would not mind hearing a little bit on earthquakes and some of that, given the fears my structural geology professor used to drive through me in class. Go ahead.

**Mr. Irwin Itzkovitch:** In terms of natural disasters such as earthquakes and landslides, Natural Resources Canada has the responsibility for maintaining the earthquake monitoring system, the seismic network, in both eastern Canada and western Canada. We do report any incidence of earthquake throughout Canada. The department also has responsibility for space weather, which can have an impact on pipelines and corrosion of pipelines.



The department is very well respected in the disaster relief community. With the horrific events that happened on December 26, the tsunami event, this department took the lead with respect to its responsibilities on earthquakes, bringing together the Department of Fisheries and Oceans as well as PSEPC at a major natural disaster reduction conference in Japan. We continue to work with other departments and feed into PSEPC, which actually does have the responsibility for developing an integrated disaster mitigation strategy.

• (1705)

**Hon. Larry Bagnell:** Also, although tsunamis are less likely on the east coast, we've made arrangements for our data, so if a large enough earthquake or tsunami happened, the emergency preparedness organizations in Atlantic Canada would get the information quickly from us.

**Mr. Bradley Trost:** Thank you.

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

Thank you, Jerry, for letting Brad go ahead.

Back to you, Jerry.

**Hon. Jerry Pickard:** Thank you, Mr. Chair.

I think I've seen tremendous successes, and I'm amazed at the successes because you have such a wide variety of issues in NRCan. There's no question that responsibilities in almost every sector of the Canadian economy enter into your department in one way or another.

Energy and climate control is an area that I have been barraged with over the last several years, and I know that your department has had a very important role in moving that forward. I look at your success in dealing with the auto industry and in having them comply on a voluntary basis, and I think that's a tremendous success.

I also realize that all our forms of energy are being challenged in one way or another. Green fuels are critically important for a certain group in the Canadian economy as well, and they are moving forward. I haven't heard very much about the green diesel you've been working at and about how you're making decisions on going to cellulose ethanol, those types of fuels, and about how you divide your responsibility, be it atomic energy, hydroelectric power in different ways, green fuels, or natural resource fuels.

How do you measure the steps you should be taking within the department? How do you divide up where your resources should go? What kinds of research dollars should be spent? And I know you've spent a great deal on cellulose ethanol. How do you make those decisions on moving the issue forward, on the basis that you have so many different variables that you have to deal with and so many different partners involved in that process as well? It's not that you have the money to do all of the things you're supposed to do. You have to have partners signed in and willing to go, and you have to have a strategic plan, I would guess, to move this forward in an appropriate way for Canadians.

**Hon. Larry Bagnell:** I'll just make a comment and then get George...on how the department sets up its plan that you're talking about in the different areas.

You reminded me of one of the areas that I hadn't mentioned. I think I mentioned a lot of them already, but one of the areas that we hadn't mentioned was ethanol. The projects we've been in partnership with today, and we have another round coming, will lead to investments of about half a billion dollars.

With all these different types of energy, our requirements under Kyoto have focused our thinking. Although they're all nice, you also have to see how much production and reduction of greenhouse gases each type of energy leads to and what the potential of using it in Canada is. On a perfect economic basis, a lot of these, of course, would not be the first choice of someone. So you have to see what the difference is. How much involvement does the government have to make to achieve so much greenhouse gas? How much do you have to make to make that a good economic purchase by a citizen or a company?

One of the factors in our thinking involves the types of efficiencies it can lead to. Where are we going to be able to achieve our greenhouse gases, what types of fuels are readily available, and what types of geologies are readily available for carbon sequestration? We look at all those areas. In some areas, such as southern Ontario, there's very limited opportunity, for instance, for carbon sequestration because of the geology. In Alberta there are some massive areas possible, and also the production of oil through that....

These are a number of the factors considered. On how the department strategically determines among energy forms for development, I'll leave that to George.

• (1710)

**Mr. George Anderson:** It's a bit of art and a bit of science, I think, and maybe a touch of politics on occasion.

When we look across at the biggest level, the government typically wants something of a balanced portfolio, so there are supply side issues and demand side. We found, on the demand side, in terms of energy efficiency, that there's a lot there. Mr. Bagnell was just talking about areas in which normal economics wouldn't do it, but that's actually been an area where we found the economics to be quite strong, where we can take interventions and there's a very high cost-benefit ratio, even in conventional economics.

For many programs now with climate change what we do is a kind of cost-per-tonne analysis. We have an actual formula for how you assess cost per tonne over time. It gives us some extra weight to the period from 2008 to 2012. We report on a regular basis to Treasury Board on how those programs are doing.

But if you actually look at the whole suite of programs the government has brought in, not all of them are driven by the issue of short-term emissions reductions. There's also longer-term technology. There's bringing technologies into the market. There are other environmental factors. In some cases it may be that we have a promising Canadian technology that we want to give some particular attention to. That's where the art comes in a little bit.

We have procedures. We go to ministers on a regular basis to get their guidance on their priorities. When we do that, we provide these extra elements of analysis in terms of cost per tonne, underlying economics, industrial dimensions, etc.

Once you get into the particular program, it can be quite formulaic, so that with the opportunities envelop, which we've been running with the provinces, we actually developed criteria for the proposals they were bringing forward. Their proposals are measured against their cost sharing, cost per tonne, and those kinds of things, and the best ones win.

Similarly, with the ethanol plants, we put out a formula for how we were going to assess proposals, and the best ones win. There's a fair bit of that type of competitive structuring of programs, once you get inside the programs, to make the best use of our dollars.

**Hon. Larry Bagnell:** One of the innovative things about the Kyoto plan is that we're not making all the decisions. We're putting these funds out, the partnership fund, the clean fund, for citizens and organizations and provincial and territorial governments to come up with the projects.

So we're actually being supportive. Where they have the creativity and the innovation, we'll support their initiatives as long as they produce, as George says, sufficient reductions in greenhouse gases.

**Hon. Jerry Pickard:** I'm well aware of that. We have this push-pull all the time now between remaining competitive on the one side and supplying reasonable energy as cleanly and efficiently as possible. I guess, on my balance, no one factor can dictate all we're doing. So I would have thought there would be a set of variables that you would work on to say that we would go with hydroelectric power in a certain area because it's efficient, it's clean, and it will work, but in another area we may not be able to use it.

We could talk like that about almost every energy sector, but how do you put your resources there? Maybe it's too complicated a question to answer in a small meeting like this, but I'm baffled at how it's done.

**Mr. George Anderson:** I have just one final comment to make, if I may. At the end of the day, we're not trying to determine where all the investments are made in the Canadian energy sector, and I'm sure you're not suggesting that. We have relatively limited departmental or governmental resources that we can spend. We're coming in very much on the margins of the energy economy, so when we're trying to drive technology development, or the introduction of some technologies, or provide incentives to lower demand through energy efficiency, we're very much playing through the instruments we have.

Some of the time we have regulatory instruments such as with appliances, vehicles—quasi regulatory in that case—or housing, so we can come in and have those types of impacts. As you'll remember in the budget, there were also quite a few environmental taxes—almost \$300 million worth—so some of it gets structured that way. You learn from experience.

• (1715)

**The Chair:** Is there anything else, Jerry?

**Hon. Jerry Pickard:** I take it that fostering the best practices where they can is their goal in the areas you wish to go.

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

Larry.

**Hon. Larry Bagnell:** I'd like to make one other comment.

When you talked about the competitiveness of industries, you're right. But one of the reasons why government has to be involved is the cost of not doing these things to society as a whole, the cost in health care, disease, these types of things, and, of course all the other costs of climate change. No one individually can do that. The government has to do that. By having a plan, we're making these savings in other areas.

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

It looks like the last words are to Werner.

**Mr. Werner Schmidt:** Thank you very much, Mr. Chairman.

Thank you very much for being here this afternoon.

I don't think we have enough time for you to answer all of my questions, but I think we'll be able to get to some of them. There were two comments that were throwaway comments that I thought were reflective of a deeper thing that's going on here.

One of them was, Mr. Bagnell, you said something like, we will regulate, and that has to do with the pipelines. At the same time you have to have the cost of not doing some of these things, and you said that about a minute ago. I cannot help but apply both of those statements to the pipeline issue. I have to admit that I'm somewhat disappointed this afternoon that there isn't a clear priority as to the Mackenzie Valley pipeline going ahead and doing everything possible to get it done. You have pretty clear indications by the players involved, and I'm sure you're only too well aware, probably as aware of anyone in this room right now, of the complicated issues that are involved, and also the speed with which some of those must be resolved.

I suppose you could argue that they don't have to ever be resolved. This isn't a new problem. It's at least 30 years old. Yet the effect that constructing either one of those pipelines, but particularly the Mackenzie Valley pipeline, will have on the Canadian economy is very far-reaching. It involves a host of skilled workers and not-so-skilled workers. It has social and economic benefits for the northern part of Canada. It has a tremendous impact on the steel industry in Canada. And this is not only because of all the workers employed in that area but because of the financial implications involved. It's also significant because of the variety of resource industries that are involved and because of the implications this will have to the development of the Athabasca tar sands.

You're very aware of that, but somehow there doesn't seem to be an urgency to this thing. We're told that we have a window of about six months, maybe 12 months, maybe 18 months, at the very outside. Why then isn't there an urgency?

**Hon. Larry Bagnell:** I basically agree with everything you said, with the exception of your contention that there's not an urgency, and I'd be happy to discuss it later so you can get your other questions in. Having lived in the north, I know it's very complex.

**Mr. Werner Schmidt:** I know it's complex.

**Hon. Larry Bagnell:** To get a project like this through is very complex because of two things.

First of all, you have an environmental regime that was carefully developed over years in conjunction with land claims. So you have a legislative environmental system that's in place that whoever does the development in the north has to go through. It's been put in there by the people of Canada and the people of the region and the first nations. It's taken years of negotiations. It's very well thought out and maybe somewhat complicated. You have to go through those systems.

**Mr. Werner Schmidt:** I know all that, and so do a lot of these people here.

The question is, what has to be resolved now in order to get it to move ahead? We know some of that stuff has happened. We know that some of this has been resolved. Is it really true that Imperial Oil—we know that's true—says we're not going to do any further development on this right now until certain things have developed? And I understand the premier is in Ottawa today to deal with the \$100 million request from the federal government. Is that the stumbling block?

• (1720)

**Hon. Larry Bagnell:** There are at least two stumbling blocks. When you do a big project like this, you sign local benefit agreements with the governments along the line. In this case, the first nations governments who will get local socio-economic benefits out of a pipeline negotiate agreements with producers. One of the stumbling blocks is that the producers and the communities have not come to an agreement. Imperial is saying, on behalf of the other producer-owners, that the first nations are asking too much. The Government of Canada has tried to help out. They are trying to see whether some of what the first nations are demanding might be provided by the territorial government. This way Imperial wouldn't have to pay for it, and the two sides might come to terms.

The second stumbling block is that three of the areas of the first part of the pipeline come under first nations land claims agreements. So there is certainty there. In the last portion of the pipeline, where the Deh Cho reside, no agreement has been signed. So there's not a certain legal, socio-economic, and governmental regime there to make it easy for the pipeline to go through. When you're negotiating such an item, the federal government and the first nations are the legal parties. But the territorial government has an interest as well. It's a complex situation. None of the three governments can tell the other governments what to do. You have to have reasonableness on all sides, and you have to come to an agreement.

I know the federal government has been doing everything it can. We've put renewed effort into our negotiations with the Deh Cho. In every area where we have a role to play, we've been doing our best to fulfil it. It's a complex situation and we don't control all the decisions.

**Mr. Werner Schmidt:** I appreciate that.

Are you speeding up your involvement?

**Hon. Larry Bagnell:** We're enhancing our resources.

**Mr. George Anderson:** We have an ad hoc group of ministers who meet. It's not formally a cabinet committee, but it functions like one in many ways. It's under the chairmanship of the Deputy Prime Minister, and it's dedicated to the issue of northern pipelines. This was undertaken in response to the need to coordinate all these

different elements. It has been bird-dogging all of these issues—the regulatory regime, the claims, the access and benefits agreements, the relations with the territorial government. We've also put in place a new coordinating office.

There has been progress made recently, including the statement over the weekend. We've also put forward, through our claims negotiator, a comprehensive offer to the Deh Cho that we hope will prove the basis for fruitful discussions and perhaps even an agreement. There is a big push by the federal government on these matters. We don't control all the elements, and we're not always the source of the difficulties.

**Mr. Werner Schmidt:** I'm not trying to get you to control something you can't control. That's not the issue. Are you moving ahead as rapidly as you can? That's the issue. The exigencies of the moment are such that the players involved should do whatever they can to resolve this. I'm not convinced that you're doing everything you can to move it as rapidly as possible. Are you?

**Hon. Larry Bagnell:** If you could give me some other actions to take, it would be high on our priorities.

**Mr. Werner Schmidt:** Just give me your opinion.

**Hon. Larry Bagnell:** In my opinion, there are very few items for which we have a special cabinet committee. It's meeting frequently.

**Mr. Werner Schmidt:** That's good.

My other question has to do with the budgeting—the estimates and the process. Mr. Bagnell, you indicated that there was some confusion in reconciling the two sets of numbers. I agree. There seems to be an irrational relation between what happens in the budgeting process and what happens in the estimates that come forward from the department. How do the minister and the deputy minister make sense of this? How do they control the expenditures, so that it's a clear and transparent situation, so that we actually know where the money is going?

• (1725)

**Hon. Larry Bagnell:** I may have George answer when I finish. I wasn't saying I couldn't reconcile them; all I was saying was that it's confusing. Yes, it's confusing when you have the estimates and they don't include the budget. I guess that's the way it has to be because the estimates come out first, but you need the two documents because you've got the estimates.... We had a perfect example today. It was wind energy; Serge brought it up. It looked like we were spending almost no money, but that's just what was left. We're putting in a huge amount, but it's not in the estimates because it's in the budget.

I guess unless we can change the system we work in, we're going to have to work with those two documents so people understand exactly what's being committed.

**Mr. George Anderson:** Essentially, for internal purposes, we try to have our best sense of what's in the budget, what's been approved for supplementary estimates—and there is more than one set of supplementaries, as you know. As we get cabinet approval for things, we integrate them into our budget.

We are sometimes a little careful about committing ourselves if something hasn't been through Parliament and needs authority, and that's the situation at the moment. But we typically have a consolidated account of what is in the budget and what we are expecting, having gotten the authority on supplementary estimates. But we will gauge our spending and our rate of spending depending on where Parliament is.

**Mr. Werner Schmidt:** Okay. I have one final question. This is very specific. It has to do with budget overruns. I'll just use one specific example. It happened when we had Atomic Energy of Canada before us. I noticed in their annual report that they have something like \$100 million—a little more—of parliamentary appropriation, but you actually spend about \$178 million. I'd like to know where the \$78 million comes from.

**Hon. Larry Bagnell:** Well, they're also a revenue generator.

**Mr. Werner Schmidt:** No, no. This was \$78 million of parliamentary money that came in; it wasn't the revenue part. They had \$100 million, and then they said no, we actually got \$178

million from the government. So where does that roughly \$78 million come from?

**Hon. Larry Bagnell:** Well, that was 2003-04. There was \$102 million for R and D and \$30 million for rust out, which made \$132 million in the main estimates. Then in the supplementary estimates there was another \$46 million for the advanced CANDU reactor. So that adds up to \$178 million. So it was the supplementary.

**The Chair:** There were good questions all around the table. Thank you very much. I want to thank the parliamentary secretary and Mr. Anderson and Mr. Tobin and the officials who accompanied them for helping us today.

Colleagues, with your indulgence, the clerk will ask each of the parties for their amendments to C-37 to share with the other members of the committee tomorrow, by e-mail. So the amendments of one party on C-37 will be shared with the others at the table.

With that, we are adjourned, and thank you all.

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