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## Standing Committee on Natural Resources

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EVIDENCE

**Thursday, May 11, 2006**

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**Chair**

**Mr. Lee Richardson**



## Standing Committee on Natural Resources

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• (1105)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):**  
With the witnesses present, let us be under way.

The plan today is to hear from the Department of Natural Resources Canada for initial comments for perhaps half an hour, then go to questions. If you could keep your questions until after the initial presentation, there will probably be a bit longer to answer any concerns you might have.

We were thinking of going to about 12:30 p.m. with the witnesses, excuse them, then go in camera to discuss agenda items.

There is also a request from a hybrid vehicle company to the environment committee and this committee to do a test drive around Parliament Hill. I told them we needed more notice, but they happen to be in town for an environmental conference. So I will leave it to the members, if they're able to pull it off. We're working now at getting them on the Hill, or not. I'm thinking about a quarter to one. If people want to go downstairs and get a ride up to the Centre Block or somewhere, they can show you this vehicle for 15 minutes. But we'll know more about that as the meeting progresses. I wanted to say this may be something...and to make it available at your discretion, because of the short notice.

Let me first introduce Dick Fadden, the Deputy Minister of Natural Resources Canada, Howard Brown, and Frank Des Rosiers.

Perhaps I could turn it over now to you, Dick. You may introduce yourself and your colleagues a little more, and proceed with your presentation.

**Mr. Richard Fadden (Deputy Minister, Department of Natural Resources):** Thank you, Mr. Chairman.

Just to identify in more detail my colleagues, Howard Brown is assistant deputy minister of energy policy, energy being quite a significant part of the department's work; and Frank Des Rosiers is director general of strategic policy.

As the chair said, what I'd like to do is take you through a relatively short deck, which tries to explain what NRCan does, what its mandate is, how we mesh with the provinces, and also give you a bit of a sense of the important issues we're working on over the course of the next weeks, months, and years.

I believe you have the deck in front of you. I won't repeat the statistics on page 3, except to say something you already probably know, and that is the financial importance of the natural resources

sector is significant. It's 13% of GDP, and it contributes some \$93 billion to Canada's trade surplus.

I'd like to leave you with two thoughts about the natural resources sector. One is that despite popular myths, this sector is a highly technical and advanced sector. You do not have people going into the woods with an axe on their shoulders cutting down trees. You have highly sophisticated equipment, computer runs. Similarly, the mines and the energy sector is a very sophisticated modern part of the economy, and one that is more productive than many other parts of the economy.

On the next page, I just want to emphasize the importance of growth in this sector over the course of the next little while. Canada has more megaprojects going on in this sector over the next few years than we've had for a very long time. In the oil sands of Alberta alone, over \$100 billion in investments are projected in the next 10 years. You'll see similar figures here relating to oil and gas, hydroelectricity, and mining. Similar investments off the east coast relate to the offshore and a variety of others. One of the real challenges we have in dealing with these megaprojects is rising costs: the rising value of the Canadian dollar and rising costs generally. But probably the most important challenge for this sector right now is a lack of manpower. Despite movements across the country, in particular from the Maritimes to Alberta, there are real shortages in some parts of the industry, and it's being suggested that if we do not find a way to increase the manpower available to this part of the economy, it is going to slow down development. I think if you have before you in the months and weeks ahead representatives of the various trade associations, they'll confirm this. It's becoming a very, very significant challenge, being able to find the men and women who are necessary to keep this economy going.

I thought I would talk a little bit about the federal and the provincial roles relating to natural resources. You'll be aware, Mr. Chairman, that the provinces own and are constitutionally responsible for the natural resources within their borders. The federal government, on the other hand, has a variety of jurisdictional points that I think are quite important, and these form the basis for natural resources intervention in natural resources—obviously jurisdiction over crown lands, the north, offshore, all nuclear matters, a responsibility for interprovincial and international issues, science and technology, and the not insignificant regulatory power of the federal government, which is used to regulate the environment and other things of that nature.

The way we describe this is that the corollary to respecting the Constitution on this issue is respecting the Constitution. There are two sides to the coin. There's a very legitimate basis for the provinces' jurisdiction in their ownership, but the federal government also has a wide range of authorities and responsibilities to deal with natural resources. I think it's fair to say that by and large NRCan's relations with the provinces and the territories are quite good. We believe that by and large we supplement what they do and that the role of the federal government in this area is welcome.

Having said that, I think it's fair to note that large numbers of other federal departments have a significant impact on the natural resources sector. Environment and DFO, the Department of Fisheries and Oceans, in particular have a significant regulatory role in mines and forestry and in the energy area. And I may as well tell you, because all our stakeholders will tell you, regulatory reform is one of the major desires of most of the stakeholders who operate in this area. It's also one of my minister's priorities while he is in the portfolio. It's also something the department has been working on over the last couple of years.

• (1110)

But as you will be aware more generally, regulatory reform is very difficult because of the clash between a number of departments that are involved and stakeholders on both sides of the equation. Every time you want to make a regulation more effective, you have stakeholders who are concerned about the substantive objective of the regulation arguing that you're diluting that. So dealing with overlap, duplication, timeframes, and whatnot is a significant issue for the minister and for the industry.

On page 6 we describe the department as a multi-purpose department. Traditionally, it's described as a science and technology department, but I don't think that captures what NRCan does. We do have a significant science and technology capacity. We have I think world class laboratories in mining, in forestry, and in industry, and in many instances we share these facilities and work with the private sector. In some cases we do work for the private sector as well as with it. We also deliver a large array of programs, particularly in the energy policy area and the energy efficiency area, but also in a significant number of other areas.

We also undertake a variety of public good activities. The department is responsible for regulating explosives in Canada and we are the ones who issue permits for the use of explosives. The department has a national system of warning sites for earthquakes and tsunamis. So we have a couple of direct involvements in the management of natural disasters. And we provide a lot of basic geoscience for the economy. This is the kind of science that is needed in order to be able to assist industry to focus its research when it's looking for new mines. A lot of that is provided at one level before the interest of particular companies.

We also believe we have an important economic policy role. That indeed is the role, we think, of the government, which is to develop policies, and our science and technology, our programs, and our public good activities are in support of the government's economic policy activities. We do this through a variety of means: promoting, regulations, and things of that nature.

I think one of the other aspects of NRCan that we'd like to emphasize is that we believe very strongly, as does the minister, that the work activities within the natural resources sector have to be undertaken while balancing economic, social, environmental, and security of supply objectives. It's another way of talking about sustainable development or responsible development. Over the years, depending upon particular preoccupations, you could have security of supply take precedence, or you could have economic activities take precedence, but we believe that one of the things this sector needs to do in a systematic and organized way, helped by the federal government, is to consciously say that decisions in this area are a balance of these four objectives and not with one predominating.

You have a bit of a snapshot on page 7 of the department's location across the country. We have about 4,500 employees across the country. You'll see here we have a variety of sites, virtually in every province and territory. We have a budget of about \$1.4 billion, of which about \$800 million is transfer payments of one sort or the other.

What I thought I would do now is talk a little bit about some of the issues that are occupying the minister and the department over the course of the weeks and months ahead by just going through them very quickly.

You'll be aware of the importance that everyone is attaching to climate change, and we're working with Environment Canada to develop a somewhat new approach to reducing greenhouse gases and dealing with these issues, while at the same time contributing to the development of clean air and clean water objectives.

Pipelines: there are two really major ones on the drawing board, one being Mackenzie, the other being Alaska. We provide the public service support to Minister Prentice as the minister responsible for pipelines in respect of Alaska, and we work very closely with Indian and Northern Affairs in dealing with Mackenzie.

On the offshore, there is a request from the Province of British Columbia to allow for the lifting of the federal moratorium on offshore oil and gas. We're talking to the province about that, the issue there being, of course, that there's far from unanimity in British Columbia as to whether or not this is a desirable thing. Also, there are significant first nations issues that need to be resolved before I think ministers will be in a position to make a decision.

• (1115)

On geoscience, this relates to what I was mentioning a little while ago, that while Canada has a relatively large number of well functioning and fully functioning mines, many of them are approaching depletion. If the mining industry is going to remain vibrant over the course of the next few decades, new mines will have to be discovered. This is the role of geoscience—to map in particular the northern part of the country, so that the companies involved will be able to use more precision in trying to find new mines. It's also an area in which we need to develop new science and technologies to allow for deep mining. Many of the mines that are becoming depleted have resources beneath the level that now can be mined. We have a range of technological efforts under way to assist the companies to be able to do that.

On softwood lumber, you'll be aware that working with Industry Canada brought a resolution of this issue with the United States some time ago. To address a variety of issues for the forestry industry, the government is making available a package that is something on the order of \$400 million over two years. We're working with Industry Canada and other colleagues in the government to try to come up with a range of proposals for ministers. These would involve worker and community adjustment, but would also—and, we think, very importantly—aid in assisting and encouraging the industry to restructure, because there are parts of the industry that we believe really do need to be restructured if they're going to be economically viable. Also, part of these moneys is to fight the mountain pine beetle in British Columbia.

The other issues that I mention on page 3 are somewhat broader and of a longer term, but we need to work on how the natural resources sector is regulated. I've talked about some of the issues there. We need to find another way to promote innovation and skills, to make available the human resources that are necessary to help the industry continue to develop. There are significant issues in dealing with first nations with respect to the three subsectors that I'm talking about. Just about all of the megaprojects we're talking about, and all of the mines and forestry developments, are on lands on which there are either claims or potential claims by first nations. It is a significant challenge for these companies to deal with the legitimate and constitutionalized rights of first nations, so we're working with our colleagues in Indian Affairs and elsewhere to try to help in that respect.

I've already talked a little bit about effective regulation. We're trying to facilitate, to the extent that we can, coordination among a variety of agencies within the Government of Canada to make sure we reduce duplication to the extent we can. NRCan itself is not really a regulatory department—except that, as I said earlier, we regulate explosives—but there are two significant regulatory agencies that report to Parliament through the minister. They are the National Energy Board and the Canadian Nuclear Safety Commission. They have very significant regulatory roles. They work increasingly closely with the Canadian Environmental Assessment Agency; we're trying to promote even more coordination there, because one of the great frustrations of industry is that we have two or more regulatory agencies appearing on scene whenever new developments are under way. In particular we're promoting, as much as we can, the principle of substitution, whereby one agency would substitute for another in carrying out regulatory functions—for example, the National Energy Board would carry out the CEAA's functions, so that we wouldn't have two federal agencies dealing with the same stakeholders.

The other area in which we believe we're going to have to spend a great deal more time, money, and effort is fresh water. In fact, I hope personally that the committee can find some time to work on water, because it's an issue that spans a large number of departments. We still don't have enough information about water in Canada, I think, to develop a rational policy. NRCan would be able to contribute a great deal, because we have basically the technical and the scientific capacity to map the aquifers throughout Canada.

The one I skipped on page 9 was the issue of energy R and D. Whether you're talking about greenhouse gases, clean air, or clean

water, we very firmly believe that the solution is in research and development and in new technology. It's entirely fair that industry be asked to contribute to the development of new technologies, but the government is in a position to encourage this, both by using the tax system and other incentives and by using its own existing laboratories to push the development of new technologies.

● (1120)

If, for example, we're going to solve the greenhouse gas problem in this country and the world, we're going to have to do it through technology. I don't think there's any other way. I think that will be one of the areas the government will want to advance as it brings forward its policies in the months ahead.

I'll conclude by saying that, as you will be aware perhaps better than I am, commodity prices right now in Canada are high. They're very good, except for some parts of the forestry industry that are really having a tough time. Both base metals and precious metals are doing very well. The oil patch is making a great deal of money. We need to organize this growth and work with the province to do this so that this can continue into the future.

I think the other thing we have to do is plan for the day when this will not necessarily be the case. To take the forestry industry as an example, if the United States' economy slows down significantly, it would affect the forestry industry very quickly. I think we need to work with the industry and with the provinces to try to come up with ways of dealing with that sort of thing.

I think over the course of the next five to ten years, decisions that governments at all levels will make will have a significant impact on how successful development will be in these three areas. There is extraordinary potential, particularly in the energy sector. Canada could, I think, legitimately claim to be an energy superpower. We need to make sure that continues. We provide a significant amount of the United States' energy needs, and we could potentially do so for other countries around the world, but we have to do so in a way that develops those resources in a responsible way and in a way that complements and does not trip over the efforts of the provinces.

Over the course of the next year or two, the government is going to face a number of quite significant decisions in this area. There are a number of energy megaprojects—the two pipelines that I was talking about; the offshore moratorium in B.C. will be lifted; there are significant development issues relating to forestry; and, of course, climate change. NRCan, to the extent that it can, is dedicated to supporting the minister and the government in working through potential solutions for these problems.

I've tried to give you a bit of a snapshot of what we do and how we do it. I consciously did it fairly briefly because I've always been told when I appear before parliamentary committees that their main objective in life is not to listen to public servants talk. So I've kept it as short as I could, but I would be glad to answer any questions you might have.

In terms of understanding the department at a greater level of detail, I would really commend these blue books to you: the performance report and the report on plans and priorities. They outline in some considerable detail what this and all other departments do, they reflect our plans for the year ahead, and they report after that year on what we've been able to accomplish.

Thank you, Mr. Chairman.

• (1125)

**The Chair:** Thank you.

That was just way too fast. You know it better than I do, so it's easier for you.

We had two documents distributed. The second one, then, is just more detailed.

**Mr. Richard Fadden:** That's correct.

**The Chair:** Okay.

Thank you for that. That was a great start. Among other things, it demonstrates just how much we have to learn.

We'll get under way with rounds of questions.

In terms of witnesses appearing, this is a little different from the format we have established. We were going to have 10 minutes and then a round of talks, but obviously we're off that format today.

It's really just an opportunity to do exactly what you said committees don't want to do. We do want to pick your brain. We want to know what your department does. So we want to take the time to do that adequately and respond to the members so that their questions are answered to the extent that you can today.

I note that you have a couple of other officials from the department with you. If you expect that they may be involved in responding, they're welcome. We have a couple of extra chairs at the table. Perhaps you would like to bring them forward and introduce them before we start, and then I'll go with the questions.

Are Dr. Tobin and Ms. Buckley here?

**Mr. Richard Fadden:** Yes.

Carol Buckley is from our energy technology policy sector, and Richard Tobin is the assistant deputy minister of the corporate management sector and he worries about things such as finance, personnel, and technology.

**The Chair:** I'm sure we'll have questions for both of you. Thank you as well for coming.

With that, unless there are any general comments right off the bat, I think we'll just proceed to questions in the order and in the manner that we discussed the other day, and that would be starting with Mr. McGuinty. I think we'll just do it on a five-minute basis, if you'd like to go that way, and that way we can alternate and get everybody involved in the first round.

We'll start with Mr. McGuinty and then perhaps go to Mr. Cardin and Ms. Bell, and then we'll go over to the Conservative side here.

With that, if that's agreeable to everybody, I'd like to start the questioning with Mr. McGuinty.

**Mr. David McGuinty (Ottawa South, Lib.):** Thank you.

Good morning, ladies and gentlemen. Thank you for coming.

Mr. Fadden, I'd like to go back to a couple of comments you made about the purpose of the department. You are, I understand, the only department with enabling legislation that speaks directly to the concept of sustainable development. It is part of the preamble sections of the act that creates your department, and as such I always assumed NRCan was supposed to be almost a demonstration project for other line departments.

I appreciated your comments about the interdepartmental differences and challenges you face, as well as the multi-stakeholder competing challenges you face with some of the decisions you mentioned earlier, for example, continuing energy megaprojects, the B.C. moratorium, the pipeline, climate change. And I note, just in passing, that in your identification of future unprecedented opportunities for growth there is no reference to nuclear.

But I want to go to the heart of something that has been troubling me and that might help us, as a committee, understand where we should focus our priorities, our energy, and our limited resources. I don't know how the government intends to proceed with respect to the Kyoto Protocol. I don't think any of us really know at this stage. It is a new government, and in fairness, it's probably trying to figure out what it wants to do. The Minister of the Environment is attending a meeting in Bonn in just over a week. As a member of Parliament, I don't know who's in charge of the climate change file. Is it your minister? Is it the Minister of the Environment? Is it the Prime Minister? Is it cabinet collectively?

Our government had a cabinet committee for sustainable development, four or five ministers coming together to try to reflect the notion of sustainable development and its implementation. That's no longer the case. That may be rebooted, I don't know.

But the question I have for you that would be interesting for us I think to decide where we should focus is along the following lines. We have a North American energy working group. We've had it for several years now. I've tracked its work very closely. The Prime Minister was in Mexico with the American President and the Mexican President recently. They spoke about energy security, energy markets, but they didn't utter the words "greenhouse gases" once, not in official communiqués, not in speeches, not in questions taken from reporters.

What is the situation right now with respect to the new government, your department, and the Kyoto Protocol? And you mentioned a North American accord on greenhouse gases. What is the lay of the land right now? Where are we going and who's in charge?

•(1130)

**The Chair:** Mr. McGuinty, if I could interject before Mr. Fadden responds—and I'm not going to take this time from your questions, David—it's my intention and my hope that we would have the minister appear here probably as early as next week, and I must admit I was a little taken aback by the drift of your question at the moment. My sense of this meeting was that it was really going to be an information kind of a meeting for the department officials, not getting into government policy. That kind of question seems to me to be something that certainly the minister would be prepared to respond to, but I just wanted to lay that out for you. You're certainly entitled to ask any question you want and to the extent that he can, the deputy's able to respond. But in terms of policy direction, new direction, it's all pretty new for all of us here, and some of that might be more appropriate for the minister when he comes, David. I just want to say that.

I don't want to put you on the spot here, witnesses. When I invited you I may have misled you to suggest that you were just going to provide general information on the department and background for members and not get into political or partisan policy matters at this point quite yet.

Sorry, David, I've interrupted you and I'm not taking that off your time, but I just wanted to leave that out.

**Mr. Richard Fadden:** I appreciate that, Mr. Chairman. I was probably able to answer part of Mr. McGuinty's question, because I do think some parts of it are better answered by the minister.

To start with the simplest part, it's very clear that the Prime Minister has indicated that Ms. Ambrose as Minister of the Environment has the lead on Kyoto, on greenhouse gases, on climate change—whatever characterization you want to give to it—but the government has also made it very clear that this is not a problem for Environment alone. If you look at Mr. Lunn's ministry, over 50% of greenhouse gases are generated by the natural resources sector. So he certainly has a significant role in coming up with a solution.

One of the messages I have gotten from the minister is that we need to work very closely, arguably closer than we have, with Environment Canada to come up with a package of proposals for the government.

In terms of where we're heading, I don't think I can answer that except to say that the government has made it very clear that it wants to develop what I think they call a made in Canada plan to deal with greenhouse gases. We're trying to develop a variety of proposals from within NRCan to assist that. My understanding is it would be the government's intention to deal with this early in the autumn, although the minister might be able to confirm that.

**Mr. David McGuinty:** Let me ask this way.

Would it be important for this committee to examine the implications of a potential shift away from obligations and commitments under Kyoto to something new? Leaving aside any politics, and, Mr. Chairman, I completely accept and respect your caution on that—I don't want to ask you political questions that are in the realm of the ministers and cabinet and so on—should we be

focusing our energies, then, as a committee on examining what the implications of that shift might be?

•(1135)

**Mr. Richard Fadden:** I think the beginning of the shift, if I can put it that way, Mr. Chairman, is the view of the government that without a significant downturn in the economy, or really significant—in the billions of dollars—investment, it would be impossible for the Government of Canada to meet its Kyoto commitments within the timeframe. I think both my minister and Ms. Ambrose have said that.

What we're trying to do for ministers is develop a range of policies and options that will still lead absolutely in the same direction your government did when you were in power, which is a reduction in greenhouse gases. I think what ministers need to come to grips with is the timeframe and exactly how they want to do it.

It's not really for me to say whether it's a good thing or a bad thing for you to examine it. My preference would be that ministers be given an opportunity to develop a view before the committee really launches into it, but that of course is for you to decide.

There are a variety of existing programs that are being continued for the time being that help on the greenhouse gases front. Even if you just read the literature generally, there are a variety of other things that could be done, some that might even have been contemplated by your government and some new ones that will be proposed to ministers.

I'm not trying to be cute in not answering your question. It's just that it's very difficult for me to talk before the committee about what I talk about with my minister. But I do want to say, and Mr. Lunn asked me to say this, that he is absolutely committed to the idea of assisting Canada to reach its greenhouse gas reduction goals. What we're talking about is not whether, but how and under what timeframe.

**Mr. David McGuinty:** Finally, then, Mr. Fadden, with respect to the needs you identified.... You talked about water, and you particularly mentioned aquifer mapping. The hydro-geology behind water is something we're not really good at yet in this country; we haven't done a lot of it. Then you mentioned regulatory reform. We did have a two-year panel on smart regulation, with a series of very profound recommendations for change, including some in the area of sustainable development. You mentioned becoming an energy superpower.

But I want to focus on something else that I call ecological fiscal reform. Would it be useful for this committee to examine the tax treatment and the spending priorities of the government with respect to energy projects? For example, the NDP regularly raise the notion that there's a \$1.2 billion subsidy. I'm not sure exactly what they're talking about. I think they're referring to the investment tax credit for fossil fuel investment, in the oil sands particularly—an ITC that is not, for example, offered in the north but is offered in the oil sands specifically, in a hundred-billion-dollar project.

Is this ecological fiscal reform concept something the committee ought to be looking at? Does it have legs? Is it going to be important to help us shift to reduce greenhouse gases?

**Mr. Richard Fadden:** I actually think it would be, Mr. Chairman, in part because I think there are a lot of misconceptions about this. You implied that in your question.

For example, a lot of people are of the view that the federal government shouldn't spend any money on helping the oil sands develop. But I think it escapes many people that the federal treasury benefits more from the oil sands than does the Alberta treasury. Just adding this kind of information—the consequences of tax changes and things of that nature—would be very useful.

Having said that, I have a large number of colleagues in the Department of Finance who will beat me about the head if I don't remind you that tax policy is the responsibility of Mr. Flaherty and of the finance committee. But having said that, in the context of natural resources, it's something, I think, that is not particularly well understood. If the committee decides to go there, we would certainly be willing to help to the extent that we can in moving forward on that front.

**The Chair:** That's great.

Thank you, David.

I'd like to move now to Mr. Cardin.

[*Translation*]

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

Ladies and gentlemen, welcome to the committee. You will probably be regular guests, since the committee is now entirely dedicated to natural resources.

“Creating a sustainable resource future for Canadians”... Clearly, most natural resources are not renewable, most notably in the mining and oil sectors. As for forests, it is possible to renew this form of energy. From the point of view of developing renewable resources, I would like to know how you apply the concept of “sustainable resources” to the oil and mining sectors.

● (1140)

**Mr. Richard Fadden:** Thank you, Mr. Chairman.

Generally speaking, the department has adopted Ms. Brundtland's definition. You no doubt remember the Brundtland Commission which was created several years ago and which was a major United Nations commission. The commission proposed a definition whereby, when resources such as energy are used, it is not necessary to renew this type of energy in particular, but to ensure that, through science, technology or research, a substitute resource is available in the future. That is really the definition we use.

Several private sector organizations and organizations within civil society believe that we should always be able to replace what is being used in the same subsector. For our part, we believe that the definition of the Brundtland Commission has a more reasonable application, since it refers to the constant renewal of a resource, but not necessarily of the same resource.

**Mr. Serge Cardin:** You said a little earlier that as far as the use of non-renewable energy is concerned, natural resources were respon-

sible for over 50 per cent of greenhouse gases. As for fossil fuels, which also emit a significant quantity of greenhouse gases, their sustainable exploitation and use should make them secondary energy sources, which would considerably increase their life span and their accessibility, don't you think?

The natural resource budget is \$1.1 billion.

**Mr. Richard Fadden:** Yes.

**Mr. Serge Cardin:** And the natural resources industry employs 45,000 people?

**Mr. Richard Fadden:** No, it's 4,500. But I sure wish it was 45,000.

**Mr. Serge Cardin:** As you know, the knowledge sector is important today. One has to be able to create, to innovate and to invent different means to make up for shortfalls. What part of your global budget is spent on the research and development of renewable sources of energy?

**Mr. Richard Fadden:** I personally don't know and I don't know if one my colleagues has those numbers. If not, we will get them to you within a day or two.

**Mr. Serge Cardin:** It would be interesting to find out how much of the budget is spent on research and development per sector.

**Mr. Richard Fadden:** Yes.

**Mr. Serge Cardin:** It would be interesting to find out how the research and development budget is broken down by sector, including sectors we want to protect and sectors which produce more greenhouse gases.

**Mr. Richard Fadden:** We will send that information to the clerk.

**Mr. Frank Des Rosiers (Director General, Strategic Policy Branch, Department of Natural Resources):** We only have general data on the research as a whole, since we do not have a breakdown of expenses for renewable sources of energy. About two-thirds of the department's budgetary envelope is spent on science and technology. Of the 4,500 employees, about 3,000 are researchers. So that represents a significant part of the department's activities.

**Mr. Serge Cardin:** A little earlier you referred to a performance report. Part of the report must deal with the performance of the researchers, right?

● (1145)

**Mr. Richard Fadden:** Yes.

**Mr. Serge Cardin:** So the information is contained in the report and if it is clear and easy to consult, we can refer to it. Are there any other publications which can give us a fairly clear image of the situation? There are a lot of documents and there's a lot of information, but it's not always easy to find what you're looking for quickly.

**Mr. Richard Fadden:** I will send you some information.

**Mr. Serge Cardin:** Given the policy on climate change of the new party in power, some natural resources programs were cut. This is probably indicated in the performance report.

Your main responsibility is to advise ministers. I don't want you to get involved in politics, but in your opinion, were the existing programs truly ineffective?



**Mr. Richard Fadden:** That's a good question, Mr. Chairman. I would like to go back in time a little bit to answer it.

Over the years, we ended up with about 120 programs on energy security, energy effectiveness and climate change. Over the last year, and under the chairmanship of Treasury Board, the former government reviewed these programs, and it was based on that report that the new government took decisions.

I don't have the exact numbers, but I believe that 97 of the 120 programs were extended by one year to allow the government to establish its policy on climate change and energy. We got rid of some of these programs because they had either reached their objectives or because they were not as effective as they should have been.

However, of the 120 programs, about 95 were extended by one year, which will give the government time to develop a policy and to decide which programs should be abolished, extended, increased or reduced.

**Mr. Serge Cardin:** Do I have any time left, Mr. Chairman?

[*English*]

**The Chair:** Excuse me, do you mind me cutting in? I'm going to give you another minute.

Were those simply NRCan programs, or were the 120 NRCan and environment programs?

**Mr. Richard Fadden:** Mr. Chair, the 120 I was referring to were programs throughout the government that dealt with climate change. To be honest, most of them were NRCan; I don't remember the exact breakdown.

But my general point was that about 95 of the 120 have been given bridge funding for a year to enable the government to make some policy decisions.

**The Chair:** Thank you.

Two minutes.

[*Translation*]

**Mr. Serge Cardin:** A little earlier, you made a distinction between different areas of jurisdiction. The new government has committed itself to respecting these areas of jurisdiction and we expect it to keep its word.

You talked about the atmosphere, of the air and water with regard to climate change and the environment. How would you share jurisdiction for water, if that is at all possible?

**Mr. Richard Fadden:** That's an excellent question, Mr. Chairman.

Water is more or less included in the same category as all other natural resources. Water belongs — if I may use this expression — to the provinces. However, when water flows over a provincial or international border, the federal government also has jurisdiction under the Navigable Waters Protection Act and the International Boundary Waters Treaty Act.

The provinces basically have jurisdiction. But if the water flows over a border, the federal government is also involved. It also has jurisdiction to apply regulations under the Criminal Code.

Until now, federal-provincial relations with regard to the management of water have always been very good. There is excellent cooperation between the Quebec, Ontario and federal governments with regard to the St. Lawrence River.

In our opinion, it is not as important to know who is responsible as it is to agree on realistic management objectives for Canada's waters.

**Mr. Serge Cardin:** So the federal government does have jurisdiction over the navigable waterway which is the St. Lawrence River. Is its jurisdiction limited to the navigable surface, or does it also include the area under the water? In the case of the St. Lawrence River, there may be oil and gas reserves which could be an object of contention.

**Mr. Richard Fadden:** As far as internal waters are concerned, the ground underneath falls under provincial jurisdiction. Extraterritorial waters fall under federal jurisdiction. Internal waters, such as the St. Lawrence River, fall under a provincial jurisdiction.

**Mr. Serge Cardin:** It's a matter of defining where the limits are.  
● (1150)

**Mr. Richard Fadden:** That's correct.

**Mr. Serge Cardin:** You probably won't have time to go into detail about the subject I will raise, but I hope that someone else may come back to it.

Before the new government was elected, energy policy was debated for a while. However, the committee did not have a lot of time to discuss this area, whether within Canada and the provinces or as far as the United States was concerned. How far along are negotiations, and what is our direction. What is our policy on water management, since water is an essential resource and not only a natural resource?

[*English*]

**The Chair:** Excuse me, Mr. Fadden. We can get to that in the next round, if you want to hold the response. We went a little over the time limit.

I'm sorry, Monsieur Cardin, that I didn't give you adequate warning of the time limit. But we can get back to that in the second round, if that's all right with you.

[*Translation*]

**Mr. Serge Cardin:** I simply wanted to put out the message.

[*English*]

**The Chair:** Ms. Bell.

**Ms. Catherine Bell (Vancouver Island North, NDP):** Thank you.

Thank you for your presentation. I'm very interested to learn of your commitment to environmental sustainability. I think it's an important goal that we all share.

Some of my questions have been asked, especially by Monsieur Cardin, but I wanted to explore the offshore oil and gas a little more, especially in regard to the west coast. You mentioned that the provincial government is asking for a lifting of the moratorium. Where is the industry at on that? You talked about a timeframe, and I know there are some significant issues. What do you see as a timeframe for that?

On the softwood issue and the \$400 million allocation, I understand that's Canada-wide, over two years. How much of that is dedicated to the issue of the pine beetle? That's my second question.

With regard to water, I have a question on that as well. I think I'll follow up on the issue, because what I wanted to know was this. What does the department see for the future with regard to water? You talked about mapping the aquifers and finding out what we have. I think I'll continue on with Monsieur Cardin's question on how you see water as a resource.

I think I'll leave it at that because I have a very short time.

**Mr. Richard Fadden:** Okay. Thank you.

In respect of B.C. offshore, I think it's the general view of the industry, in particular given commodity prices these days, that there is a potential resource off the coast of B.C. and that it would be desirable to be able to access it, initially for exploratory purposes. I don't think many of them would say they know enough about the geology of the offshore to say they're going to develop it tomorrow, but I think what they want to be able to do is start exploration. It's fair to say it has not been an absolute priority for the industry, but they're interested in doing it.

We've been discussing timeframes with B.C. for some time now, and part of the difficulty is that this is a very sensitive issue in British Columbia, as you will appreciate. A large number of people believe this is the worst thing that could possibly happen. There are significant first nations issues. I'm not a politician, but I have some difficulty imagining an issue like this being dealt with during an electoral period or when governments have minorities. To be able to move the file forward, there's a need for a lot of consultation with the Government of British Columbia, with civil society in B.C., and with first nations, so I would be really just picking a number out of the air if I told you that I thought it was a year or two or three.

We also believe that before the government considers lifting the moratorium, there's a little bit more scientific work to be done in terms of the impact of exploratory drilling on fish stocks and a couple of other things like that, so we're talking now about a potential scientific program to allow ministers to have a better fact base on which to make an ultimate decision.

I wish I could give you a date, but I don't want to give you one and not have it. It will be some time, I think, before ministers will be in a position to make a decision.

I will turn to the pine beetle and the \$400 million. If I recall correctly, some \$200 million is to be allocated for the pine beetle. The allocation of the remaining \$200 million is still to be determined between worker and community adjustment on the one hand and restructuring on the other. We're trying to develop a package right now with other departments around town to give to ministers. The truthful answer there is that I think ministers will be wanting to make an announcement as soon as they can.

On water, I think NRCan believes there's a need in Canada for a national water framework or policy that takes into account the jurisdiction of the provinces, but that is also fact based. We very strongly believe we don't have enough information about water right

now for either the provinces or the federal government to make a rational policy decision.

To give you an example, we have 7% of the fresh water in the world in Canada, but 70% of it drains north, and there's nobody up north compared to the south. Already southern Alberta and southern B.C. are undergoing droughts in certain periods, so we think that before governments are in a position to take policy decisions here, we have to significantly increase the fact base. In particular, we do not have enough information and knowledge about underwater aquifers; we hope we might be able to contribute to the policy debate by providing some information on that front.

• (1155)

**Ms. Catherine Bell:** Do I have any time left?

**The Vice-Chair (Mr. David McGuinty (Ottawa South, Lib.)):** You have roughly three minutes.

**Ms. Catherine Bell:** Three minutes. That was pretty—

**Mr. Richard Fadden:** I'm speaking far too quickly.

**Ms. Catherine Bell:** Maybe you could explore that a little further.

Let's see, do I have another? Oh, I know.

You talked about many of the programs that are continuing and some new ones that will be introduced. Could you give us anything about what you've explored so far that you think would be programs you might introduce, or describe which direction we're heading in? Or is that...?

**Mr. Richard Fadden:** Mr. Chairman, I wish I could, but I think there's a custom of the House that when we're developing proposals for ministers, we do not discuss those proposals, so I apologize, but I really can't. It would perhaps be a question better directed to the minister.

**Ms. Catherine Bell:** Fair enough. That means I still have two minutes.

New, emerging technologies and new energy sources are one of the things I would like to explore a little further, and how you see this subject. I think research and development is where we're headed. Will there be a significant allocation of resources to that and a continuation of those programs? I think those are important, and we want to make sure those are the ways we reduce our greenhouse gas emissions.

**Mr. Richard Fadden:** The relatively short answer to that, Mr. Chairman, is that if you're going to reduce greenhouse gases, there are fundamentally two ways of doing it. You can take the way we use fossil fuels now and "clean them up", to use the vernacular; there's a whole bunch of research and development that can be used to do that. The other way is to reduce the dependence on fossil fuels by using renewable resources—solar, wind, tidal, biomass, nuclear. Mr. McGuinty mentioned that I didn't mention nuclear, but we think nuclear is a very important part of this package.

It certainly would be the view of the department, and I think Mr. Lunn would agree, that we have to do both. We have to work on cleaning up the use of fossil fuels, but also to significantly encourage the use of renewable resources. That again is part of that package that I was talking about that I can't talk about. Quite consciously, we are moving on both fronts, and I hope Mr. Lunn might be able to talk to you about it.

**The Chair:** Thank you very much, and you're right on time.

Mr. Trost.

**Mr. Bradley Trost (Saskatoon—Humboldt, CPC):** Thank you ever so much.

I have just a few questions. I'm trying to get a bit of an idea of where to go in the future on questions, so these may be very broad, and you may not be able to answer.

I'm a little bit curious, on energy policy, how much has been developed and what's going forward. I know you can't speak on specific things for the minister, but I would be curious to know, having questioned the previous minister in the previous government, or the stand-in minister, just how far advanced you are, as far as recommendations for the minister are concerned, in developing a national energy framework—we won't say "national energy policy," but national energy framework—or something of that accord.

It's as to what level of development—and I know you can't be broad, but with as much detail as you could give—you have reached with recommendations to the minister.

● (1200)

**Mr. Richard Fadden:** I think it's fair to say we're relatively advanced. The department has been doing some work on this for some time now. As is the tradition, we slowed down during the electoral campaign: we didn't consult, and things of that nature. But we have had some consultations with principal stakeholders and we've tried to give the provinces a very general idea of where we're going. We've talked to the minister about it in general terms, and he not unreasonably wants a detailed briefing and wants to develop a sense of whether the new government wants to shift some components of it.

I'm looking at Mr. Brown, who knows more about it than I do, but I think it's fair to say that some time during this calendar year we would certainly be ready to give the minister or ministers a package.

Is that fair?

**Mr. Bradley Trost:** What would be the breadth? We're talking here about the demand side; we're talking about every last industry—everything from LNG to wind to biomass to oil to gas. Are we talking about a total, comprehensive package here?

**Mr. Richard Fadden:** The way we're hoping it will be accepted is to start by the articulation of a number of principles—the open market principle, the respect for provincial jurisdictions, the focused use of federal power and federal money, the use of the sustainable or responsible development principle—and then start working our way through what I call modules. You have a nuclear module, an LNG module, a renewable fuels module.

I think what is to be decided, though, is the level of detail the ministers will be comfortable with. Unless this is a very lengthy

document, it will provide parameters, for example, for the development of a renewable fuels policy or a nuclear policy. The idea, though, I think, would be to articulate principles and then provide a framework for the further development of modules dealing with subsectors.

The basic idea of this, as I'm sure you know, Mr. Chairman, is to try to provide for industry, but also for civil society, a measure of certainty, so that they have some idea of the basic policies of the government as the government moves forward over the years ahead.

**Mr. Bradley Trost:** I take it we're also looking and comparing. Other countries—France and Germany, for example, who are neighbours—are doing things in a very different manner.

Because the United States is one of our major markets, I'm assuming that's part of the component. Are we also looking at how we could export, exploit, or whatever? Is that very much a part of the package?

**Mr. Richard Fadden:** Yes.

**Mr. Bradley Trost:** I will swing over to a completely different topic. I'm a geophysicist by trade, so I'm very curious as to the situation on the Geological Survey of Canada. I'm a little concerned that their human resources may be a little lacking.

If you're not from the industry, you don't understand how long it takes to mature a really good geologist and geoscientist. I was wondering if there might be any comments on what could be done to improve the strength. Are there projects going forward, such as a cooperative mining strategy?

**Mr. Richard Fadden:** I think you've put your finger on a significant problem, not only for the geological survey but for most of the scientific components of the government.

As you know, there's this demographic bulge moving through the public service and society generally, and we are in fact worried about what will happen over the course of the next couple of years when people start retiring.

We're trying to develop a program to deal with these issues. NRCan, for example, has what's called a scientist emeritus program in which we have a couple of scientists who are over 80 years of age. They stay on after their retirement and continue to work in return for an office, a computer, and a lab.

That's one way we're trying to deal with keeping people on who have a lot of knowledge, but we're going to have to come up with other devices, as is the public service generally, because at some point we really are going to face a significant problem with retirements.

In terms of more detailed programs, I apologize, I just don't have it on the top of my head. We'd be more than happy to make other officials available if you'd like a more detailed briefing.

● (1205)

**Mr. Bradley Trost:** I very much appreciate that.

Mr. Chairman, to help with time, I'll yield whatever time I have left to Mr. Paradis.

**The Chair:** It's about four or five minutes.

[*Translation*]

**Mr. Christian Paradis (Mégantic—L'Érable, CPC):** A little earlier, it was said that the solution to reducing greenhouse gases lay in part with technology. How can this technology be useful? In practical terms, what type of technology is the department thinking of adopting to solve this problem and what does it generally want to accomplish?

**Mr. Richard Fadden:** It's difficult to give a detailed answer. I will try to give you a more general one.

Greenhouse gases are essentially caused by carbon dioxide, or CO<sub>2</sub>. The energy sector produces more CO<sub>2</sub> than any other sector of society. We believe that the best way to solve the problem is to develop systems which could capture CO<sub>2</sub> and store it. The technology to do this already exists, but the government and the private sector must invest more to develop it further.

The greatest progress we could achieve would be to basically capture and store the CO<sub>2</sub> produced by the energy sector.

**Mr. Christian Paradis:** Fine.

It was said a little earlier that it might be a good idea for the committee to study the issue of fresh water. I personally care a great deal about this issue. Solutions were proposed in answer to questions raised by Ms. Bell. I would like to know how far this file has progressed. Has the previous government taken any measures at all or are we still at the starting gate?

**Mr. Richard Fadden:** Mr. Chairman, the public service has certainly conducted inter-departmental studies over these past few years. For our part, we have certainly kept our minister informed, but we were still not ready to produce a major coordinated and integrated report. We did work on this file, as did the departments of Fisheries and Oceans and of the Environment.

I don't know if my colleague, who is more familiar with the water file, would like to add a few words.

**Mr. Frank Des Rosiers:** This is one of the best files because we are not starting from scratch since the expertise is already out there.

It is fair to acknowledge that over the last 10 or 15 years, efforts and intentions in this area have decreased on both the scientific and political levels. More recently, following trends we observed in the Prairies in particular, with agriculture and recurring droughts in British Columbia and Ontario, as the deputy minister mentioned a little earlier, we've noticed that people are becoming more interested and more concerned again about this issue.

There is an obvious relationship with climate change. As temperatures rise, evaporation and drought occur. This situation in turn triggers all kinds of unknown factors which really didn't exist even 20 years ago, not only in public awareness but also among experts. The last time the federal government studied that matter was at the end of the 1980s with the Pearse Commission. But since then, there have been relatively few federal initiatives.

The provinces have made various efforts. We noted that this was the case for Quebec, Ontario and British Columbia. Today, Alberta is very interested in this area and is in touch with the resources sector, and in particular with stakeholders in the oil sands. But more can be done.

I would like to mention in passing that the Senate committee chaired by Mr. Banks published a report on this very subject last winter. So there is a basis from which you could build.

[*English*]

**The Chair:** Thank you.

We did kind of go over a little bit because I interrupted Mr. McGuinty at the start, and it got to about nine or ten minutes for that first round.

I'm going to try to get back to five minutes for this round, Roy. That was the standard procedure. We're not going to get everybody in if we don't do it that way.

So you can begin, for five minutes.

**Hon. Roy Cullen (Etobicoke North, Lib.):** I was just told we had nine minutes, but nonetheless, thank you, Mr. Chair.

Thank you, Mr. Fadden and all your officials, for coming here on short notice.

I have a question about the economic mandate of the department, which I want to come back to, but we're having a debate in the House today on greenhouse gases, and unfortunately in the debate I think everyone is sort of saying everyone else has to do their bit, but it's not in my backyard.

We heard evidence yesterday in regard to the transportation sector. Of course, we know they're a huge contributor to greenhouse gases, but we also know large emitters are very much a part of that issue as well.

In terms of the oil sands, we've heard a lot about carbon sequestration and also about the recycling of water, that the oil sands use huge amounts of water. I've been around long enough to know it takes time to develop technologies. It takes time to implement technologies. It takes time to make sure they're commercially and technically viable. So while I have great hope that technology is going to deal with some of these aspects—the sequestration of carbon and the recycling of water—in particular in the context of the oil sands, I'm wondering if Ms. Buckley, or Mr. Fadden or whoever, could comment on the state of the technology and where we're at in the cycle in terms of putting those technologies into play.

● (1210)

**Mr. Richard Fadden:** I'll just comment on water, because I'd like to use a marketing ploy, if I could.

I was out at our lab in Devon, Alberta, the other day. Some of you may know that, traditionally, to produce one barrel of bitumen out of the oil sands, you have to use five gallons of water. We have a lab in Devon that has been working with industry. It used to be four to five gallons, and we now have it down from four gallons to three. So we've significantly reduced the use of water already. They're now working on trying to reduce it by another factor of 20%.

I think the bottom line is that the basic science is there, but the way to make it operational is what's going to take some time.

But the marketing effort I wanted to make with you and the chair is that, as you move to understand the department, I would really urge you to visit some of our labs. They will give you a very practical understanding, and if you do that, being able to talk with our stakeholders on whether we're doing a good thing or a bad thing might help the deliberations of the committee.

On water, for example, some efforts have been made. We have had results, and we need to do some more.

I wonder if I can defer to either Mr. Brown or Ms. Buckley.

**Mr. Howard Brown (Assistant Deputy Minister, Energy Policy Sector, Department of Natural Resources):** Ms. Buckley may very well have things she wants to add because she's a little bit closer to the actual work that we're doing at Natural Resources Canada, but I just want to comment in a general kind of a way.

There has been huge technological progress in the oil sands since Suncor started up 30 or 40 years ago. The original cost to produce a barrel of oil was something in the order of \$40 and now it's down to around \$20. A large part of that has come through being more energy efficient. This is kind of a continual improvement, and we have seen ongoing efficiency improvements in the oil sands.

I think there are some exciting prospects coming up. Some of the companies planning new plants, for example, are planning to not use natural gas, which is one of those non-renewable resources that Mr. Cardin was referring to; they're going to gasify the junk that's left over. That's really quite exciting as a way of expanding our available supply of energy.

I think it's fair to say that we in Natural Resources Canada, and people in industry, all see carbon dioxide capture and storage as an absolutely essential technology. We'll need to develop this over the years to come if we're going to make the exploitation of the oil sands environmentally sustainable. We're not there yet. You can capture CO<sub>2</sub>, but it's quite costly to do it. I think bringing that cost down should be a real priority for us.

**Ms. Carol Buckley (Director General, Special Projects, Energy, Technology and Programs Sector, Department of Natural Resources):** I have nothing to add, thanks.

**Hon. Roy Cullen:** Thank you.

In the meantime, we have the oil sands production more than doubling in the next few years. So I think we all have some challenges to deal with this issue.

One thing our government believes in is that everybody, including citizens, has to get involved in greenhouse gas reduction. Energy efficiency is a good part of that.

I'm not trying to put you on the spot, because I appreciate that these could be political decisions, but we've heard a lot about the 50-cent dollar with the retrofit program—I think it's the EnerGuide for Housing. I'd like to understand it better. For example, there are 50-cent dollars if it's administration or there's an audit component. I mean, if you're going to retrofit your home, there has to be a program validating that these are actually going to achieve energy efficiency and that there are actual expenditures. I think every taxpayer would understand that.

I think the bigger question, and that's what we haven't heard so much about, is whether the EnerGuide program actually produces results in terms of increasing our energy efficiency. Is it good value for the dollar? Whether there's an audit component or not, it's an interesting discussion.

I wonder if you could comment on that. What part of the 50¢ that has been in the public domain was administration and what part was audit? Did the program achieve results in terms of energy efficiency?

• (1215)

**Mr. Richard Fadden:** Mr. Chairman, I'd just like to take the division of the dollar element and then ask Ms. Buckley if she could take the effectiveness part.

When Mr. Lunn talked about this recently, he said that 50% is on administration. By that he meant the actual part on administration, departmental expenditures, is about 12%. The 12% to the 50% was on the audit and the post-audit. What he was trying to convey was a sense of what was actually spent on people putting in new windows or whatnot, and that was the 50%. The way it's broken down is that the department spends 12% of the dollar, then there's the audit and post-audit, and then the actual amount spent on reconstruction.

**Hon. Roy Cullen:** In terms of bang for the buck, any comment?

**Ms. Carol Buckley:** Sure. We've been delivering the program since 1998, and we have a certain number of audits that we've put into place. This program, along with the other programs that the deputy minister mentioned earlier, was reviewed by the Government of Canada in the previous government's climate change review that was started last summer. The department submitted information about how the program was operating with respect to its objectives, its partnerships, co-benefits, and so forth. That was part of a process that was run by the central agencies.

So we submitted to that evaluation of effectiveness. We didn't run that evaluation of effectiveness, and I can't really speak to it. You would have to direct your questions to the members of the central agencies—I apologize for that—who ran that review. What we can say is that we ran the program and we knew how many audits we delivered—I believe it's 230,000 since 1998—which represents, as the deputy pointed out, a portion of the money that was spent on the program. The other portions of the dollars were spent on the incentive and the technical and administration requirements.

The government may indeed feel that there are more effective instruments to use. I can speak to having had a certain delivery of it and an assessment of it, but I can't really take you any further.

**Hon. Roy Cullen:** Thank you. I suspect my time is up.

I suspect part of the challenge—we had that when we were in government—is comparing the resources put into these programs and the kind of output you get in terms of results versus others. I think that's the fundamental question.

Thank you for the clarification around the 50¢.

**The Chair:** Thank you, Mr. Cullen.

Mr. Ouellet.

[*Translation*]

**Mr. Christian Ouellet (Brome—Missisquoi, BQ):** Thank you, Mr. Chairman.

I would like to come back to an issue my colleague raised, namely sustainable resources. I am very familiar with the Brundtland Report. Don't you find it a bit embarrassing to qualify all these resources as being "sustainable"? All the resources mentioned in the report — oil, natural gas, uranium and coal — are non-renewable resources.

Why don't you distinguish between sustainable resources and non-renewable resources? This distinction would help allocate research funding.

You say that the solution lies in technology. However, are your technology budgets based on profitability or on the quantity of CO<sub>2</sub> which will be avoided? If it is the latter, let's start with solar energy and types of energy which produce absolutely no CO<sub>2</sub>.

I was surprised to learn that only about two-thirds of the funding is spent on renewable sources of energy. It has to be embarrassing to continue to develop oil and gas — especially because of the extreme profitability of these types of energy — but even more so to spend money on research in these areas when everyone knows perfectly well that this will only contribute to increasing greenhouse gases. Even if we save that two gallons of water to produce one barrel of oil, the fact remains that we will be emitting even more greenhouse gases.

Therefore, I would like to know why you made those choices and whether you have conducted in-depth studies on liquid gas ports.

I would like to come back to the excellent question on the EnerGuide. A building cannot be considered as another form of investment to reduce CO<sub>2</sub>, because a building requires a very long-term investment and, generally speaking, the recovery period is always too short for the investment to be profitable.

Is it possible that someone told the minister that the recovery period would be very short and that he in turn responded that this type of investment was not profitable?

•(1220)

**Mr. Richard Fadden:** Mr. Chairman, I'd like to address the basic question, which is how we determine which areas we will concentrate on.

I agree with you that there are several ways of doing this. However, the key factor is the almost absolute international and scientific consensus, which states that in the near future, the bulk of our planet's energy will still come from hydrocarbons. We have to work more on solar energy and tidal energy, for instance, but no one can imagine a future without hydrocarbons.

In our view, even if these sectors are extremely profitable right now, their current and future impact on society, on the environment and the economy is so significant that everyone has to do their share.

We are indeed focusing our efforts and money on new sources of energy, but we're also spending a lot of energy on fossil fuel research, because we cannot imagine a future without this type of energy. I cannot give you the breakdown right now, but in answering your colleague's question, we can try to tell you how we intend to achieve this. The basic reason is that we cannot imagine a future without hydrocarbons, and our laboratories and colleagues are focusing a great deal of their attention on how to make hydrocarbons a cleaner source of energy.

**Mr. Christian Ouellet:** I would like to ask you a few questions about geothermics. You talked about an international consensus. I agree with the fact that geothermics is not an option for every country. But I'm sure you'll agree with me that in Canada, the potential for geothermic energy is extraordinary. Our country is a natural for harnessing this type of energy — and very few are — and it is a magnificent opportunity for Canada.

We know that there is more energy in the ground than in all other types of energy, and that geothermics allow for thermal retrofitting. Parliament and all government offices could be powered by this type of energy throughout Canada, though perhaps less in Vancouver.

So why don't we invest huge amounts of money in geothermics? I feel that this type of energy is the way of the future. We may not completely eliminate greenhouse gases, but we could reduce them by at least 75 per cent.

**Mr. Richard Fadden:** It's impossible to give a definitive answer to that question. Have we invested in geothermic research? Yes. Do we have programs which partially promote it? Yes. Why have governments over the years not invested more in geothermics? I think it's due to history and to market conditions. It's a combination of all these elements.

I agree with your basic principle that this type of energy has potential. It's certainly a message we will remember and I will convey it to Mr. Lang.

[*English*]

**The Chair:** Thank you, Mr. Fadden, and thank you, Mr. Ouellet, for your views.

We have gone over our time, and before I go to the format we discussed—we'll be going over to the Conservatives—we have some changes this morning. I'm just going to take a moment to suggest that we're probably not going to have time to get to the discussion on agenda items today. In fact, we were going to have 15 minutes to talk about future meetings and setting agenda items—and I've only received a few.

I was thinking that on Tuesday we might have the Energy Dialogue Group or one of the others start. They had agreed to come on Thursday, but now we find that question period is going to be switched to 11:15 next Thursday, a week from today. So if the committee is agreeable, we might just cancel the meeting on Thursday, because I'm sure some of you would like to be at question period rather than here.

I'm trying to plan ahead here and finish this day. Maybe we'll just let you people continue asking questions until 12:45. Then we'll try to do this hybrid bus thing outside. We will defer questions of the agenda until Tuesday next week. I'd just ask everybody to submit any ideas on which witnesses they want to hear from, and all that stuff, over the weekend. Then we'll just gather that all up and do it together. There's no sense in having the clerk or me sort it all out. Let's all do it together on Tuesday, and we'll look at the agenda.

Then we have the break week. We could come back after that and start with witnesses at the end of the month. I really wanted to bring that up now for clerical reasons, and I won't hold you back any further. We can continue that discussion 10 minutes from now.

We're going to let Mr. Harris ask his question.

●(1225)

**Mr. Richard Harris (Cariboo—Prince George, CPC):** Thanks, Mr. Chairman, Mr. Fadden, and ladies and gentlemen.

Coming from central B.C., my question is going to be about forest pests, as you can imagine. There's a broad consensus that back in the very late eighties and early nineties, when the pine beetle was first discovered in Tweedsmuir Park, had the government of the day acted in a more prudent rather than political fashion and done some controlled burning and selective clear-cutting, perhaps we wouldn't have the disaster we have on our hands now. I suppose there were some provincial regulations, and they may have had the power to make some discretionary decisions back then.

My question is about the national parks. A little more than a year ago, this little bug was discovered. It had reached the western side of Banff and Jasper National Parks, and of course now it's up in the Whitecourt area. But my question is about the national parks. What government regulations are in place? If there is a forest pest outbreak in a national park, do the government departments have the discretionary power to go in there and take whatever steps they deem necessary, even if that involves clear-cutting or controlled burns, to try to destroy a pest?

**Mr. Richard Fadden:** Mr. Chair, I think the short answer is yes. If you'll allow me to back up just a second to give an element of explanation on that, you're right when you say that to some degree, years and years ago you might have been able to do things somewhat differently.

But it goes back again to the issue of the division of responsibility. Until quite recently, domestic or indigenous bugs were thought to be the responsibility of the provinces, and bugs with passports were the responsibility of the federal government.

I think this was a bit of the problem in the sense that we had this relatively artificial division, and it complicated life. I think that division is now being dealt with more effectively; the department is now working on the development of a national pest policy to try to deal with some of these issues.

The difficulty, of course, is that in the context of the national parks it's the responsibility of Parks Canada, and they have a very strong mandate of preservation. I would venture to suggest that if you had the head of Parks Canada here they would argue that they would try to do almost anything rather than destroy the forest. But technically speaking, I do believe they would have the authority to do it.

●(1230)

**Mr. Richard Harris:** Okay.

Now you have the Pacific Forestry Centre out in Victoria, which of course is a federal institution. At one time they used to do—I guess they call it—flyover pest observance, and I think in the early nineties the province decided to opt out of that. I don't know whether they got the money instead, but apparently there was no further flyover pest observance, to my knowledge.

In developing a national pest strategy, a forest strategy, does that mean the federal government is going to become a more equal partner in the control of forest pest outbreaks in the provinces and we'll have a larger role to play than what they've had in the last few years?

**Mr. Richard Fadden:** It's hard to say how ministers will decide, but I think that's certainly one of the options we'll be giving them. Some of the indigenous pests, in particular the one you're talking about, are now spreading beyond the boundaries of one province, and as soon as that happens, there's an easier federal role. I think you can rationalize quite easily that it makes some sense to involve yourself before it spreads across the border, thereby avoiding an issue.

I think one of the options we'll put forward is that—whoever has the lead—there has to be more coordination between the province and the federal government much earlier in the process.

I'm not trying to avoid your question; it's just that we haven't got quite that far yet.

**Mr. Richard Harris:** I understand.

I'll pass my remaining time on to my colleague.

**The Chair:** We'll try to get two more in.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** I'll take just a couple of minutes.

Thank you, Mr. Chair, and thank you, everybody, for attending.

I just have a couple of questions.

My riding is in eastern Canada. We don't have a big critical mass there, and it's dominated by agriculture and forestry. There are couple of areas that I want to push down on.

I certainly support your prudent review of programs, because I think any strategy on emissions that does not take into account particulate emissions and other health issues is missing something. So I hope that will be in the future policy initiatives.

I do see in your document that there's not much talk about agriculture and integration. As we go forward in the next couple of years—10 years, 15 years—I see agriculture as being a big contributor to our energy policy and diversification.

What are your thoughts on that?

**Mr. Richard Fadden:** The bottom line is that we agree with you entirely.

I wonder if I could ask my colleague to comment in more detail. For example, we are working on an ethanol standard; the Minister of Environment is doing that. We are spending some time, money, and effort on biofuels.

Carol, are you able to address that?

**Ms. Carol Buckley:** Mr. Chair, currently we have a number of activities in two areas where we're supporting research and program activities to further the supply of renewable fuels such as ethanol, as the deputy has mentioned, and biodiesel for applications in commercial trucking and other uses.

Our activities currently take the form of research and development to try to determine which feedstocks are the lowest cost, and get out the technical bugs, if you will. Sometimes bugs come in ways other than in the forest; they come in the use of new emerging fuels and how they interact with the technologies we need to use them in.

We also have activities that are closer to the market where we're working with the transportation sectors, truckers, and the makers of the technologies to try to determine how best these new fuels can be integrated into real life. That's further to market take-up and deeper penetration in the marketplace than the research and development activities.

So we really have activities going on in two streams, and I think they will probably continue into the future, although I don't want to prejudice where ministers will decide how moneys will be allocated. But there's definitely activity under way.

**Mr. Howard Brown:** If I could add a word, it's not just agriculture that we see as a potential feedstock, but also the forest industry, if we get cellulosic ethanol working.

**Mr. Mike Allen:** Do you see that there will be provision for programs specifically targeting small market areas, so we don't become, as we were in the past in eastern Canada, an exporter of people and everything else, without the value-added side? I'm interested in that as well.

• (1235)

**Ms. Carol Buckley:** I won't say I can resolve your question or answer it fully at this time. But as we proceed in determining how we make these fuels available and how to equip them in the marketplace, we are very conscious of the fact that not all regions of the country have the same access to developing these fields or using them. We want to work very closely with the provincial and territorial governments in terms of any move we take forward. Your concerns about being in a smaller market, wanting to have your share, and be properly served, without the negative impact of whatever policy comes through, is something we're definitely concerned about and keeping an eye on. I can't tell you that we have the solution at this point in time; it's fairly early days in the development of this policy.

**Mr. Mike Allen:** We talked about forestry and the \$400 million. I want to pick up on one of the points Catherine made. One comment was that there is going to be certain targeted innovation, if you will, in certain segments of the industry. Can you give me an idea as to which areas of that industry...? Would the forest industry be targeted first, from an innovation standpoint?

**Mr. Richard Fadden:** That's a difficult question.

To the extent that we can, what we want to try to promote is restructuring those parts of the industry that are really suffering right now from economic hardship. To a considerable degree, these are very small and old plants, largely in Quebec and Ontario, to be honest, but also elsewhere. The idea would be to try to provide industry additional incentives to rationalize. We don't know quite what form these will take yet, but the idea would be to promote measures through direct grants, tax incentives, or whatnot to encourage rationalization and modernization, so they can compete more effectively than now. I know that's a general answer and I apologize, but I don't have more.

**Mr. Mike Allen:** I appreciate your candour.

Thank you, Mr. Chair.

**The Chair:** Thank you for the good answers.

To wrap up, I am going to go now to Mr. St. Amand.

**Mr. Lloyd St. Amand (Brant, Lib.):** Thank you, Mr. Chair.

Thank you, Mr. Fadden and other members of the panel, for your cogent presentations.

I have a main question with respect to first nations. But prior to that, I understand some 20% of the energy efficiency programs have been cut. Is it the case that those programs have not yet been replaced, or there have been no new programs since January 23?

**Mr. Richard Fadden:** Mr. Chairman, it's correct to say that there have been no new programs. But to go back to what I said earlier, some 95 to 97 of the 120 programs in my review have been given bridge financing for one more year to enable the government to decide its policy direction.

**Mr. Lloyd St. Amand:** I understand. That's why I refer to 20% being....

With respect to first nations, my riding of Brant in southwestern Ontario is adjacent to the riding of Haldimand—Norfolk, in which the town of Caledonia is located. Of course, that's a bit of a buzzword these days for a blockade, occupation, reclamation—call it what you will—by Six Nations of the Grand River. The disenchantment felt by our first nations peoples with the tardiness in resolving their land claim disputes is no longer simmering, it has boiled over. Everything I hear on the ground is to the effect that the blockade or the occupation is very portable, and it may surface somewhere else in Canada next.

I wondered how aggressively is NRCan, with the Department of Indian and Northern Affairs Canada, dealing with the resolution of land claims, so that any potential development of land in Saskatchewan and Alberta is not going to be scuttled by a similar occupation.



**Mr. Richard Fadden:** That's quite the question, Mr. Chairman. First, I want to be clear: it really is an Indian Affairs lead. What we've been trying to do whenever there has been the potential for development is to organize the federal government in a way that consultations can take place early and effectively. Just to give you an example, for the Gateway pipeline project in British Columbia and Alberta, the department is organizing a crown consultation unit to organize and structure consultations with first nations. We've done this with the Mackenzie Valley pipeline, along with Indian and Northern Affairs. I think, though, one of the key elements of all of this is that initiating the consultations is the primary responsibility of the company seeking to do development, and I agree with you entirely that the federal crown has a responsibility to encourage and assist the process.

We probably don't have enough money to do as much as we'd like to do on this front, because a lot of the megaprojects have significant impacts on first nations, and it's a very specialized skill and very time consuming. We're a bit thin, but we're doing the best we can. Again, it's a bit of an inadequate answer, and I apologize for that, but it's an area where we think we have to find a way of spending more energy and time, because I think you're right, it is amazing what can be stopped if we don't have these effective consultations.

• (1240)

**Mr. Lloyd St. Amand:** Just one final question, through you, Mr. Chair, to the panel. Page 10 of your deck refers to the potential of Canada to be a global leader in responsible natural resource development. The first point you made in the deck is that natural resources sectors are a major driver of economic growth, etc., "including Aboriginal peoples, rural Canada, and the North". With respect to aboriginal peoples, are you speaking primarily, or even exclusively, about Saskatchewan and Alberta with their oil and gas deposits, or is there any expectation or hope for development among aboriginal peoples in northern Ontario?

**Mr. Richard Fadden:** I think there is that prospect, Mr. Chairman. There's no doubt that on any projects relating to natural resources, we're trying to encourage, to the extent possible, aboriginal people benefiting as much as possible. For example, we do have the first nations model forest plan, which is available across the country. Off the top of my head, I don't remember if there are any in northern Ontario, but it's certainly a potential. It's been quite successful in training first nations in entrepreneurship in the management of their own resources, and that's certainly one plan that would be available.

**The Chair:** Thank you, Mr. St. Amand.

Mr. Chan.

**Hon. Raymond Chan (Richmond, Lib.):** First, I thank Lloyd for giving me an opportunity, Mr. Chairman. Because the time is short, I will go right to the point.

You mentioned, Mr. Fadden, that 50% of greenhouse gas emissions are contributed from the natural resource sector. I think that without knowing or understanding how this increase in the greenhouse gas contribution from that sector came about, we won't be able to put our hands on the emission problem.

The question I have for you, through the chairman, is how much of that 50% contribution from the natural resource sector is from the

production of energy or fossil fuel? We would like to understand the historical trend of that increase, both in real terms and the percentage of the total GHG contribution for the last 10 years, and what is the projection for the next 10 years? I think those are very important data that we need in order to make some sensible policy decisions.

**Mr. Richard Fadden:** I wonder if I could ask that of Mr. Brown, Mr. Chairman.

**Mr. Howard Brown:** For precise numbers, I'll have to get back to you after checking with the experts. I believe about half of our total emissions come from what have been called the large final emitters, many of which are either resource industries, like oil and gas, or industries closely linked to resource industries, like coal-fired power, for example. And then about a quarter come from transportation and about a quarter from households and buildings.

On what the trends have been, I don't know. Again, we'd have to get you precise numbers and get back to you as quickly as we can.

**Mr. Richard Fadden:** Mr. Chairman, my colleague was just pointing out to me that I in fact under-evaluated the amount of resources relating to energy production and consumption. These are the last numbers that we have in final form—in 2002, 81% of our greenhouse gas emissions came from energy production or consumption. We'll try to give you some more detailed breakdowns, if you're interested, Mr. Chairman.

• (1245)

**Mr. Frank Des Rosiers:** It's on page 18 of the—

**Mr. Richard Fadden:** The larger deck. I apologize for the confusion.

**Hon. Raymond Chan:** Mr. Chairman, if I still have some time, I think the problem we face is we're trying to control emissions from industrial production for using or producing energy, but at the same time, I think it's important for us to understand how much emission is coming from the production of energy itself. I think it's important that we don't overburden our industrial sector for consumption while at the same allowing production to go unregulated, because I think that contribution maybe is going out of hand. I can't tell until we get those data.

**Mr. Richard Fadden:** I take Mr. Chan's question. We'll try to provide the information over the next few days, through the clerk.

**The Chair:** That's great. Thank you very much.

I'm sorry to rush you. That was a very good question.

You'll get that material to the clerk and we'll distribute it to the committee.

With that, we are out of time and over time. I very much appreciate your coming in and putting up with a starting committee here. It will be better the next time you come, but I very much appreciate your patience and the quality of your answers. It was just great. I hope to have you back. Thank you for coming.

I would now seek the indulgence of the committee for three quick things. We have some housekeeping matters.

First of all, you'll get a notice that the next meeting of the committee will probably be in room 362 of the East Block. We're not able to get this room every time. So we'll get a notice out that it will be room 362, East Block.

There is a motion from the clerk we didn't do the other day. This is about papers and documents. The following motion was not included in motions that were passed at Tuesday's meeting but is another suggested motion for routine business. I'm sorry I don't have it printed out, but the motion would be, then, that at the discretion of the chair, the clerk be authorized to purchase documents for the use of the committee. We need to have that.

Would someone move that?

**An hon. member:** I so move.

**The Chair:** Does everyone understand what the motion is? It's just so the clerk can buy us stuff.

(Motion agreed to [See *Minutes of Proceedings*])

• (1250)

**The Chair:** Thank you.

Finally, I'm sorry for the bit of confusion today with getting witnesses on short notice and that sort of thing, but with this change in next week's schedule, with question period being at 11:15, can I take it, then, that we would perhaps cancel the meeting scheduled for next Thursday and go to question period?

**Some hon. members:** Agreed.

**The Chair:** Okay. I don't need a motion about that. I just wanted to say it.

In the meantime, we're not sure about witnesses for Tuesday. So what I would like to do on Tuesday, with your concurrence, is to really get into the agenda for the next six weeks and perhaps into the fall.

I've asked the clerk to send a memo as early as today, and certainly you'll get it tomorrow, that will ask you for, first of all, a list of witnesses we might hear in the context of what we heard today, not so much selling their industry or point, or whatever, but providing you and me with background information. We're talking about people like the forest industry, the Energy Dialogue Group, miners and prospectors, NGOs—not to be selling a partisan or particular point of view but really just providing us with information. I'd like to do that for a couple of weeks, as we discussed previously.

I would welcome your thoughts on who we might have appear as witnesses. I see that Mr. Trost has sent one in. He wants to have some witnesses come and give us some background on greenhouse gases, energy, and the economy, concerning mining in Canada. He

has suggested the Mining Association and the Prospectors and Developers Association.

I want to get your thoughts. So whoever you want, let's get them in. The clerk will send you a memo. Let's see if we can get those to the clerk by Monday. We'll bring them all to the committee on Tuesday, and rather than have the clerk and me decide, we'll have the whole committee decide.

In addition to that, I think we may as well get into a discussion of perhaps some short-term topics. I don't think we're going to get into the big one before the end of the term, but Mr. Cullen had suggested a couple earlier. We've heard about interest in perhaps discussing softwood for a couple of meetings, getting some information on science and technology and how to fix the energy sector—that came up today. I'm just throwing these out as ideas of where we might constructively use the committee's time to get into a couple of these topics short term, before the June break.

So you'll send out a note, Mr. Clerk.

If you bring everything in, he'll compile what he gets and send it out to you so that you have it before Tuesday's meeting. But it's short notice, so if you don't get it all in, bring it on Tuesday.

Roy.

**Hon. Roy Cullen:** The idea on Tuesday, then, is that we go over the plan. But can we also fit in a witness such as the Energy Dialogue Group?

**The Chair:** I wanted to, but we can't get them. It's just too short notice. Even as the meeting was going on—I was sorry not to have heard all of the presentations today—we've been trying to line up witnesses for Tuesday. Roy, we're just not able to on this short of notice. I think we're going to have lots of room to discuss.

**Hon. Roy Cullen:** What about International Trade on the softwood lumber deal? Can we get them in on Tuesday?

**The Chair:** I think this is the conversation we're going to have Tuesday, Roy, about who we're going to have next. I don't think we're going to get any more in on Tuesday with this short notice. Sorry about that.

One final thing is this invitation we got from Azure Dynamics. Again, it's very short notice, but it's regarding the hybrid electric shuttle bus. The environment committee apparently is outside the front door of this building—the Wellington Building—right now waiting to get on this vehicle. The company wants to show you their hybrid electric shuttle bus and take ten minutes to explain what it's about. I leave that to your discretion.

If there's no further business, I will declare the meeting adjourned to the call of the chair.







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